

La Seda de Barcelona, S.A. and Subsidiary Companies

(Seda de Barcelona Group)

Consolidated annual accounts and management report

as of December 31, 2007

together with the auditors' report

S u m m a r y

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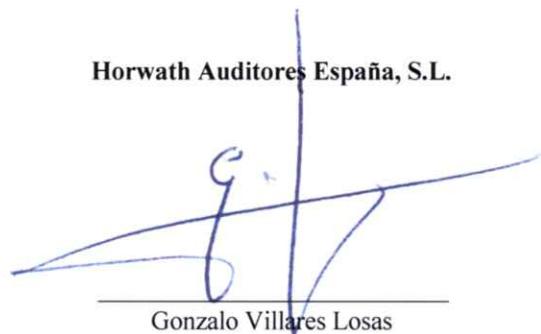
Auditors' report on the consolidated annual accounts

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

1. We have audited the consolidated annual accounts of **La Seda de Barcelona, S.A.** and the Companies that comprise the **Seda Group** (see Note 1 b of the attached report) that comprise the balance sheet as of December 31, 2007, the profit and loss account, the statement of the changes in the net assets, the cash flows statement and report relating to the financial year ended on the said date, the preparation of which is the responsibility of the Administrators of **La Seda de Barcelona, S.A.** Our responsibility is to express an opinion on the said consolidated annual accounts taken as a whole, based on the work we carried out in accordance with generally accepted auditing standards in Spain, which require the examination, by means of the performing of selective testing of the supporting evidence of the consolidated annual accounts and the assessment of their presentation, of the accounting principles applied and of the estimations made. Our work did not include the examination 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 1 b) of the attached consolidated report. The assets and net losses of the subsidiary company **SIMPE, S.p.A.** are 4.25% and 10.00%, respectively, of the related consolidated accounts. In the case of the associated company **Begreen SGPS, S.A.** its assets represent 0.31% of the said consolidated accounts and the net losses therein, which are shown under the heading "Share in the loss for the financial year in associated companies according to the equity method" of the attached profit and loss account, representing 0.94% of the loss attributable to the Group. The said annual accounts of these companies have been audited by other auditors and our audit opinion expressed in this report on the consolidated annual accounts of **La Seda de Barcelona, S.A.**, and the Companies that comprise the **Seda Group**, is based, as regards the aforementioned holdings, solely on the report of the other auditors.
2. The attached consolidated annual accounts for the financial year 2007 have been prepared by the Group by applying the International Financial Reporting Standards adopted by the European Union that generally require the consolidated annual accounts to present comparative information. In this respect, and in accordance with commercial legislation, the Administrators of **La Seda de Barcelona, S.A.** hereby present, for comparative purposes, the figures relating to the prior financial year for each of the headings of the balance sheet, the profit and loss account, the cash funds flow statement, the statement of changes in net assets and the notes to the consolidated financial statements, in addition to the consolidated figures for the 2007 financial year. The figures relating to the prior financial year differ from those contained in the consolidated annual accounts approved for that financial year, and details are provided in Note 2 b) of the differences in the attached consolidated financial statements. Our opinion solely refers to the consolidated annual accounts for the 2007 financial year. On April 6, 2007, we issued our audit report on the consolidated annual accounts for the 2006 financial year, in which we expressed an opinion with reservations.
3. In our opinion, based on our audit work and on the reports of other auditors, the attached consolidated annual accounts for the 2007 financial year in all significant aspects express a true and fair view of the assets and the financial position of the Company **La Seda de Barcelona, S.A.** and the companies that comprise the **Seda Group** as of December 31, 2007 and the profits and losses of its operations and the changes in the consolidated net assets and the consolidated cash flows relating to the financial year ended on the said date, and contain the necessary and adequate information for their proper interpretation and understanding, in accordance with the International Financial Reporting Standards approved by the European Union, which are applied on a consistent basis with those of the prior year.

4. The enclosed consolidated management report for the 2007 financial year contains the explanations that the Administrators of **La Seda de Barcelona, S.A.** have deemed pertinent on the Group's position, the progress of its business and other matters and do not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the said consolidated management report agrees with that provided in the consolidated annual accounts for the financial year 2007. Our work as auditors was limited to verifying the consolidated management report within the scope mentioned in this same paragraph and does not include a review of any information other than that obtained from the accounting records of the consolidated companies.

Horwath Auditores España, S.L.



Gonzalo Villares Losas

April 18, 2008

La Seda de Barcelona, S.A.
Consolidated balance sheet as of 31 December 2007 and 2006
(International Financial Reporting Standards adopted)
(Thousands of euros)

ASSETS		31.12.2007	31.12.2006	LIABILITIES AND NET WORTH		31.12.2007	31.12.2006
Non-current assets				Net worth			
Tangible fixed assets	(Note 5)	<u>834,428</u>	<u>527,926</u>	Capital		(Note 16.1)	<u>626,873</u>
Goodwill	(Note 7)	<u>443,394</u>	<u>115,839</u>	Other reserves		(Note 16.2)	<u>467,421</u>
Other intangible assets	(Note 8)	<u>67,551</u>	<u>70,183</u>	Accumulated profits		(Note 16.3)	<u>22,132</u>
Non-current financial assets	(Note 9)	<u>136,226</u>	<u>92,467</u>	Other net worth instruments			<u>23</u>
Investments accounted for using the shareholding method	(Note 10)	<u>10,113</u>	<u>9,869</u>	Own shares			<u>(3,145)</u>
Deferred tax assets	(Note 19.3)	<u>63,954</u>	<u>48,837</u>	Conversion differences		(Note 16.4)	<u>(14,953)</u>
		<u>1,555,666</u>	<u>865,121</u>	Interim dividends		(Note 16.5)	<u>(7,579)</u>
Current assets				Minority interests		(Note 16.6)	<u>37,813</u>
Inventories	(Note 11)	<u>264,609</u>	<u>113,362</u>				<u>16,032</u>
Trade debts and other accounts payable	(Note 12)	<u>415,411</u>	<u>406,914</u>	Non-current liabilities			<u>1,131,707</u>
Other current financial assets	(Note 13)	<u>2,827</u>	<u>23,536</u>	Issue of bonds and other negotiable securities		(Note 17)	<u>-</u>
Assets from taxes on current earnings		<u>1,034</u>	<u>414</u>	Debts with credit institutions		(Note 18.1)	<u>628,139</u>
Other current assets	(Note 14)	<u>33,027</u>	<u>22,330</u>	Other financial liabilities		(Note 18.2)	<u>3,832</u>
Cash and other equivalent liquid assets	(Note 15)	<u>69,710</u>	<u>38,200</u>	Liabilities from deferred taxes		(Note 19.4)	<u>49,834</u>
		<u>786,618</u>	<u>604,756</u>	Non-current provisions		(Note 20)	<u>27,374</u>
Non-current assets classified as maintained for sale and from discontinued activities	(Note 5.1)	<u>60</u>	<u>1,076</u>	Other non-current liabilities		(Note 22)	<u>46,113</u>
		<u>786,678</u>	<u>605,832</u>	Current liabilities			<u>500,007</u>
				Issue of bonds and other negotiable securities		(Note 17)	<u>-</u>
				Debts with credit institutions		(Note 18.1)	<u>93,216</u>
				Trade and other accounts payable			<u>28,607</u>
				Other financial liabilities		(Note 18.2)	<u>329,212</u>
				Current provisions			<u>198,475</u>
				Liabilities from taxes on current earnings		(Note 21)	<u>8,185</u>
				Other current liabilities			<u>5,280</u>
						(Note 22)	<u>4,365</u>
							<u>-</u>
							<u>7,389</u>
							<u>-</u>
							<u>25,159</u>
							<u>46,667</u>
							<u>467,526</u>
							<u>279,085</u>
TOTAL ASSETS		<u>2,342,344</u>	<u>1,470,953</u>	TOTAL NET LIABILITIES AND ASSETS		<u>2,342,344</u>	<u>1,470,953</u>

Notes 1 to 45 in the attached consolidated report are an integral part of the consolidated balance sheet as of 31 December 2007 and 2006.

La Seda de Barcelona, S.A.
Consolidated profit and loss account for the financial years ending 31 December 2006 and 2007
(International Financial Reporting Standards adopted)
(Thousands of euros)

	31.12.2007	31.12.2006
Operating income		
Net turnover	1,430,712	672,408
Other operating income	(Note 23) 1,347,587	661,004
Change in stocks of finished products and work in progress	(Note 24) 53,905	20,544
	(Note 25.1) 29,220	(9,140)
Operating costs		
Procurements	(1,376,203)	(632,730)
Personnel costs	(Note 25.1) (1,002,807)	(491,346)
Endowments for amortisation of fixed assets	(Note 25.2) (92,431)	(42,263)
Other operating expenses	(69,961)	(25,714)
	(211,004)	(73,407)
Operating Profits (Losses)	54,509	39,678
Financial revenue and expenses and similar		
Financial revenues	(Note 26) 9,953	2,786
Financial expenses	(Note 26) (45,938)	(20,196)
Exchange rate differences (net)	(Note 27) (11,460)	(793)
Income (Loss) from Financial Instruments at reasonable value (net)	(Note 28) (6,110)	35
Results due to damage/reversion of damage to assets (net)	(Note 29) 12,550	(1,928)
Share in the result of associated companies and joint ventures under the equity method	(Note 10) (126)	45
Result of disposal of non-current assets or valuation of non-current assets classified as maintained for sale not included in discontinued activities	(Note 30) 1,620	12,649
Other profits or losses	-	-
Profit (Loss) before tax from ongoing activities	14,998	32,276
Corporate Tax	(1,078)	(86)
Profit (Loss) from ongoing activities	13,920	32,190
Result after tax from discontinued operations (net)	(Note 31) -	(29,565)
Profit (Loss) for the financial year	13,920	2,625
Minority interests	(Note 16.6) 1,034	(2)
Result attributable to parent company's shareholders	14,954	2,623

Notes 1 to 45 of the attached Consolidated Report form an integral part of the consolidated profit and loss account for the financial years ending on 31 December 2007 and 2006.

La Seda de Barcelona, S.A.
Statement of changes in consolidated net worth in the 2007 and 2006 financial years

	(Thousands of euros)													
	Other Reserves				Accumulated profits									
	Reserves		Reserves		Reserves in		Reserves in		Other					
	Issue	Other	1st application	IFRS	parent	consolidated	companies by	Profits and	instruments of	Own	Conversion	Interim	Minority	Total
	Capital	premium	reserves	IFRS	company	companies	equity method	Losses	net worth	shares	differences	dividend	interests	
Balance at 31.12.2005	101,599	26,918	93,168	17,289	(1,660)	9,118	34	6,115	1,855	(223)	-	-	482	254,695
Distribution of results 2005	-	-	-	-	4,381	1,716	18	(6,115)	-	-	-	-	-	-
Capital increase	315,188	148,744	-	-	-	-	-	-	-	-	-	-	-	463,932
Capital increase costs	-	-	(16,042)	-	-	-	-	-	-	-	-	-	-	(16,042)
Conversion of bonds	-	-	-	-	-	-	-	-	(1,832)	-	-	-	-	(1,832)
Bond conversion costs	-	-	(2,858)	-	-	-	-	-	-	-	-	-	-	(2,858)
Purchase of own shares	-	-	-	-	-	-	-	-	(2,922)	-	-	-	-	(2,922)
Issue of bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Modification of the perimeter	-	-	(709)	709	5,876	(5,876)	-	-	-	-	-	-	15,704	15,704
Financial coverage instruments	-	-	-	-	(3,349)	-	-	-	-	-	-	-	-	(3,349)
Reduction in capital of subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-	(156)	(156)
Exchange rate differences	-	-	-	-	-	-	-	-	-	-	3,823	-	-	3,823
Income for the financial year	-	-	-	-	-	-	-	2,623	-	-	-	-	2	2,625
Other	-	-	(17,321)	-	(5,354)	916	-	-	-	-	-	-	-	(21,759)
Balance at 31.12.2006	416,787	175,662	56,238	17,998	(106)	5,874	52	2,623	23	(3,145)	3,823	-	16,032	691,861
Distribution of results 2006	-	-	-	-	440	2,139	44	(2,623)	-	-	-	-	-	-
Capital increase	209,297	231,079	-	-	-	-	-	-	-	-	-	-	-	440,376
Capital increase costs	-	-	(13,556)	-	-	-	-	-	-	-	-	-	-	(13,556)
Conversion of bonds	789	-	-	-	-	-	-	-	-	-	-	-	-	789
Bond conversion costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of own shares	-	-	-	-	(8,337)	-	-	-	(23)	3,145	-	-	-	(5,215)
Modification of the perimeter	-	-	-	-	-	-	-	-	-	-	-	-	22,860	22,860
Financial coverage instruments	-	-	-	-	5,777	(462)	-	-	-	-	-	-	-	5,315
Reduction in capital of subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-	(157)	(157)
Exchange rate differences	-	-	-	-	-	-	-	-	-	-	(18,776)	-	-	(18,776)
Interim dividend payment for 2007 profits	-	-	-	-	-	-	-	-	-	-	(7,579)	-	-	(7,579)
Income for the financial year	-	-	-	-	-	-	-	14,954	-	-	-	-	(1,034)	13,920
Social benefit funds	-	-	-	-	-	843	-	-	-	-	-	-	112	955
Other	-	-	-	-	28	886	-	-	-	-	-	-	-	914
Balance at 31.12.2007	626,873	406,741	42,682	17,998	(2,198)	9,280	96	14,954	-	(14,953)	(7,579)	37,813	-	1,131,707

La Seda de Barcelona, S.A.
Statement of acknowledged income and expenditure in the consolidated net worth for the
2007 and 2006 financial years

	(Thousands of euros)	
	Balance at 31.12.2007	Balance at 31.12.2006
A) Consolidated result for the financial year (profit and loss account)	13,920	2,625
B) Income and expenses directly attributable to the net worth	(10,975)	(24,164)
1 Due to revaluation / (reversion of revaluation) of tangible fixed assets and intangible assets	-	(26,646) (*)
2 Due to valuation of financial instruments	-	-
a) Financial assets available for sale	-	-
b) Other income / (expenditure)	-	-
3 Due to coverage of cash flows	8,705	(6,747)
4 Exchange rate differences	(19,959)	5,461
5 Due to actuarial gains and losses and other adjustments	955	-
6 Institutions valued using the equity method.	-	-
7 Other income and expenditure directly attributable to net worth	(20)	(8,240) (**)
8 Tax effect	(656)	12,008
C) Transfers to the profit and loss account	(617)	1,963
1 Due to valuation of financial instruments	-	-
a) Financial assets available for sale	-	-
b) Other income / (expenditure)	-	-
2 Due to coverage of cash flows	(914)	1,963
3 Exchange rate differences	-	-
4 Institutions valued using the equity method.	-	-
5 Other income and expenditure directly attributable to net worth	-	-
6 Tax effect	297	-
Total acknowledged income and expenditure (A+B+C)	2,328	(19,576)
a) Attributed to the parent company	3,250	(19,578)
b) Attributed to minority interests	(922)	2

(*) From the separation of the textile business branch and the sale of holdings in Industrias Quimicas Textiles, S.A. (see Note 31)

(**) Almost entirely from the FINOVA legal action (see Note 45)

Statement of consolidated cash flow (indirect method)

	(Thousands of euros)	
	31.12.07	31.12.06
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)	(28,448)	(31,108)
1. Pre-tax profit	14,998	2,709
2. Adjustments of the result:	60,566	28,467
Depreciation of fixed assets	69,961	25,714
Negative consolidation difference	(35,873)	-
Financial expenses and revenues	35,985	17,410
Result due to deterioration / reversal of deterioration of assets	(12,550)	1,928
Result from disposal of assets	(1,620)	(12,649)
Result of associated companies included in the equity method	126	(45)
Change in the Provision for deterioration of accounts receivable and inventories and other long-term provisions	4,537	(3,891)
3. Changes in current capital	(102,275)	(62,529)
Inventories	(92,601)	46,594
Trade debts and other accounts receivable	69,092	63,482
Trade and other accounts payable	(67,205)	(13,821)
Public bodies	(7,500)	4,429
Debts with credit institutions	(367)	(94,433)
Other current assets	1,410	(14,267)
Other current liabilities	(5,104)	(54,513)
4. Other cash flows from operating activities:	(1,737)	245
Corporate tax received / (paid)	(1,737)	245
Other collections / (payments) from operating activities	-	-
B) CASH FLOWS FROM INVESTMENT ACTIVITIES (1+2+3)	(508,780)	(519,068)
1. Investment payments:	(543,516)	(564,931)
Group and associated companies and business units	(461,369)	(481,233)
Tangible and intangible fixed assets and real estate investments	(71,159)	(83,499)
Other financial assets	(5,625)	-
Other assets	(5,363)	(199)
2. Payments from disinvestments:	24,802	45,863
Group and associated companies and business units	156	-
Tangible and intangible fixed assets and real estate investments	534	42,532
Other financial assets	24,112	3,331
Other assets	-	-
3. Other cash flows from investment activities:	9,934	-
Dividends received	-	-
Interest received	9,934	-
Other collections / (payments) from investment activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3+4)	568,748	551,479
1. Collections and (payments) for asset instruments:	421,101	418,722
Issue	421,718	418,722
Amortisation	(617)	-
Purchase	-	-
Disposal	-	-
2. Collections and (payments) for liability instruments:	194,796	152,744
Issue	306,386	391,500
Return and amortisation	(111,590)	(238,756)
3. Dividend payments and remuneration from other asset instruments	(7,579)	-
4. Other cash flows from financing activities:	(39,570)	(19,987)
Interest payments	(39,570)	(19,987)
Other collections / (payments) from financing activities	-	-
D) EFFECT OF EXCHANGE RATE VARIATIONS	(10)	-
E) NET INCREASE / (DECREASE) IN CASH AND EQUIVALENT (A+B+C+D)	31,510	1,303
F) CASH AND EQUIVALENT AT THE START OF THE PERIOD	38,200	36,897
G) CASH AND EQUIVALENT AT THE END OF THE PERIOD (E+F)	69,710	38,200
CONSTITUENTS OF CASH AND EQUIVALENT AT THE END OF THE PERIOD		
Cash and bank balances	50,314	27,862
Other financial assets	19,396	10,338
TOTAL CASH AND EQUIVALENT AT THE END OF THE PERIOD	69,710	38,200

La Seda de Barcelona, S.A.

**Consolidated report
as of December 31, 2007**

Note 1. Group information

a) Group activity

La Seda de Barcelona, S.A. is the Parent Company of the Seda Group, which includes several companies with common management and shareholders. The Company was established on May 23rd, 1925, for an indefinite duration and according to its corporate charter of the same date, its corporate purpose is to manufacture and sell artificial silk in all of its aspects and derivations, the production, manipulation, transformation 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 energy and steam for its factories, and undertaking research in the said fields.

Likewise, and as a consequence of the merger process described below, its corporate purpose has been expanded to the manufacturing and marketing of polyester resins, polyester fibre, polyethylene terephthalate (PET polymer), the production of eicosapentaenoic acid (EPA), docosahexaenoic acid (DHA), and all kinds of polyunsaturated fatty acids.

Through the companies in which La Seda de Barcelona, S.A. has a majority shareholding (see Note 1 b)), the main activities of the Group are:

- Any industrial or commercial activity related to the chemical industry, as well as the assembly of industrial plants, and owning shares in, directing and operating chemical companies.
- Manufacturing and marketing of polyester resins and fibres.
- Manufacturing and marketing of purified terephthalic acid (PTA).
- Manufacturing and marketing of polyethylene terephthalate (PET polymer).
- Manufacturing and marketing of PET packaging materials (Preforms).
- Production, distribution and sale of gases.
- Production of electricity by means of a co-generation plant.
- Recycling of farm waste and sale of organic manure.
- Development of industrial products, production and marketing of biofuels and other energy by-products obtained from renewable materials.
- Marketing, import, export and recovery of all kind of products related to plastics.
- Manufacturing and marketing of PET sheets for the production of containers.
- Study, promotion, management, construction, building and execution of all kind of buildings and constructions.

The Parent Company of the Group is registered in the Commercial Register of Barcelona, on page 16.004 folio 11, volume 209 and its registered address is at Avda. Remolar, no.2, 08820 El Prat de Llobregat. The Company's central offices are located at Pº de Gracia, 85, 08008 Barcelona.

On December 29, 2004, the General Assembly 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 Polímeros, S.A.U., KD-IQ A, S.L.U., Proyectos Voltak, S.L.U., Celtibérica de Finanzas, S.L.U. and Mendilau, S.L.U.**, of which it held 100% of the share capital, and the effect of this is listed by company in Note 19.7.

On 10 October 2006, the Board of Directors of **La Seda de Barcelona, S.A.** approved the non-monetary contribution of the branch of activity consisting of the assets and liabilities arising from the manufacture of polyester fibres at the El Prat de Llobregat plant to **Fibracat Europa, S.L.U.**

To that end, the Board of Directors will suggest to the General Assembly of Shareholders that the corporate purpose of the Company is modified, by removing the manufacturing and sale of textile products in any of its varieties.

The accounting effects of the aforementioned operations were described in the appropriate annual accounts.

b) Company structure

The companies which form the Group present individual financial statements according to the rules in force of the country in which they operate.

The breakdown of subsidiary companies as of December 31, 2007 is shown on the following pages, classified in the following categories:

- Dependent companies: those companies in which the Parent Company holds a majority of the voting rights or, if this is not the case, is empowered to direct their financial and operating policies.
- Jointly managed companies: those companies managed jointly with another partner, by holding 50% of the shareholding and an equal number of voting rights on the Board of Directors, without the individual power to direct the financial and operating policies of the company.
- Associated companies: those companies in which, directly or indirectly, the Parent Company has a share capital holding between 20% and 50% or, even without reaching these shareholding percentages, it has there is a significant influence in their management.

None of the companies belonging to the group has been excluded from the consolidation perimeter and none of them is listed on the Stock Exchange. Furthermore, none of the companies has received dividends since it has been part of the group.

Company Registered Office	Main Activity	% Holding in La Seda de Barcelona, S.A.					Net accounting Value	Cost Value of the Holding (*)
		Direct	Indirect	Share capital	Reserves	Results		
<u>Global integration</u>								
Industrias Químicas Asociadas LSB, S.L. (Single-member Company) Pº de Gracia, 85 08008 - Barcelona	(1)	100%	-	30,742	4,192	2,131	37,065	30,742
CARB-IQA de Tarragona, S.L. Ctra. Nacional 340, Km.1157 Polígono Industrial La Canonja (Tarragona)								
SLIR, S.L. (Single-member Company) Carretera de Carcastillo a Figarol Carcastillo (Navarra)	(2)	-	50%	313	29	5	174	156
ANERIQA, A.L.E. Ctra. Nacional 340, Km.1157 Polígono Industrial La Canonja (Tarragona)	(3)	100%	-	2,404	888	65	3,357	3,325
Artenius Italia, SpA Via Montereale 10/A 33179 - Pordenone (Italy)	(4)	10%	90%	1	-	-	1	1
Artenius Portugal, Industria de Polimeros, S.A. Apartado 23, Quinta de Sao Vicente, Estrada Nacional, 246 7300-952 Portalegre (Portugal)	(5)	100%	-	12,750	9,606	(9,069)	13,287	58,703
Artenius Sines, S.A. Apartado 23, Quinta de Sao Vicente, Estrada Nacional, 246 7300-952 Portalegre (Portugal)	(6)	100%	-	50	(4)	(570)	(524)	50
Artenius Holding, B.V. Kruisweg 829 2132 NG - Hoofdorp (Netherlands)	(7)	100%	-	18	443,514	-	443,532	-
Artenius Uk, Limited Davies Offices, Wilton Site Redcar, TS10 4XZ (United Kingdom)	(5) / (6)	-	100%	245,449	(82,828)	(15,567)	147,054	210,430
Artenius Pension Trustees, Ltd. Davies Offices, Wilton Site Redcar, TS10 4XZ (United Kingdom)	(8)	-	100%	-	-	-	-	-
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Şirketi Tarsus Yolu 10. km. Sasa Fabrika içi Seyhan Adana (Turkey)	(5) / (9)	100%	-	130,693	(10,351)	(16,755)	103,587	84,520
Artenius Romania, SRL Bulevardul Basarabiei, 256 Anexa Tehnico-Sociala, etaj 1,sector 3 Bucharest (Romania)	(9)	100%	-	5,876	(484)	(1,377)	4,015	5,440
Artenius Hellas Holding, S.A. Meandroú, 15 11528 Athens (Greece)	(7)	100%	-	60	(58)	(996)	(994)	2
Artenius Hellas, S.A. Volos Industrial Area B Zone 37500 - Volos (Greece)	(5) / (9)	-	65%	24,615	4,036	841	19,170	25,328
Biocombustibles La Seda, S.L. Pº de Gracia, 85 08008 - Barcelona	(13)	60%	-	3,000	-	(9)	1,795	1,800
Recuperaciones de Plásticos de Barcelona, S.L. Camp. Nº70 entlo 2º 08022 - Barcelona	(14)	67.4%	-	1,731	495	(373)	1,249	3,643
Recyclage Plastique Catalan R.P.C., SAS 34 avenue De La Massane 66000 - Perpignan Cedex (France)	(14)	-	60.66%	37	-	(4)	20	33
Artenius San Roque, S.A. Polígono Industrial Guadarranque, 3 11369 - San Roque (Cádiz)	(5)	100%	-	9,192	8,355	(5,311)	12,236	32,631
InnoSeda, S.L. Avda. Remolar, 2 08820 - El Prat de Llobregat (Barcelona)	(16)	100%	-	10,270	-	(1)	10,269	10
Artenius Prat Pet, S.L. Avda. Remolar, 2 08820 - El Prat de Llobregat (Barcelona)	(5)	100%	-	6	-	-	6	6
La Seda Packing Cor Europa, S.L. Pº de Gracia, 85 08008 - Barcelona	(7) / (9)	100%	-	6	-	(1)	5	6
Artenius PET Packaging Belgium, NV Ringlaan, 7 2960 - Brecht (Belgium)	(9)	100%	-	23,370	6,189	125	29,684	47,925
Artenius PET Packaging Deutschland, GmbH Ernst-Abbe-Strasse, 20 56743 - Mendig (Germany)	(9)	100%	-	3,835	2,185	(1,146)	4,874	60,996
Artenius PET Packaging Europe, Limited Gresford Industrial Park Gresford, Wrexham, Clwyd LL12 8LX (United Kingdom)	(10)	100%	-	13,637	(16,135)	264	(2,234)	-
Artenius PET Packaging France, SAS Zone d'entreprises de Bergues 59380 - Bierne (France)	(9)	100%	-	5,216	1,353	359	6,928	56,639

Company Registered Office	Main Activity	% Holding in La Seda de Barcelona, S.A.				Results	Net accounting Value	Cost Value of the Holding (*)
		Direct	Indirect	Share capital	Reserves			
Artenius PET Packaging Iberia, S.A. Avda. de la Constitución s/n Casrribios del Monte - Toledo (Spain)	(9)	100%	-	18,030	21,643	1,879	41,552	34,855
Artenius PET Packaging Maroc, S.A.R.L.A.U. Zone Industrielle d' El Jadida El Jadida (Morocco)	(9)	-	100%	1,179	1,403	(57)	2,525	13,071
Artenius PET Packaging Uk, Limited Gresford Industrial Park Gresford, Wrexham, Clwyd LL12 8LX (United Kingdom)	(9)	100%	-	9,545	13,595	2,794	25,934	200,415
Artenius PET Recycling France, SAS Sainte-Marie-La-Blanche 21200 - Beaune (France)	(14)	-	100%	5,000	5,455	185	10,640	21,784
Simpe, SpA Contrada Pagliarone 80011 Acerra (NA) - Italy	(5) / (12)	50.11%	-	57,370	(6,070)	(3,399)	<u>24,003</u> <u>940,741</u>	<u>27,797</u> <u>942,922</u>
<u>Proportional integration</u>								
Selenis Servicios Técnicos, SRL Apartado 23, Quinta S.Vicente Estrada Nacional 246 7300-952 Portalegre (Portugal)	(10)	-	50%	100	1,087	(737)	<u>225</u>	<u>200</u>
<u>Accounted for by the equity method</u>								
Petrolest, S.L. Raset, 7 2º 3º 08021 - Barcelona	(11)	49%	-	118	3,334	26	1,704	2,743
Begreen SGPS, S.A. and Subsidiary companies Largo Do Andro, 9 4050-016 Porto (Portugal)	(15)	20%	-	20,350	(4,772)	(1,402)	<u>2,835</u> <u>4,539</u>	<u>7,400</u> <u>10,143</u>
<u>953,265</u>								

(*) The cost value of the holding is not recorded in full in the Parent Company. There are instead companies that are mere shareholders. In the event of the overall purchase of a group of companies, the cost value of the holding has been assigned according to the financial criteria of return generation capacity.

- (1) Industrial or trading activity related to the chemical industry.
- (2) Production, distribution and sale of gases.
- (3) Recycling of farm waste and sale of organic manures.
- (4) Electrical production through a cogeneration plant
- (5) Manufacture and trading of polyethylene terephthalate (PET poly...
- (6) Manufacture and trading of purified terephthalic acid (PTA).
- (7) Holding company.
- (8) Pension fund management.
- (9) Manufacture and trading of PET packaging materials (preforms).
- (10) Provision of services.
- (11) Specialised transport of chemical products and similar.
- (12) Manufacture and trading of resins and polyester fibres.
- (13) Undertaking of industrial projects, production and trading of biofuels and other derivatives obtained from renewable materials.
- (14) Trading, importing, exportation and recovery of all types of products related with plastic.
- (15) Manufacture and trading of PET panels for the production of containers.
- (16) Study, promotion, management, construction, building and execution of all types of buildings and constructions.

c) **Variation of the consolidation perimeter.**

The Parent Company has incorporated the following companies in its consolidation perimeter for the first time, using the global integration method:

- **Simpe, S.p.A.**, a company included in the 2006 financial year by means of the equity method. On January 30th, 2007 the shareholding of the group in the company increased by 31.02% by the complete subscription of the increased capital which took place on the said date, and as such La Seda de Barcelona, S.A. is 50.11% owner of this company after this increase. On April 24th, 2007, the Board of Directors of Simpe, S.p.A. agreed that La Seda de Barcelona, S.A. may lawfully direct and co-ordinate the management of the said company as of January 30th, 2007 as a matter of law.
- **Biocombustibles La Seda, S.L.**, a company integrated in the consolidation perimeter by means of its constitution on February 6th, 2007.
- **Recuperaciones de plásticos de Barcelona, S.L.** incorporated in the perimeter on April 19th, 2007 with headquarters in Barcelona.
- **Recyclage Plastique Catalan, SAS**, incorporated in the perimeter on April 19th, 2007, with headquarters in France.
- **Artenius San Roque, S.A.**, previously named Eastman Chemical Iberia, S.A., incorporated in the perimeter on May 2nd, 2007, with headquarters in Cadiz.
- **InmoSeda, S.L.** company integrated in the consolidation perimeter by means of its constitution on June 8th, 2007.
- **Artenius Prat Pet, S.L.**, company integrated in the consolidation perimeter by means of its constitution on June 8th, 2007.
- **La Seda Packing Cor Europa, S.L.**, a company integrated in the consolidation perimeter by means of its constitution on June 8th, 2007.
- **Artenius Pet Packaging Europe, Limited**, previously named Amcor Pet Packaging Europe, Limited, incorporated in the perimeter of consolidation on October 1st, 2007 with its headquarters in Gresford (United Kingdom).
- **Artenius Pet Packaging UK, Limited**, previously named Amcor Pet Packaging UK, Limited, incorporated in the perimeter on October 1st, 2007 with its headquarters in Gresford (United Kingdom).
- **Artenius Pet Packaging Belgium, N.V.** previously named Amcor Pet Packaging UK, Limited, incorporated in the perimeter on October 1st, 2007 with its headquarters in Brecht (Belgium).
- **Artenius Pet Packaging Deutschland, GmbH.**, previously named Amcor Pet Packaging Deutschland, GmbH., incorporated in the perimeter on October 1st, 2007 with its headquarters in Mendig (Germany).
- **Artenius Pet Packaging France, SAS**, previously named Amcor Pet Packaging France, SAS, incorporated in the perimeter on October 1st, 2007 with its headquarters in Bierne (France).
- **Artenius Pet Recycling France, SAS**, previously named Amcor Pet Recycling France SAS, incorporated in the perimeter on October 1st, 2007 with its headquarters in Beaune (France).
- **Artenius Pet Packaging Iberia, S.A.** previously named Amcor Pet Packaging Iberia, S.A., incorporated in the perimeter on October 1st, 2007 with its headquarters in Toledo.
- **Artenius Pet Packaging Maroc, Sarlau**, previously named Amcor Pet Packaging Maroc, Sarlau, incorporated in the perimeter on October 1st, 2007 with its headquarters in El Jadida (Morocco).

The group's holding in the company **Artenius Hellas, S.A.** also increased on June 14th, 2007, by means of the purchase of an additional 14% of the shares of the said company, which increased the ownership by the Seda Group to 65% on June 30th, 2007.

The company **Begreen SGPS, S.A.**, with its headquarters in Portugal, was included in the consolidation perimeter on August 1st, 2007 through the equity method. (see Note 10.1).

Note 2. Bases for the submission of the consolidated annual accounts

a) **True and fair view.** The consolidated annual accounts for the 2007 financial year have been prepared according to the stipulations of the International Financial Reporting Standards (hereinafter "IFRS"), as adopted by the European Union, according to Regulation (CE) no. 1606/2002 of the European Parliament and Council, considering all of the principles and accounting rules and the assessment criteria of the mandatory application which have a significant effect as well as the alternatives that the rules allow in this respect. In this respect, according to the stipulations of IFRS 1, the Parent Company in the Group and **Industrias Químicas Asociadas LSB, S.L.U.**, have maintained the revaluations undertaken in accordance with the legislation in force prior to January 1, 2004, and in particular prior to the update carried out pursuant to Royal Decree-Law 7/1996 of June 7 (see Note 5.4).

The annual consolidated accounts, as well as the notes of the report, have been produced based on the principle of uniformity of recognition and valuation. In case that a new rule is applicable, which modifies the existing valuation principles, this will be applied according to the new standards of transition of the rule.

The attached consolidated annual accounts have been prepared based on the individual accounting ledgers of **La Seda de Barcelona, S.A.** and those of each of the partly-owned subsidiary companies. They show a true reflection of the net worth, the financial situation as of December 31, 2007 and the results of its operations, the changes in the statement of income and acknowledged expenditure and the cash flow, which have taken place in the consolidated Group during the year ending on the aforementioned date.

With regard to the anticipated optional application of other International Financial Reporting Standards already issued but not yet in force, the Group has not chosen any of these options.

On the date of these financial statements, the following rules have been issued and adopted by the European Union, although are not yet in effect.

- IFRIC 11: Interpretation of IFRS 2 - payments based on shares and treasury stock. In effect for the financial years beginning subsequent to March 1, 2007.
- IFRIC 12: Customer loyalty programmes. In effect for the financial years beginning subsequent to January 1, 2008.
- IFRIC 14: Interpretation of IAS 19: In effect for the financial years beginning subsequent to January 1, 2008.
- IFRS 8: Business segments. In effect for the financial years beginning subsequent to January 1, 2009.
- Modification IAS 23: Borrowing costs. In effect for the financial years beginning subsequent to January 1, 2009.
- Modification IAS 1: Presentation of financial statements. In effect for the financial years beginning subsequent to January 1st, 2009.

The attached consolidated annual accounts, which have been formulated by the Board of Directors of the Parent Company, will be submitted for approval to the Ordinary General Shareholders' Meeting. The Administrators of the Parent Company believe that they will be approved without any modification. The consolidated annual accounts of the Group corresponding to the financial year ending on December 31, 2006, produced in accordance with the International Financial Reporting Standards, were approved by the General Shareholders' Meeting on June 19, 2007.

b) Data comparison. As mentioned in Note 1 c), the consolidation perimeter of the La Seda de Barcelona Group has changed significantly due to the purchases made mainly in Spain, France, the United Kingdom, Belgium, Germany and Morocco. As a consequence, the comparability of the figures for 2007 and 2006 financial years included in the balance sheet, the profit and loss account, the statement of changes in net worth, the cash flow statement and the report is conditional.

The figures for the 2006 financial year have been modified for the following reasons:

- Based on what is allowed by the IFRS 3, the amount of goodwill for the purchases made in the 2006 financial year (the Advansa Group and the Selenis Group) have been modified mainly with regard to the completion of the valuation of the assets in Artenius, UK, Limited, by an independent expert and the emergence of unrecorded intangibles in the balances of the purchased companies.
- Based on the IAS 8 the balances corresponding to the 2006 financial year have been modified in order to correct classification errors and thereby improve the comparability of the numbers with regard to the current financial year.
- We attach a chart explaining the modifications applied:

ASSETS	Consolidated	Balances	Difference	31.12.06	31.12.06	31.12.06	Consolidated	Balances	Difference	31.12.06	31.12.06
	An. A.C.	adjusted					An. A.C.	Adjusted			
Tangible fixed assets	524,726	527,926	3,200	1			416,787	416,787	-		
Real estate investments	-	-	-				246,549	249,898	3,349	6	
Goodwill	124,412	115,839	(8,573)	2			12,125	8,443	(3,682)	7	
Other intangible assets	56,397	70,183	13,786	3			23	23	-		
Non-current financial assets	92,467	92,467	-				<i>Less: Own shares</i>	(3,145)	(3,145)		
Investments accounted for with equity method	9,869	9,869	-				Conversion differences	3,952	3,823	(129)	8
Biological assets	-	-	-				Other valuation adjustments	-	-	-	
Deferred tax assets	47,401	48,837	1,436	4			Revaluation reserves of non-current assets	-	-	-	
Other non-current assets	-	-	-				class. as main. for sale and discont. activities	-	-	-	
A) NON-CURRENT ASSETS	855,272	865,121	9,849				<i>Less: interim dividends</i>	-	-	-	
Biological assets	-	-	-				ASSETS ATTRIBUTED TO SHAREHOLDERS				
Inventories	113,362	113,362	-				IN THE PARENT	676,291	675,829	(462)	
Trade debts and other accounts receivable	406,784	406,914	130	5			Minority interests	14,367	16,032	1,665	9
Other current financial assets	23,536	23,536	-				(A) NET WORTH	690,658	691,861	1,203	
Assets from taxes on current earnings	414	414	-				Issue of bonds and other negotiable securities	2,086	2,086	-	
Other current assets	22,330	22,330	-				Debts with credit institutions	403,825	403,825	-	
Cash and other equivalent liquid assets	38,200	38,200	-				Other financial liabilities	6,257	7,693	1,436	4
Current assets subtotal	604,626	604,756	130				Liabilities from deferred taxes	23,451	27,374	3,923	10
Non-current assets class. as maint. for							Provisions	44,594	46,113	1,519	11
sale and discontinued activities	1,076	1,076	-				Other non-current liabilities	11,018	12,916	1,898	12
B) CURRENT ASSETS	605,702	605,832	130				B) NON-CURRENT LIABILITIES	491,231	500,007	8,776	
TOTAL ASSETS (A + B)	1,460,974	1,470,953	9,979				Issue of bonds and other negotiable securities	56	56	-	
							Debts with credit institutions	28,607	28,607	-	
							Trade and other accounts payable	198,475	198,475	-	
							Other financial liabilities	5,280	5,280	-	
							Provisions	-	-	-	
							Liabilities from taxes on current earnings (Corp. Tax)	-	-	-	
							Other current liabilities	46,667	46,667	-	
							Current liabilities subtotal	279,085	279,085	-	
							Liabilities directly associated with non-current assets	-	-	-	
							class. as main. for sale and discont. activities	-	-	-	
							C) CURRENT LIABILITIES	279,085	279,085	-	
							TOTAL NET LIABILITIES AND ASSETS (A+B+C)	1,460,974	1,470,953	9,979	

- 1) IFRS 3: the amounts concerning the completion of the valuations of assets in Artenius UK, Limited have been modified.
- 2) IFRS 3: the goodwill amounts relating to the purchases made in the 2006 financial year (Group Advansa and Group Selenis) have been modified, mainly with regard to the completion of the valuation of assets in Artenius UK, Limited by an independent expert, and the emergence of unrecorded intangibles in the balances of the purchased companies and the recognition of the excess price to be paid for the purchase of Artenius Hells, S. A., within a maximum period of two years as a consequence of the commitment made by the seller on the date the shares were purchased, to make the final sale price conditional on the tonnage sold by the subsidiary company to its customer in the 2007 and 2008 financial years.

A list of the main changes in the goodwill is given below:

Consolidation goodwill

	U.G.E.	(Thousands of euros)				
		Balance at 31.12.2006	Balance at 31.12.2006	Development portfolio	Separation CGU	Other
Western Europe zone:		24,599	23,315	(1,284)	-	-
Catalana de Polímers, S.A. (Single-member Company)	PET	6,406	6,406	-	-	-
Celtibérica de Finanzas, S.L. (Single-member Company)	-	-	-	-	-	-
Proyectos Voltak, S.L. (Single-member Company)	-	-	-	-	-	-
Mendilau, S.L. (Single-member Company)	-	-	-	-	-	-
Artenius Portugal, Industria de Polimeros, S.A.	PET	18,193	16,909	(1,284)	-	-
Central Europe zone:		33,050	31,052	(1,998)	-	-
Artenius Italia, Spa	PET	33,050	31,052	(1,998)	-	-
United Kingdom zone:		52,260	47,409	(3,038)	-	(1,813)
Artenius Uk, Limited	PTA	52,260	30,162	(3,038)	(17,247)	(1,813)
Artenius Uk, Limited	PET	-	17,247	-	17,247	-
Eastern Europe zone:		14,503	14,063	(2,207)	-	1,767
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat MalzemeleriSanayi Anonim Sirketi	PREFORMS	-	2,645	-	2,645	-
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat MalzemeleriSanayi Anonim Sirketi	PET	10,572	7,453	(474)	(2,645)	-
Artenius Hellas	PET	<u>3,931</u>	<u>3,965</u>	<u>(1,733)</u>	<u>-</u>	<u>1,767</u>
		<u><u>124,412</u></u>	<u><u>115,839</u></u>	<u><u>(8,527)</u></u>	<u><u>-</u></u>	<u><u>(46)</u></u>

The column "Others" is mainly due to the revaluation of assets and readjustment of the deficit arising from the pension plan in the case of Artenius UK, Limited and the readjustment of the buying price in the case of Artenius Hellas, S.A.

- 3) IFRS 3: Surfacing of the customer portfolio of the companies purchased (see Notes 4 b) and 6.2).
- 4) IAS 8: Reinstatement of the compensation on accounts from a liability to an asset because of deferred taxes concerning the tax impact of the recognition as net worth of the reasonable value of the interest-rate hedging financial instruments.
- 5) IFRS 3: Amount receivable due to the modification of the purchase price of holdings in the Artenius Hellas company.
- 6) Reclassification of an amount of 3,349 thousand euros in Financial instruments which were previously classified under the heading "Accumulated profits".
- 7) IFRS 3: The effect under the heading "Accumulated profits" is due to the effect of the allocation for the amortisation of the surfaced portfolio of customers (see point 3), net of fiscal impact, and the reclassification mentioned in the previous point.
- 8) IFRS 3: The conversion differences have been modified as a consequence of the different balance readjustments on the date of incorporation of the subsidiary Artenius UK, Limited.
- 9) IFRS 3: Attribution to external partners of the activation of the Customer portfolio of Artenius Hellas, S.A.

- 10) IFRS 3: Tax impact of the emergence of the client portfolio of the companies purchased.
- 11) IFRS 3: Change in the acknowledged amount of the deficit in the pension plan of Artenius UK, Limited on the date of its incorporation in the Group.
- 12) IFRS 3: Estimated overpayment in future years for the purchase of the holding in the company Artenius Hellas, S.A., as a consequence of the commitment made by the seller on the date the shares were purchased, to make the final selling price conditional on the tonnage sold by the subsidiary to its client for the 2007 and 2008 financial years. The liabilities have been acknowledged at an amount of 1,898 thousand euros depending on the tonnage sold during the 2007 financial year and the sales forecast for the 2008 financial year.

The effect on the operating account is due only to the effect of the allocation for the amortisation of the emerged net customer portfolio (see point 3), net of its tax effects. Furthermore, there are several classifications which do not affect the results for the financial year although they do affect the presentation:

- In the current 2007 financial year, the Group has generated income by marketing its own technology for a sum of 104,351 thousand euros (see Note 23). Because the business line has been permanently consolidated based on the fulfilment of the expectations concerning recurrent income and in view of the ongoing nature of related operations within the same field on the date of the formulation of the current annual accounts, the income generated has been recorded as "Net turnover", unlike the criteria used in the previous, year when it was recorded under the heading "Other operating income" for a total of 16,440 thousand euros. As a consequence, the Group has reclassified the amounts recorded in the 2006 financial year under the heading "Net turnover".
- IAS 8: Reclassification of the variation in the provision for deterioration in clients balances and inventory from the heading "Results for deterioration/reversion of the deterioration of assets" to "Other expenses" for an amount of 11,536 thousand euros.

Furthermore, the main effects of the modification of the goodwill as a consequence of the application of the IFRS 3, paragraph 62 are listed in Note 7.2 of this report.

Comparison of the information for changes in the definition of the segments. The Seda Group has amended its information by segments concerning the annual accounts for the 2006 financial year, and adapted it to the new management model by geographic area (see Note 40).

- c) **Responsibility for the information and estimates made.** The Administrators of the Group are responsible for the information in these annual accounts.

In the consolidated annual accounts for the 2007 financial year, estimates that were made by the Management of the Group and the other companies have occasionally been used to quantify some of the assets, liabilities and undertakings recorded therein.

Basically, these estimates concern:

- The valuation of the assets and goodwill to determine the existence of losses due to their deterioration (see Note 7).
- The hypotheses used for the calculation of the reasonable value of the financial instruments (see Note 33).
- Reasonable value of assets and liabilities in the business combinations (see Note 6).
- The hypotheses used in the calculation of the actuarial value of the liabilities (see Note 20).
- The useful life of the tangible fixed assets and intangible assets (see Notes 4 a) and b)).
- The probability of occurring and the sum total for the indeterminate or contingent liabilities (see Note 20).
- Assets and liabilities for deferred taxes (see Note 4 n)).

Despite the fact that these estimates were made according to the best information available regarding the facts analysed on the date that these consolidated annual accounts were prepared, it is possible that events which may take place in the future may force them to be altered (upwards or downwards) in forthcoming financial years, which would be done in a prospective way acknowledging the effects of the change in the estimate on the pertinent future consolidated profit and loss statements.

d) Consolidation methodology

- **Consolidation methods.** The criteria followed for deciding on the consolidation method applicable to each company within the consolidation perimeter were as follows:
 1. **Global integration:** This method was applied to the companies in which the Parent Company controls the majority of the voting rights or, even if this is not the case, has the power to manage the financial and operating policies for the former.
 2. **Proportional integration:** This method has been applied to those companies managed jointly with another partner, due to holding 50% of the shareholding and an equal number of voting rights on the Board of Directors, without the power to manage the financial and operating policies of the company individually.
 3. **Equity method:** This method was applied for the associated companies, with these deemed to be those in which the direct or indirect holding in the share capital belonging to **La Seda de Barcelona S.A.** is between 20% and 50% or, even if it does not reach the said percentages of shareholding, it has a significant influence on the management. This method consists of entering the shareholding on the balance sheet for the fraction of its net worth that the Group's holding in its share capital represents once the effect of the transactions performed with Group companies has been adjusted, where applicable, plus the tacit capital gains that correspond to the goodwill paid in the takeover of the company.
- **Timing and appraisal uniformity.** The annual accounts of all the companies included within the consolidation perimeter are uniform in their structure, year-end date and accountancy principles applied.
- **Removal of internal operations.** All the sizeable balances and transactions between the companies included within the consolidation perimeter have been removed from the attached consolidated annual accounts, as well as the sum total of the shareholdings held between them, except for the profit margin obtained by the vendor company, which is included in the value of the stocks at the close of the financial year, arising from transactions between Group companies, since the said margin is of very little interest with regard to the true and fair view of the consolidated annual accounts.
- **First consolidation differences.** The goodwill acquired prior to January 1, 2004 is kept at their net value entered on December 31, 2003 in accordance with Spanish accounting criteria. From January 1, 2004 onwards, goodwill is not amortised and at the close of each financial year it is estimated whether there has been any deterioration therein that would lower its recoverable value to an amount lower than the net cost entered, and where applicable, the pertinent write-off is then carried out.

However, for those business combinations included in the Group after that date and based on the observance of the IFRS 3, the differences arising from the removal of investment and equity have been assigned, where this was feasible, to assets, liabilities and contingent liabilities with a reasonable value on the date of the combination that differed from that shown on the balance sheet of the company purchased. The surplus amounts that cannot be assigned are attributed to "Consolidation goodwill" when the difference is positive, and to "Other operating income" in the profit and loss statement if this amount is negative.

Notwithstanding the above, the incorporations into the consolidation perimeter have been provisionally carried out in accordance with IFRS 3, paragraph 62, insofar as the values of the first consolidation difference shown could be modified over the forthcoming year.

The goodwill is deemed to be an asset of the purchased company and therefore in the case of a dependent company with an operating currency other than the euro, it is valued in the functional currency of this company, with the conversion to euros made at the exchange rate in force on the date of the balance sheet.

In the event of successive purchase operations being carried out (a purchase in phases) according to the stipulations of the IFRS-3, each transaction is considered separately, using the information on the transaction cost and the reasonable value of the holding acquired on the date of each exchange to determine the amount of any goodwill associated to each purchase based on the criteria mentioned above.

- **Minority interests.** The interests belonging to external shareholders represent the proportional part of the equity on December 31, 2007 for those Subsidiary Companies that are consolidated using the global integration method, in which ownership is shared with third parties.
- **Conversion of financial statements to a currency other than the euro.** The financial statements of foreign companies, none of which operate in a hyper-inflationary economy, which are designated in an operating currency other than the currency used in the consolidated financial statements, are converted into euros using the year-end exchange rate method, by virtue of which:
 - Capital and reserves are converted at the historic exchange rate.
 - The profit and loss statement entries have been converted by applying the average exchange rate for the period as the approximate rate of exchange on the transaction date.
 - The remaining balance sheet entries have been converted at the year-end exchange rate.

As a consequence of the application of the aforementioned method, the exchange rate differences arising are included net of fiscal effects under the “Conversion differences” heading of the net worth in the consolidated balance sheet.

e) **Presentation of the consolidated financial statements.** In accordance with the IFRS 1, the Group has chosen to present the consolidated balance sheet making a distinction between the categories of current and non-current assets. Furthermore, income and expenses are presented by type in the consolidated profit and loss account. The cash flow statement has been prepared according to the indirect method.

Note 3. Distribution of results of the Parent Company

The distribution of profits for the financial year of **La Seda de Barcelona, S.A.** will be determined at the General Shareholders' Meeting.

The Board of Directors will suggest the following distribution of profits, in thousands of euros:

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

On October 8, 2007, the Board of Directors of the Company agreed to the distribution of an interim dividend of 7,579 thousand euros for the financial year ending on December 31, 2007, to be paid in October of the same year. This amount is less than the legal limit established in article 216 of the Revised Text of the Public Limited Companies Act, concerning the results obtained in the 2007 financial year.

The provisional accounting statement formulated on October 8, 2007, in accordance with the stipulations of article 216 of the Revised Text of the Public Limited Companies Act, which affirms the existence of sufficient liquidity for the distribution of this dividend, is as follows:

	<u>(Million Euros)</u>
Cash and bank balances available on the agreement date, 8 October 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 payment operations	(12)
Due to scheduled investments	(430)
Cash and bank balances available on the interim dividend payment deadline date of 31 October 2007	<u>21</u>

Note 4. Valuation rules

a) **Tangible fixed assets.** The tangible fixed assets are valued at their purchase price or production cost, net of the corresponding depreciation or provisions to which they are subject, except for the revaluation carried out on the lands on which the different production units are located, based on the provisions set forth in IAS 16, as well as the revaluations carried out on the grounds of Royal Decree-Law 7/1996 of June 7, by the Parent Company of the Group as well as **Industrias Químicas Asociadas LSB, S.L.** The IFRS 1 enables these revaluations carried out in accordance with the above regulations to be maintained. Likewise, and prior to its incorporation into the consolidation perimeter and in accordance with the current regulations in Portugal, Artenius Portugal has revalued the items recorded under “Technical installations and machinery” heading. The amount of the aforementioned revaluation is 14.40 million euros charged to net worth. Likewise, in application of the “disinquinamento dei cespiti” law act published on January 17, 2003, Artenius Italia, S.p.A. has revalued its tangible fixed assets for an amount of 5.91 million euros.

As mentioned in Note 2 d), and in accordance with the IFRS 3, in the business combinations incorporated in the consolidation perimeter, the tangible fixed assets have been valued according to their reasonable value, based on valuations by independent experts.

The financial costs of the credits granted by financial institutions directly related to the construction of tangible fixed assets which would have been accrued during the period of the construction and assembly before the tangible fixed asset is operational, are included in the purchase price or production cost of the said assets to the extent that this inclusion does not exceed its market value. The average financing rate varies between 5.0% and 5.5%. The amount recorded as a result of this circumstance was 581 thousand euros in the 2006 financial year.

Repairs that do not represent an increase in 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 longer life duration for the asset or an increase in its productivity, capacity or efficiency are capitalised as the greater value thereof.

Work done for fixed assets are valued according to the costs incurred for labour, materials and other indirect costs. The companies that make up the Group have carried out work and tasks for themselves which are liable to being recorded as an increased cost of tangible fixed assets for an amount of 11,460 thousand euros in the 2007 financial year and 3,390 thousand euros in the 2006 financial year, which appear under the "Other operating income" heading of the consolidated profit and loss account.

Depreciation of the elements of the tangible fixed assets begins in relation to their purchase and/or repair date, and is calculated using a straight-line method according to the estimated years of useful life and applied to the cost values, as follows:

	<u>Years of Useful life</u>
Buildings	20 - 65
Technical installations and machinery	10 - 25
Other installations, equipment and furniture	5 - 20
Other fixed assets	5 - 15

The amounts involved in the revaluation carried out according to Royal Decree-Law 7/1996 are amortised according to the years of useful life remaining at December 31, 1996 for the pertinent revalued elements of the equity.

The tangible fixed assets acquired through leases or lease-back are entered under the heading of "Tangible fixed assets" which covers the assets leased, and are amortised during their scheduled useful life following the same method as that used for assets which are owned or within the term of the pertinent lease, should the said useful life be shorter. The sales transaction with a subsequent lease back arranged by the Parent Company in the 2005 financial year has been entered by deferring and amortising the excess of the sum total of the sale over the book value for the asset disposed of throughout the term of the lease.

b) Other intangible assets. The computer applications have been valued at the purchase price and/or the owner's production costs for both assets acquired from third parties as well as those manufactured by the Company itself. The corresponding maintenance costs are therefore not shown. Their amortisation is calculated using the straight-line method, over a maximum period of 5 years.

The patents and licensing and sub-licensing rights are valued at purchase price. Their amortisation is calculated depending on their useful life, estimated at 10 years.

The research expenses are attributed to costs when they are incurred, while the development expenses incurred in an individual project are capitalised if the Group is able to prove that the product is feasible from a technical and commercial point of view, if sufficient technical and financial resources are available to commence the project and the costs incurred can be reliably determined. The capitalised development costs are depreciated over the period during which income or returns from the aforementioned project are expected.

The Group registers the emission rights when it owns these. In the case of rights assigned free of charge to each installation within the National Assignment Plan, the assessment corresponds to the market value at the date of concession. The emission rights are removed from the balance sheet when they are disposed to third parties, handed over or expire.

The customer portfolios have been valued using the MEEM method ("Multiple Excess Earning Method") which is based upon a calculation of a discount in the cash flows of future financial profits attributable to the client base. An estimate of the remainder of the useful life of the customer portfolio has been based upon the wear and tear identified for every customer. The range of values for the remainder of the useful life of the client portfolio is between 10 and 20 years.

A list of the years of useful life of the customer portfolio per Company is given below:

Client Portfolio		Years of Useful life
Artenius Uk, Limited		16
Artenius Hellas, S.A.		20
Artenius Portugal, Industria de Polimeros, S.A.		11
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj		
Malzemeleri Sanayi Anonim Sirketi		10
Artenius Italia, SPA		11

c) Asset impairment. The net book value of the assets is reviewed for the possible deterioration of its value on an annual basis for the goodwill, and for the rest of fixed or intangible assets, when certain events or changes indicate that the net accounting value may not be recoverable. An analysis of deterioration is carried out comparing the book value with the recoverable value and if the net value exceeds the estimated recoverable value, the assets are recorded at their recoverable value. The recoverable value of an asset is the higher value of the reasonable value less the selling expenses and its use value. The use value is the current value of the estimated cash flow which is expected to be obtained from a discounted asset at a pre-tax rate, which reflects the current market valuation of the temporary value of money and the specific risks of the asset based on the most recent budgets approved by the Administrators. These budgets include the best available estimates of income and costs of the cash generating units, using sectorial forecasts and future expectations.

These forecasts for the future cover the coming five years, with the flows for the future years estimated by applying reasonable growth rates, which under no circumstances are increasing and nor do they exceed the growth rate of the previous years, including a residual value adapted to each business and geographic area (estimating the flows for the future years at 5 years). These flows are discounted to calculate their current value at a pre-tax rate which includes the capital cost of the business and the geographic area in which it takes place. For this calculation, the actual cost of money and the risk premiums used on a general basis manner by analysts for the business and geographical area are taken into consideration. The discount rates applied in 2007 vary between 10% and 13.6% (see Note 7.3)

For the assets which over time do not generate cash income independently, the recoverable amount is determined based on the cash generation unit to which the asset belongs. Losses due to impairment are recorded as expenses in the profit and loss account.

The losses through impairment acknowledged in an asset in previous financial years are reverted when a change arises in the estimates of their recoverable amount increasing the value of the asset by the limit of the book value that the asset would have had if the write-off had not been carried out. The reversion of the loss of value through impairment is immediately acknowledged as income in the profit and loss account, except in the case of goodwill, for which impairment cannot be reverted.

d) Financial instruments.

1. Current and non-current financial assets. The following are entered under this heading:

- **Investments to be kept until their maturity.** These are classified as non-current and are those that the Group intends and is capable of retaining until their maturity.
- **Loans and accounts receivable.** These are entered, both in the long and short terms, at their amortised cost, corresponding to the cash furnished, less the repayments of the principal made, plus the interest accrued and not received in the case of loans, at the current value of the compensation made for accounts receivable. The Group records the appropriate provisions for the difference between the amount to be recovered from the accounts receivable and the book value by which they are recorded.

- **Deposits and guarantees.** These are entered, both in the long and short terms, for the amounts actually paid over.

- 2. Cash and other equivalent liquid assets.** This heading in the consolidated balance sheet includes the cash in the register and bank balances, deposits in banks or other financial institutions with a maturity of less than 3 months from its subscription date and other short-term investments with a high liquidity which have no risk of changes in their value.
- 3. Financial liabilities.** Loans, undertakings and similar debts are recorded for the amount received, net of the costs incurred in the transaction. Financial charges and transaction costs are entered in the profit and loss account according to the criterion for accrual based on the effective interest-rate method. The sum total accrued and not settled is entered as the higher amount to be paid.

Accounts payable are initially entered at market cost and then valued at the amortised value using the effective interest-rate method.

- 4. Compound financial instruments.** The issuing of bonds that may be exchanged for shares carried out by the Parent Company during the 2005 financial year meets the necessary requirements set forth by the IFRS to be considered as “Capital instruments”. For this reason, the amount corresponding to the item of liability from the component of net worth, which represents the reasonable value of the option incorporated from this instrument, has been differentiated from the net amount received since the issue of the bonds. On August 11, 2007, the company paid off the remaining balance of the bonds in advance, thereby paying in full the borrowed monies due to bonds subscribed in 2005.
- 5. Derivative financial instruments and hedge accounting.** The **derivative** financial instruments are initially acknowledged at their reasonable value, which is normally the same as the cost. At previous year-ends their book value has been adjusted to their reasonable value, and they have been shown as financial assets or liabilities depending on whether their reasonable value is positive or negative, respectively. They are classified as current or non-current depending on whether they mature in less or more than 12 months. Furthermore, the derivative instruments which comply with all the requirements to be treated as long-term hedging instruments are shown as non-current assets or liabilities, as appropriate.

The criteria for the accounting record of any profit or loss which leads to changes on the reasonable value of a derivative instrument depends on whether it meets the requirements for treatment as hedging and if so, the nature of the hedging relationship.

In the 2007 financial year, the Group possessed derivative financial instruments assigned to hedge variations in the cash flow due to risks associated with a recorded liability or a highly probable expected transaction (cash flow hedging).

The effective part of the changes in reasonable value of the hedging instrument are shown in the net worth and the relative profit or loss in the ineffective part is acknowledged in the profit and loss account. The accrued amounts in the net worth have been transferred to the profit and loss account in the periods in which the items covered affect the profit and loss account. A hedge is considered highly efficient when the changes in the cash flow of the underlying asset directly attributable to the hedged risk are compensated in the cash flow of the hedging instrument with an effectiveness within a range of 80% - 125%.

Some derivative instruments do not meet the criteria for applying hedge accounting. The changes in the reasonable value of any derivative instrument that does not qualify for hedge accounting are acknowledged immediately in the profit and loss account.

The Group is exposed to variations in interest rate curves, as it maintains practically the entire debt with financial institutions at a variable interest rate. In order to mitigate this risk, interest rate risk hedging contracts are signed.

The Group is also exposed to the fluctuations which take place in exchange rates in future transactions, mainly arising from the purchase of raw materials in dollars compared to the euro and Turkish lira.

Initially, the Group formally documents the hedging relationship between the derivative instrument and the item it hedges, as well as the objectives and the risk management strategies it pursues when it establishes the hedge. This documentation includes the identification of a hedging instrument, the item or operation it covers and the nature of the risk hedged. Furthermore, it also shows the method of evaluating its level of efficiency by compensating for the exposure to the changes in the element hedged with the cash flow attributable to the risk hedged. Efficiency is assessed both prospectively and retroactively, both at the beginning of the hedging relationship, as well as on an ongoing basis for the whole period of time for which it was assigned.

The positive or negative variations in the valuation of the derivatives deemed cash flow hedging instruments, on the effective side, are attributed to the consolidated net worth under the heading "Other reserves", until the hedging instrument expires, is sold, no longer complies with the requirements for being considered as hedging or it is no longer likely that the transaction will take place, at which point the accrued profits or losses in the net worth are transferred to the consolidated profit and loss account for the financial year.

The market value of the various financial instruments is calculated by discounting the cash flow, based on the market conditions at the end of the financial year.

At the end of the financial year, the Seda Group has no investment hedging derivative instruments formalised abroad, estimates at the close of the financial year suggested that there are no significant risks related to investments in currencies other than the euro.

e) Investments entered using the equity method. This heading enters the shareholding using this method that the Parent Company holds in Petrolest, S.L. and Begreen SGPS, S.A., (see Note 10). This method consists of entering the shareholding on the balance sheet for the fraction of its net worth that the Group's holding in its share capital represents once the tacit capital gains that correspond to the goodwill paid in the takeover of the company have been adjusted, where applicable.

The results obtained by the Group's associated companies according to its shareholding are entered, net of their tax impact, on the profit and loss account under the heading "Profit/loss from companies using the shareholding method".

f) Non-current assets maintained for sale. Non-current assets kept for sale are entered at the lower amount from between the book value and the reasonable value after deducting the costs required for carrying out the sale, and are not depreciated.

Non-current assets are classed as kept for sale if their book value is expected to be recovered by means of their subsequent sale and not from their continued use as part of the performance of the Company's main activity. This condition is only considered to have been met when the sale is highly probable and at the end of the financial year active proceedings have been initiated for their sale and it is estimated that this will take place within twelve months of that date.

g) Inventories.

Raw materials and other procurements. These are valued at the purchase price in accordance with the average weighted price method, with the exception of spare parts, which are recorded using the specific identification 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 is lower than their cost price.

Work in progress, semi-finished and finished products. These are valued by means of cost breakdown per article and processes established for that purpose.

The production cost defined by the price breakdown is found by adding the costs directly attributable to the product to the cost price of the raw materials and other consumable materials, as well as the part arising from the costs indirectly attributable thereto to the extent that these costs correspond to the manufacturing process in the pertinent period.

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

- h) Other current assets.** The balance recorded under this heading mainly concerns debts with Public bodies, which are recorded at their nominal value.
- i) Shares of the Parent Company.** They are valued applying the IAS 32 and 39, diminishing the net worth of the Group.
- j) Obligations to personnel.**

Defined benefit plan and insured benefit plan

For the defined benefit plan, the cost is calculated using the projected unit credit method and it is recognised over the average expected remaining working lives of the participating employees, in accordance with the advice of qualified actuaries. All the accrued actuarial profits and losses have been acknowledged in the net worth on the date of the purchase of each of the subsidiaries acquired according to the stipulations of the IFRS 3.

As regards the cost charged to the profit and loss account for each period, the costs consist of current service costs, interest costs, the expected return on the plan's assets and past service costs. Furthermore, concerning the general actuarial profits and losses generated after the acquisition date, to the extent that they exceed 10% of the current value of the future bonds in the plan or the reasonable value of the plan assets, the said surplus will be acknowledged in the profit and loss account on a pro rata basis, depending on the anticipated remaining working life of the participating employees.

The commitment due to defined assistance programmes represents the current value of the accrued bonds after deduction of the reasonable value from the appropriate assets subject to the various plans, and are recorded under the heading "Non-current provisions" in the liabilities of the attached Consolidated Balance Sheet (see Note 20).

Defined contribution programmes

For defined contribution plans, the cost represents the Group's contributions to the plans and they are charged to the profit and loss account in the period in which they fall due.

Post-employment benefits are recorded based on the recommendations of qualified actuaries.

- k) Provisions.** The provisions are acknowledged at the time when:
 - The Group has a current obligation (whether legal or implicitly assumed) as a result of a past occurrence; and
 - It is likely that the Group has to make a payment to cancel the aforementioned obligation; and
 - A reliable estimate can be made concerning the amount of the obligation.

In cases in which the temporary value of money is significant, the amount of the provision is determined as the present value of the future cash flows that are expected to be necessary in order to cancel the obligation.

I) **Acknowledgement of income and expenses.** Income and expenses are attributed according to the criterion of accrual regardless of the time at which the monetary or financial flow deriving from them arose.

Income is recognised from the time which it is likely that the economic benefits corresponding to the transaction will be received by the Group and can be reliably quantified.

The sale of goods and income from services rendered are recorded at the reasonable value of the consideration received or receivable and represents the sums receivable for goods delivered and services rendered during ordinary activities, not including the amounts for taxes incurred by these operations, and all discounts are deducted as a lower purchasing price in the operation, whether or not it is included in the invoice. The sale of goods is acknowledged when all the risks and benefits have been substantially transferred.

The tax sums 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, brought about by 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.

II) **Result of discontinued operations.** A discontinued operation or interrupted activity is a business line that has been abandoned and/or disposed of, whose assets, liabilities and results can be distinguished from a tax point of view, operationally and for financial information purposes.

The income and expenses of discontinued operations are shown separately on the balance sheet under the heading “Result after tax from discontinued operations” (see Note 31).

m) **Capital subsidies.** Official subsidies are recorded at their reasonable value when there is a certainty of complying with the conditions established for obtaining the subsidies, and that the aforementioned subsidies will be received. When this is a subsidy concerning a flow of expenses, this is systematically recorded in results in the periods required to match the subsidy against the expenses that the aforementioned subsidy is aimed at offsetting. When the subsidy concerns an asset, the reasonable value is recognised as deferred income and is entered under results in accordance with the expected useful life of this asset.

Likewise, the non-repayable subsidies linked to the greenhouse effect gas emission rights, acquired free of charge or for a price substantially below their vendible value are entered as “Deferred income”, and are registered as income as the expenses resulting from gas emissions related to the subsidised emission rights are attributed to results.

Depreciation that may affect the emission rights leads 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.

n) **Tax situation.** The expenditure for tax on earnings from the financial year is calculated by means of the total for the expenditure for the current tax and the deferred tax. The expense for current tax is calculated, in each one of the consolidated companies, according to the profit/loss from the tax year with the differences that might exist between the book profit/loss and the tax profit/loss being taken into account. The latter is understood to be the taxable base for the tax, as well as allowances and deductions from the payment of tax deemed to be lower than the tax payable for Corporation Tax for the financial year in which profit is obtained, providing the taxable base for the tax turns out to be positive.

The assets and liabilities for deferred taxes come from the temporary differences defined as the sums anticipated to be recoverable or payable in the future and which are derived from the difference between the book value for the assets and liabilities and their taxable base. These amounts are recorded applying the tax rate at which they are expected to be recovered or settled to the temporary difference. At the same time, the latter also come from the negative taxable bases pending compensation and from credits for tax deductions and allowances generated and not applied.

The variations that come from business combinations and are not acknowledged in the taking of control because their recovery is not guaranteed are attributed by reducing, as appropriate, the acknowledged goodwill value in the accounting for the business combination.

Deferred tax assets and tax credits are only acknowledged when it is considered probable that the consolidated institutions will have sufficient future tax earnings at their disposal to recover the deductions due to temporary differences and to make the tax credits effective.

Liabilities due to deferred taxes are acknowledged for all temporary differences, except those arising from the initial recognition of goodwill, as well as those associated with investments in subsidiary companies, associated companies and institutions under combined control in which the Group can control the reversion of the same and it is probable that they will not revert in a foreseeable future.

The deferred taxes are reviewed at the end of each accounting year, in both assets and liabilities, and recorded in order to confirm that they are still in force, and the necessary corrections are made to them according to the results of the said analysis.

La Seda de Barcelona, S.A. and its companies owned directly or indirectly with at least 75% of their share capital and registered in Spain (see Note 1.b)) are subject to the Consolidated Statements System, and form part of the Consolidated Tax Group 236/03, with **La Seda de Barcelona, S.A.** being the Parent Company.

In the case of subsidiaries with their registered addresses in the United Kingdom, these can make a joint tax payment if these subsidiaries are owned by the same parent company and it directly or indirectly owns at least 75% of the share capital in these subsidiaries. If these conditions are met, the tax losses generated after the purchase date can be granted among English subsidiaries. Artenius UK, Limited, Artenius Pet Packaging UK, Limited and Artenius Pet Packaging Europe, Limited became subject to this combined tax system in the last quarter of the 2007 financial year.

- o) Transactions in a currency other than the euro.** Transactions carried out in currencies other than the euro are entered at the exchange rates in force at the time of the transaction. During the financial year, the differences that arise between the exchange rate entered and the one in force on the date of settlement or payment are entered as financial profits/losses on the consolidated profits/losses account.
- p) Classification of balances as current and non-current.** In general, assets and liabilities are classified as current or non-current depending on the operating cycle, with the Group choosing to consider as current assets and liabilities all those with maturity date equal to or prior to twelve months counting from the date thereof, and as non-current those with a maturity date after the said period.
- q) Per-share profit.** The basic per-share profit is calculated as the ratio between the net profit for the period attributable to the Parent Company and the average weighted number of common shares for the latter in circulation during the said period, not including the average number of shares in the Parent Company held by the Group.

In order to calculate the diluted per-share profit, the increase in the weighted average number of outstanding shares is considered, which will be issued as a result of the conversion of the convertible bonds issued by the Group during the 2005 financial year and pending conversion at the year-end into common shares (see Note 36).

- r) **Dividends.** The interim dividend for the results of the 2007 financial year of La Seda de Barcelona, S.A. approved by the Board of Directors on October 8, 2007, for the amount of 7,579 thousand euros, payment of which was made on October 31, 2007, is shown as diminishing the net worth of the Group as of December 31st, 2007.
- s) **Business actions with an impact on the environment.** The expenses incurred through the purchase of systems, equipment, fixtures, and fittings, the purpose of which is the removal, restriction or control of the possible impact that the Group companies' normal activity could have on the environment, are considered as investments in fixed assets.

The other expenses concerning the environment, other than those incurred for the purchase of fixed assets, are considered as expenses pertaining to the financial year.

No provision has been made for risks and expenses of an environmental nature because there are no contingencies related to the protection of the environment.

- t) **Cash flow statement.** In the cash flow statements the following expressions are used in the manner shown below:

- Cash flows: cash incomes and outgoings or those of other equivalent means, with the latter understood to be investments with a term of less than three months with fast liquidity and a low risk of change in their value.
- Operating activities: those activities that constitute main source of ordinary income for the Group, as well as other activities that cannot be classed as investment or financing.
- Investment activities: those involving the purchase, sale or disposal by other means of fixed assets and other investments not included in the cash at hand and its equivalents.
- Financing activities: activities that lead to changes in the size and make-up of the net worth and the liabilities of a financial nature.

- u) **Leases.** The leases which substantially transfer to the Group all the risks and benefits inherent in owning the leased property are classified as financial leases and are acknowledged by the lessee at the beginning of the lease period on the consolidated balance sheet, and recorded as a tangible asset and a financial liability of the same amount, equal to the reasonable value of the rented property or at the current value of the minimum payments of the lease, if this is lower.

The lease payments are derived in two parts, the first being the financial charge and the second being the reduction of the debt, in order to obtain a constant interest rate for the debt pending payment on the balance sheet. The total financial charge is distributed among the financial years which constitute the lease period.

The amount that can be depreciated from the leased asset is distributed between each year of anticipated use on a systematic basis, consistent with the amortisation which the Group has adopted with regard to other depreciable assets that it owns. In the case of reasonable certainty that the Group will become the owner at the end of the lease period, the amortisation period used is the useful life of the asset; otherwise, the asset will be depreciated throughout its useful life or over the lease period, whichever is shorter.

Leases in which not all the risks and benefits inherent to the property leased have been transferred to the companies of the Group are classified as operating leases. Payments for rent under an operating lease are acknowledged in the profit and loss account during the lease period.

Note 5. Tangible fixed assets

5.1. Analysis of movements during the 2007 financial year. Its composition and movements during the financial year ending on December 31, 2007 were as follows:

Tangible fixed assets									
	(Thousands of euros)								
	Movements in the 2007 financial year						Balance at 31.12.2007		
	Balance at 31.12.2006	Additions to Perimeter (*)	Additions	Removals	Transfers	Conversion Differences	Cost	Accumulated Depreciation	Net Value
Land and buildings	129,403	66,836	10,411	-	288	(1,265)	205,673	(38,410)	167,263
Tech. installations and machinery	963,027	321,426	4,042	(8,572)	24,111	(32,125)	1,271,909	(730,220)	541,689
Other installations, equipment and furniture	8,589	92,267	994	(163)	2,459	(1,278)	102,868	(83,480)	19,388
Advances and investments materials in progress	16,858	69,801	66,309	(3)	(30,160)	(973)	121,832	-	121,832
Other fixed assets	7,163	121	11	(69)	131	1	7,358	(5,208)	2,150
	<u>1,125,040</u>	<u>550,451</u>	<u>81,767</u>	<u>(8,807)</u>	<u>(3,171)</u>	<u>(35,640)</u>	<u>1,709,640</u>	<u>(857,318)</u>	<u>852,322</u>
Provision for damage	(32,432)	-	-	12,550	-	1,988	(17,894)	-	(17,894)
	<u>1,092,608</u>	<u>550,451</u>	<u>81,767</u>	<u>3,743</u>	<u>(3,171)</u>	<u>(33,652)</u>	<u>1,691,746</u>	<u>(857,318)</u>	<u>834,428</u>
Accumulated depreciation									
	(Thousands of euros)								
	Movements in the 2007 financial year						Balance at 31.12.2007		
	Balance at 31.12.2006	Additions to Perimeter (*)	Additions	Removals	Transfers	Conversion Differences	Balance at 31.12.2007		
Acc. depreciation Buildings	(30,096)	(5,711)	(3,016)	(4)	-	417	(38,410)		
Acc. depreciation Technical installations and machinery	(522,623)	(180,630)	(54,559)	4,581	3,111	19,900	(730,220)		
Acc. depreciation Other installations, equipment and furniture	(7,046)	(74,535)	(3,099)	162	-	1,038	(83,480)		
Acc. depreciation Other fixed assets	(4,917)	(45)	(261)	15	-	-	(5,208)		
	<u>(564,682)</u>	<u>(260,921)</u>	<u>(60,935)</u>	<u>4,754</u>	<u>3,111</u>	<u>21,355</u>	<u>(857,318)</u>		

(*) See Note 1c)

The breakdown of the net additions to the consolidation perimeter by company is as follows:

Perimeter Additions	
Company	(Thousands of euros)
Recuperaciones de Plásticos de Barcelona, S.L.	1,590
Artenius San Roque, S.A.	66,015
Amcor PET Packaging Belgium, NV	22,147
Amcor PET Packaging Deutschland, GmbH	25,534
Amcor PET Packaging France, SAS	17,334
Amcor PET Packaging Iberia, S.A.	26,479
Amcor PET Packaging Maroc, S.A.R.L.A.U.	783
Amcor PET Packaging Uk, Limited	36,773
Amcor PET Recycling France, SAS	17,417
Simpe, S.p.A.	75,458
	<u>289,530</u>

The most significant additions which took place during the 2007 financial year mainly concern the following operations:

- Purchase of part of a plot of land for the sum of 10,260 thousand euros in La Seda de Barcelona, S.A. and its subsequent non-monetary contribution to the newly created company Inmoseda, S.L.U. (see Note 1c)), the company entrusted with the development and execution of the future construction of the central offices where the corporate services and the Department of Research, Development and Innovation of new products will be located
- The investment made in 2007 in Artenius Sines, PTA, S.A. (Portugal) for the construction of the new PTA factory was 17,261 thousand euros. All assets related to this investment are still in progress.
- The investment made in 2007 in Simpe, S.p.A. for the conversion of the Acerra factory from the production of polyester to the production of PET was 12,895 thousand euros. All the assets related to the investment made from the date of incorporation in the group are still in progress.
- Investment of 11,468 thousand euros to renovate and recover the T8 plant catalytic converter at Artenius UK, Limited.
- Beginning of construction of the energy polygeneration plant in El Prat de Llobregat (and the necessary installations for its operation) valued at 5,723 thousand euros. The plant is anticipated to start operations in the second quarter of 2008.
- The company Artenius Pet Recycling France, SAS has invested 2,538 thousand euros since its date of incorporation into the group to increase its production capacity by 10,000 tons.
- Since their date of incorporation into the group, the preform companies incorporated into the perimeter have purchased new machinery for the production of their products with a value of 1,694 thousand euros.
- Investment in new preform machinery and a PET crystalliser in Artenius Turkpet Kimyevi of 533 thousand euros and 470 thousand euros respectively.
- Sundry investments for a lesser amount.

The most significant disposals which took place during the 2007 financial year mainly concern the following operations:

- Sale of the silver from the catalytic converter belonging to Industrias Químicas Asociadas LSB, S.L. to a third party for an sum of 5,312 euros. The cost of the asset was 4,739 thousand euros and its accumulated depreciation on the date of sale was 1,137 thousand euros. The profit from the operation was 1,710 thousand euros and is the main component of the heading "Results of disposal of non-current assets" (see Note 30).
- The company Artenius Turkpet Kimyevi has written off machinery for the manufacturing of preform, which were totally depreciated for a value of 2,109 thousand euros.

The main transfers in the financial year were:

- Completion, and therefore transfer from "Fixed assets in progress" to "Technical installations and machinery" of the investments in progress during the 2006 financial year.
- In Artenius PET Packaging Deutschland, GmbH the net accounting value of a machine for which the initial cost was 3,171 thousand euros has been transferred to the heading "Non-current assets classified as kept for sale", and at the close of the financial year its accumulated depreciation was 3,111 thousand euros. The sale of this machine is anticipated for 2008.

During the 2007 financial year, the provision for deterioration of tangible fixed assets was reduced by 12,550 thousand euros. See explanation of the operation in Note 29.

The charge to profits/losses for the current financial year by way of allocation to the depreciation of tangible fixed assets amounted to 60,935 million euros.

At the close of the financial year, the heading “tangible fixed assets” on the consolidated balance sheet included 13,060 thousand euros for goods under financial leasing conditions (see Note 34.1)

The Group companies' policy is to arrange insurance policies to cover the possible risks to which its tangible fixed assets are subject. As of December 31, 2007 the policies arranged provided sufficient coverage for the tangible fixed assets.

5.2. Analysis of movements during the 2006 financial year. Its composition and movements during the financial year ending on December 31, 2006, were as follows:

Tangible fixed assets

	(Thousands of euros)								Balance on 31.12.2006		
	Balance at 31.12.2005	Perimeter Additions	Perimeter Withdrawals	Additions	Withdrawals	Transfers	Conversion Differences	Cost			
	119,034	70,300	(40,387)	13	(22,864)	3,106	201	129,403	(30,096)	99,307	
Land and buildings	379,272	634,862	(24,290)	6,971	(59,828)	21,489	4,551	963,027	(522,623)	440,404	
Technical installations and machinery	2,989	9,045	(189)	147	(3,486)	75	8	8,589	(7,046)	1,543	
Other installations, equipment and furniture	8,784	14,257	(1,063)	20,321	(52)	(25,444)	55	16,858	-	16,858	
Advances and investments materials in progress	6,353	400	(257)	78	(185)	774	-	7,163	(4,917)	2,246	
Other fixed assets	<u>516,432</u>	<u>728,864</u>	<u>(66,186)</u>	<u>27,530</u>	<u>(86,415)</u>	<u>-</u>	<u>4,815</u>	<u>1,125,040</u>	<u>(564,682)</u>	<u>560,358</u>	
Provision for damage	<u>-</u>	<u>(32,092)</u>	<u>(44)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(296)</u>	<u>(32,432)</u>	<u>-</u>	<u>(32,432)</u>	
	<u>516,432</u>	<u>696,772</u>	<u>(66,230)</u>	<u>27,530</u>	<u>(86,415)</u>	<u>25,594</u>	<u>4,519</u>	<u>1,092,608</u>	<u>(564,682)</u>	<u>527,926</u>	
(Thousands of euros)											
		Movements in the 2006 financial year						Balance at 31.12.2006			
Balance at 31.12.2005		Perimeter Additions	Perimeter Withdrawals	Additions	Withdrawals	Transfers	Conversion Differences				
Accumulated depreciation											
Buildings	(19,225)	(18,629)	4,557	(1,727)	4,958	-	(30)				
Accumulated depreciation Technical installations and machinery	(244,337)	(324,963)	21,908	(21,760)	48,461	(2)	(1,930)				
Accumulated depreciation Other installations, equipment and furniture	(2,225)	(7,854)	180	(222)	3,075	-	-				
Accumulated depreciation Other fixed assets	<u>(4,804)</u>	<u>(94)</u>	<u>205</u>	<u>(261)</u>	<u>38</u>	<u>-</u>	<u>(1)</u>	<u>(4,917)</u>			
	<u>(270,591)</u>	<u>(351,540)</u>	<u>26,850</u>	<u>(23,970)</u>	<u>56,532</u>	<u>(2)</u>	<u>(1,961)</u>	<u>(564,682)</u>			

The net additions to the consolidation perimeter per company are as follows:

Perimeter Additions	
Company	(Thousands of euros)
Artenius Hellas, S.A.	35,004
Artenius Italia, SPA	85,059
Artenius Portugal, Industria de Polimeros, S.A.	30,631
Selenis Servicios Técnicos, SRL	3
Artenius Kimyevi	40,624
Artenius Uk, Limited	150,663
Artenius Romania, SRL	3,248
	<u>345,232</u>

The most significant additions which took place in the 2007 financial year mainly involved the following operations:

- Completion, and therefore transfer from “Fixed assets in progress” to “Technical installations and machinery” of the investments in progress from 2005.
- Investments made in the Buhler project on the company Artenius Italia, SpA.
- Investment in a new catalytic converter.
- Repairs and improvements to installations.
- Sundry investments for a lesser amount.

The disposals for the tax year correspond mainly to the contribution of the polyester fibres branch of business and the sale of a property belonging to La Seda de Barcelona, S.A., located in El Prat de Llobregat as recorded in the Property Register of that municipal district, in Volume 1,295, Book 655, Folio 137, Property No. 35,250, entry four.

The charge to profits/losses for the period by way of allocation to the depreciation of tangible fixed assets amounted to 23,970 thousand euros.

5.3. Fully amortised assets. The list of fully depreciated assets as of December 31, 2007 and 2006 is as follows:

Fully depreciated Tangible Fixed Assets		(Thousands of euros)	
		31.12.2007	31.12.2006
Buildings		5,261	2,480
Technical installations and machinery		280,487	150,278
Other installations, equipment and furniture		26,110	6,846
Other fixed assets		5,107	4,038
		<u>316,965</u>	<u>163,642</u>

5.4. Updating of values according to Royal Decree - Law 7/1996. As stated in Note 4 a), **Industrias Químicas Asociadas LSB, S.L.U.** and **La Seda Barcelona S.A.** carried out a restatement of the value of their tangible fixed assets pursuant to various legal provisions, inter alia, Royal Decree 7/1996 of 7 June.

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

	(Thousands of euros)		
	Increase	Accumulated Depreciation	Effect Net
Land and buildings	3,218	(1,264)	1,954
Technical installations and machinery	6,437	(6,075)	362
Other installations, equipment and furniture	55	(55)	-
Other fixed assets	20	(20)	-
	<u>9,730</u>	<u>(7,414)</u>	<u>2,316</u>

The effect of the restatement on the amortisations in the period amounted to 0.28 million euros. For the 2008 financial year, this effect is estimated to be 0.19 million euros.

The accounts affected by the restatement pursuant to the Royal Decree-Law 7/1996 of 7 June and their effect at 31 December 2006 are as follows:

	(Thousands of euros)		
	Increase	Accumulated Depreciation	Net
Buildings	3,218	(1,153)	2,065
Technical installations and machinery	6,449	(5,923)	526
Other installations, equipment and furniture	55	(55)	-
Other fixed assets	20	(20)	-
	<u>9,742</u>	<u>(7,151)</u>	<u>2,591</u>

The effect of the restatement on the amortisations in the 2006 financial year amounted to 0.42 million euros.

5.5. Assets covered by a guarantee. The amounts for assets covered by a guarantee at December, 31 2007 are as follows (figures shown in thousands of euros):

Artenius Italia, SpA	Charge		Beneficiary
	Type of charge	Amount	
Factories located on E. Fermi st. (page B/1 - lot no. 63 - Class D/1) and on E. Majorana st. (page B/4 - lot no. 99 - Class D/1) in San Giorgio (Italy).	Mortgage 1	10,742	Mortgage in favour of Mediocredito del Friuli Venezia Giulia.
	Mortgage 2	15,000	Mortgage in favour of Banca Popolare Di Vicenza, Banca Popolare Friuladria, Banca Nazionale del Lavoro, Mediocredito del Friuli Venezia Giulia, Interbanca SPA, Banca Popolare di Milano and Veneto Banca Scarl.
	Mortgage 3	11,840	Mortgage in favour of Unicredit - FRIE.
		<u>37,582</u>	

Simpe, SpA	Charge		Beneficiary
	Type of charge	Amount	
Land and buildings	Mortgage 1	62,100	Mortgage in favour of Intesa Mediocredito y San Paolo
	Mortgage 2	9,785	Mortgage in favour of Sviluppo Italia, SpA
		<u>71,885</u>	

Note 6. Business combinations

6.1 Business combinations taking place during the 2007 financial year

6.1.1. 6.1.1. Artenius San Roque, S.A.

On May 2, 2007, La Seda de Barcelona purchased 100% of the company Eastman Chemical Iberia, S.A. later renamed **Artenius San Roque, S.A.**, the main activity of which is the production of PET with an installed capacity of 175,000 tons. As a consequence of the purchase, a negative consolidation difference has been recognised, and the assignment has been made in the following manner:

	(Thousands of euros)	
	Reasonable Value	Book value
Non-current assets	67,989	12,567
Cash and other equivalent liquid assets	82	82
Other current assets	10,215	10,215
Current and non-current liabilities	(23,111)	(5,013)
Minority interests	-	-
Value of net assets acquired	55,175	17,851
Negative consolidation difference	(22,543)	-
Consideration in cash	32,631	-
Consideration - other	-	-
Total consideration	32,631	-

The valuation of the assets, liabilities and contingent liabilities and the negative consolidation difference has been made provisionally as established by the IFRS 3 in paragraph 62. In the event of significant variations appearing within the twelve months established by the rule, the value of the negative consolidation difference and other liabilities involved would be amended, as if the finally determined reasonable value had been registered in the initial accounting.

The financial impact of the more significant adjustments made in the current financial year related to this combination of businesses was as follows:

- Tangible fixed assets. The land, buildings, installations and machinery arising from the combination of businesses have been recorded at their reasonable value according to a study by an independent valuer, with an effective date for the assessment of the reasonable value being December 10, 2007. The reasonable value of the buildings, installations and machinery has been determined at their replacement cost after the appropriate depreciation, considering that the assets are of a specific nature. Furthermore, their physical condition, maintenance and usefulness have been taken into account. On the other hand, the reasonable value of the land is considered as an integral part of the process to which it belongs, and factors like situation, dimensions, physical characteristics and similar transactions have been taken into consideration. The reasonable value of the tangible fixed assets is 66,011 thousand euros, while its book value is 11,060 thousand euros.
- Current liabilities: An amount of 1,449 thousand euros has been recorded, which is mainly due to the employment liabilities concerning the cost of the necessary personnel redundancies at the time of purchase to re-establish productive efficiency. These redundancies mostly took place during the second half of the 2007 financial year, by means of voluntary redundancies.
- Deferred assets and liabilities: The tax effect of the revaluation of the tangible fixed assets was 16,649 thousand euros, recorded under the heading "Deferred tax liabilities." Furthermore, the tax impact associated with the current liabilities was 471 thousand euros, recorded under the heading "Deferred tax assets".

The negative consolidation difference obtained in this business combination is 22,543 thousand euros. After obtaining this negative difference, the Group:

- Has reconsidered the identification and valuation of the assets, liabilities and contingent liabilities as well as the cost of the combination.
- After the above analysis, the ongoing surplus has been acknowledged as result of the financial year under the heading "Other operating income" on the understanding that it is a purchase made under very favourable terms (see Note 24).

The Group's Management has estimated that this investment will be recovered ("Pay-Back") in 8 years.

The net consolidated turnover as of December 31, 2007 which would have been obtained if the date of purchase of the combination of businesses had been January 1, 2007, would have been increased by 2,691 thousand euros and the profit attributable to the Parent Company would have been reduced by 3,272 thousand euros, respectively.

6.1.2. Amcor Group European division

On October 9th, 2007, La Seda de Barcelona acquired 100% of the European division of the Amcor group, consisting of the following companies: **Artenius Pet Packaging Europe, Artenius Pet Packaging UK, Limited, Artenius Pet Packaging Belgium, Artenius Pet Packaging Deutschland, GmbH, and Artenius Pet Packaging Iberia, S.A.** (sub-group which contains **Artenius Pet Packaging Maroc, SARLAU**) and **Artenius Pet Packaging France, SAS** (a sub-group which contains **Artenius Pet Recycling France, SAS**). The amount paid for the purchase of these shareholdings was 435,685 thousand euros. As a consequence of the purchase, a negative consolidation difference has been recognised, and the assignment has been made in the following manner:

Reasonable Value							
	(Thousands of euros)						
	APP UK, Limited / APP Europe, Limited	APP Iberia, S.A.	APP Deutschland, GmbH	APP Belgium, NV	APP France, SAS	AP Recycling France, SAS	APP Maroc, Sarlau
Non-current assets	36,915	29,295	26,194	24,407	18,255	17,574	934
Current financial investments and cash and other equivalent liquid assets	5,514	24,418	464	11,489	-	-	321
Other current assets	30,239	45,160	16,578	18,412	22,135	6,909	7,868
Current and non-current liabilities	(51,286)	(50,474)	(37,100)	(25,418)	(43,468)	(13,638)	(6,838)
Minority interests	-	-	-	-	-	-	-
Reasonable value of net assets aquired	21,382	48,399	6,136	28,890	(3,078)	10,845	2,285
Goodwill / (Negative consolidation difference)	177,614	(13,330)	55,227	19,322	60,059	11,067	10,867
Consideration in cash	198,996	35,069	61,363	48,212	56,981	21,912	13,152
Consideration - other	-	-	-	-	-	-	-
Total consideration	198,996	35,069	61,363	48,212	56,981	21,912	13,152

The list of the assets and liabilities purchased in this combination of businesses at book value is as follows:

Book value							
	(Thousands of euros)						
	APP UK, Limited / APP Europe, Limited	APP Iberia, S.A.	APP Deutschland, GmbH	APP Belgium, NV	APP France, SAS	AP Recycling France, SAS	APP Maroc, Sarlau
Non-current assets	36,915	22,677	26,959	24,407	16,832	19,130	934
Current financial investments and cash and other equivalent liquid assets	5,514	24,418	464	11,489	-	-	321
Other current assets	30,239	45,160	16,348	18,412	22,135	6,390	7,868
Current and non-current liabilities	(51,286)	(48,489)	(37,100)	(25,418)	(42,994)	(13,638)	(6,838)
Minority interests	-	-	-	-	-	-	-
Book value of the net assets acquired	21,382	43,766	6,671	28,890	(4,027)	11,882	2,285

The financial impact of the more significant adjustments made in the current year, related to this combination of businesses were as follows:

- Tangible fixed assets. The land and buildings arising from the combination of businesses have been recorded at their reasonable values according to the studies by independent valuers. In order to determine the reasonable value, the market values and factors such as area, location, shape, topography, access, specific type of buildings, physical condition, maintenance and usefulness and the current real estate market have been taken into account. On the other hand, the reasonable market value of the land is considered as an integral part of the process in which it belongs, taking factors like location, size, physical characteristics and similar transactions into consideration.

The reasonable value of the land and buildings together with their book value is as follows:

	(Thousands of euros)	
	Book value	Reasonable value
Artenius Pet Packaging Iberia, S.A.	6,290	12,908
Artenius Pet Packaging France, SAS	4,277	5,700
Artenius Pet Packaging Deutschland, GmbH	8,645	7,880
Artenius Pet Recycling France, SAS	4,049	2,493
	23,261	28,981

In the case of Artenius Pet Packaging UK, Limited, there has been no study by an independent valuer, as the assets are under an operating lease. With regard to Artenius Pet Packaging Maroc, SARLAU, there has been no study because the value of the property is not significant.

When determining the reasonable value of the installations and machinery, the Management of the Group feels that they do not differ significantly from the book value.

- Deferred assets/liabilities: The tax effect of the impact associated with the revaluation of the land and buildings was 749 and 2,459 thousand euros, recorded under the headings “Deferred tax assets” and “Deferred tax liabilities”, respectively.

The companies purchased during the year 2007 from the Amcor Group, the main activity of which is the manufacturing of preforms and in the case of Artenius Pet Packaging Recycling France, SAS the recycling of PET, have been the culmination of the Seda Group's process of vertical integration and the achievement of geographical coverage of the whole of Europe (West, Central and East). These companies have a European market share of 13% and in the specific case of the United Kingdom market, this share amounts to 31%.

They are also absolute leaders in the Research and Development of solutions in PET polymer, both in specific applications and material properties. In this respect, the work of the Research Centre in Brecht (Belgium) is fundamental. The goodwill generated in the combination reflects the potential growth in the preforms market in Europe, the geographical presence in the whole of Europe, a high market share, the training and skills of the personnel in these companies and the opportunity to supply the market with advantages of a service by a totally integrated group.

The Group's Management has estimated that the investment in these companies will be recovered ("Pay-Back") within a period of between 7 and 14 years.

After producing this combination of businesses, a negative consolidation difference of 13,330 thousand euros has appeared relating to the integration of the company Artenius Pet Packaging Iberia S.A. After obtaining this negative difference, the Group:

- Has reconsidered the identification and valuation of the identifiable active assets, the liabilities and the contingent liabilities as well as the cost of the combination.
- After the above analysis, the ongoing surplus excess has been acknowledged as a result of the financial year, under the heading "Other operating income" on the understanding that it is a purchase made under very favourable terms (see Note 24).

To that end, it must be remembered that on the date that these annual accounts were formulated, the determination of the purchase cost of this business combination is in an arbitration process by an independent expert, because the vendor and purchaser were not in agreement regarding the final amount. As a consequence, the cost of the business combination must be considered provisional because it could be modified in the near future.

The valuation of the assets, the liabilities and the contingent liabilities and the negative consolidation difference, as well as the consolidation goodwill, has been done on a provisional basis. In the event of significant variations appearing within the twelve months stipulated by the rule, a modification of the value of the difference in consolidation and other liabilities involved would take place, as if the finally determined reasonable value had been registered in the initial accounting.

The net amount of the turnover and the benefit attributable to the controlling company as of December 31, 2007 which would have been obtained if the date of purchase of the business combination had been January 1, 2007, would have been increased by 457,784 and 22,832 thousand euros, respectively.

6.1.3. Others

The company **Simpe, S.p.A.** was included in the 2006 financial year by means of the equity method. On January 30th, 2007 the holding of the group in the company increased by 31,02% by means of the complete subscription of the increased capital which took place on the said date, and as such La Seda de Barcelona, S.A. is a 50.11% owner of this company after this increase.

As a consequence, the goodwill of the companies accounted for by the equity method arising from purchases of capital in previous years has been classified under this heading. On April 24th, 2007, the Board of Directors of Simpe, S.p.A. agreed that La Seda de Barcelona, S.A. is entitled to direct and co-ordinate the management of the mentioned company as of January 30, 2007.

The main impacts on the consolidated balance sheet for the 2007 financial year corresponding to the incorporation of Simpe, S.p.A. by the global integration method are as follows:

	(Thousands of euros)
Non-current assets	87,797
Cash and other equivalent liquid assets	4
Other current assets	11,635
Current and non-current liabilities	50,831

The differences that arise between the purchase cost and the reasonable value of assets and liabilities listed above have been provisionally recorded as goodwill.

6.2 Business combinations during the 2006 financial year.

The assets and liabilities purchased through this combination of businesses at a reasonable value as well as the cost of the said combination is as follows:

	(Thousands of euros)					
	Portugal, Industria de Polimeros, S.A.	Artenius Italia, SpA	Artenius Uk, Limited	Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	Artenius Hellas, S.A. (Subgroup)	Other
Non-current assets	32,009	88,230	153,702	41,098	37,894	3,037
Current financial investments & cash and other equivalent liquid assets	5,033	9,268	2,312	1,336	1,158	6,516
Other current assets	33,196	49,651	164,586	45,382	32,784	6,040
Current and non-current liabilities	(64,533)	(119,499)	(157,580)	(13,394)	(41,450)	(9,904)
Minority interests	-	-	-	-	(14,039)	-
Reasonable value of net assets acquired	5,705	27,650	163,020	74,422	16,347	5,689
Goodwill	16,909	31,052	47,410	10,098	3,965	-
Consideration in cash	22,614	58,702	210,430	84,520	20,312	5,689
Total consideration	22,614	58,702	210,430	84,520	20,312	5,689

The significant differences between the reasonable value of identifiable assets and liabilities corresponding to the companies incorporated into the business combinations with regard to the book value of the same are:

- *Artenius UK, Limited:*
 1. Recognition of an employment liability of 42,330 million euros, arising from the disparity between the current value of the liabilities arranged as future pension scheme commitments, an appraisal study carried out by an actuarial expert and the reasonable value of the assets linked to the foregoing pension fund on the date of incorporation into the group, calculated on the basis of the “principle of total recognition” defined in IAS 19.
 2. The accounts receivable have been reduced by 1,297 thousand euros given that the Company is unlikely to receive these amounts.
 3. Revaluation of the tangible fixed assets for 3,200 thousand euros.
 4. Recognition of the customer portfolio for an amount of 3,038 thousand euros, which is depreciated using the straight-line method over a period of 16 years.
- *Artenius Italia, SpA.*
 1. Increase in the value of land and technical installations of 9,579 and 6,832 thousand euros, respectively.
 2. Recognition of the customer portfolio for an amount of 1,999 thousand euros, which is depreciated using the straight-line method over a period of 11 years.

- *Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi:*
 1. Restatement of the net book value of the clients' machinery on deposit for an amount of 1.8 million euros, by readjusting the depreciation period, formerly estimated as the useful lifespan of the machinery and now re-estimated as the period in which the machines are going to be owned by the group, as there are firm sales contracts for future periods.
 2. Recognition of the customer portfolio for an amount of 474 thousand euros, which is depreciated using the straight-line method over a period of 10 years.
- *Artenius Portugal Industrias de Polímeros, SA:*
 1. As set forth in Note 4 a) above, prior to its incorporation into the consolidation perimeter and in accordance with the current regulations in Portugal, the company has restated the elements registered under the "Technical installations and machinery" heading at the market value based on an independent expert's report. The amount of the aforementioned restatement is 14,400 thousand euros charged to net worth.
 2. Some assets have been re-stated for an amount of 10.8 million euros, as these are considered not realisable.
 3. Recognition of the customer portfolio for an amount of 1,284 thousand euros, which is depreciated using the straight-line method over a period of 11 years.

The acquired companies have contributed an increase in turnover of 378.5 million euros and a net loss attributable to the Parent Company of 7.4 million euros. If the purchases had taken place on January 1, 2006 and the consolidation perimeter had been that existing on December 31, 2006, the turnover involved and the net profit of the Parent Company would have been approximately Euros 1,144 and 1.1 million, respectively.

Note 7. Goodwill

7.1. Goodwill 2007. As a consequence of the business combinations during the year 2007, the composition and changes in the goodwill during the year ending December 31, 2007 were as follows:

		(Thousands of euros)					
		CGU	Balance at 31.12.2006	Increases	Reclassification	Conversion differences	Balance at 31.12.2007
Western Europe zone:							
Catalana de Polímers, S.A. (Single-member Company)	PET	6,406	23,315	2,244	-	-	6,406
Artenius Portugal, Industria de Polímeros, S.A.	PET	16,909		-	-	-	16,909
Recuperaciones de plásticos de Barcelona, S.L.	RECYCLED PET	-		2,244	-	-	2,244
			31,052	146,544	1,188	-	178,784
Central Europe zone:							
Artenius Italia, Spa	PET	31,052		-	-	-	31,052
Simpe	PET	-		869	1,188	-	2,057
Artenius Pet Packaging Belgium, NV	PREFORMS	-		19,322	-	-	19,322
Artenius Pet Packaging Deutschland, GmbH	PREFORMS	-		55,227	-	-	55,227
Artenius Pet Packaging France, SAS	PREFORMS	-		60,059	-	-	60,059
Artenius Pet Recycling France, SAS	RECYCLED PET	-		11,067	-	-	11,067
			47,409	177,614	-	(12,449)	212,574
United Kingdom zone:							
Artenius Uk, Limited	PTA	30,162		-	-	(2,288)	27,874
Artenius Uk, Limited	PET	17,247		-	-	(1,309)	15,938
Artenius Pet Packaging UK, Limited	PREFORMS	-		177,614	-	(8,852)	168,762
			14,063	378	-	1,142	15,583
Eastern Europe zone:							
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	PREFORMS	2,645		-	-	299	2,944
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	PET	7,453		-	-	843	8,296
Artenius Hellas	PET	3,965		378	-	-	4,343
			-	10,867	-	27	10,894
Other zones:							
Artenius Pet Packaging Maroc, Sarlau	PREFORMS	-		10,867	-	27	10,894
			115,839	337,647	1,188	(11,280)	443,394

As mentioned in Note 1 c) the Group's holding in the company **Artenius Hellas, S.A.** also increased on June 14, 2007, by means of the acquisition of an additional 14% of the shares of the said company, which increases the percentage owned by the Seda Group on June 30, 2007 to 65%.

The goodwill increased during the 2007 financial year as a consequence of the combinations of business undertaken (see Note 6.1) As mentioned in Note 2, section d) and in compliance with IFRS 3, the fixed assets furnished and the liabilities acquired have been valued in accordance with their reasonable value based on independent expert appraisals in the case of land and buildings in the business combinations incorporated into the consolidation perimeter during 2007. The differences that arise between the purchase cost and the reasonable value of the assets and liabilities mentioned above have been recorded as goodwill, and provisionally entered into the books in accordance with IFRS 3, paragraph 62.

In addition, complying with the IAS 21 paragraph 47, the goodwill arising from the acquisition of a foreign business has been expressed in the operating currency of the foreign business and has been converted at the year-end rate. As a consequence, the said goodwill sum has been amended with a balancing entry under the heading of "Conversion differences".

7.2. Goodwill 2006.

Its composition and movements during the financial year ending December 31, 2006 are as follows:

		(Thousands of euros)				
		CGU	Balance at 31.12.2005	Increases for the financial year	Cancellation for the financial year	Balance at 31.12.2006
Western Europe zone:						
Catalana de Polímers, S.A. (Single-member Company)	PET		8,275	16,909	(1,869)	23,315
Celtibérica de Finanzas, S.L. (Single-member Company)			6,406	-	-	6,406
Proyectos Voltak, S.L. (Single-member Company)			768	-	(768)	-
Mendilau, S.L. (Single-member Company)			669	-	(669)	-
Mendilau, S.L. (Single-member Company)			432	-	(432)	-
Artenius Portugal, Industria de Polímeros, S.A.	PET		-	16,909	-	16,909
Central Europe zone:						
Artenius Italia, Spa	PET		-	31,052	-	31,052
United Kingdom zone:						
Artenius Uk, Limited	PTA		-	30,162	-	30,162
Artenius Uk, Limited	PET		-	17,247	-	17,247
Eastern Europe zone:						
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat MalzemeleriSanayi Anonim Sirketi	PREFORMS		-	2,645	-	2,645
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat MalzemeleriSanayi Anonim Sirketi	PET		-	7,453	-	7,453
Artenius Hellas	PET		-	3,965	-	3,965
			<u>8,275</u>	<u>109,433</u>	<u>(1,869)</u>	<u>115,839</u>

As a consequence of the segregation of the branch of activity described in Note 1, section c), during the 2006 financial year, the goodwill linked to disposed assets stemming from Industrias **Químicas Textiles, S.A.** has been cancelled.

In accordance with the IFRS 3, paragraph 62, an analysis of the assignation of the cost of the business combinations made by the Group during the course of the said financial year has been carried out by an independent expert over the period of one year starting from the recognition of the goodwill recorded in year 2006, with the assets, the liabilities acquired and the contingent liabilities finally accounted for at a reasonable value, and the goodwill arising from the previous year has been modified as a result, as follows:

Consolidation goodwill						
	CGU	(Thousands of euros)				
		Balance at 31.12.2006	Balance at 31.12.2006	Development portfolio	CGU Separation	Other
Western Europe zone:						
Catalana de Polímers, S.A. (Single-member Company)	PET	6,406	6,406	-	-	-
Celtibérica de Finanzas, S.L. (Single-member Company)	-	-	-	-	-	-
Proyectos Voltak, S.L. (Single-member Company)	-	-	-	-	-	-
Mendilau, S.L. (Single-member Company)	-	-	-	-	-	-
Artenius Portugal, Industria de Polimeros, S.A.	PET	18,193	16,909	(1,284)	-	-
Central Europe zone:						
Artenius Italia, Spa	PET	33,050	31,052	(1,998)	-	-
United Kingdom zone:						
Artenius Uk, Limited	PTA	52,260	47,409	(3,038)	-	(1,813)
Artenius Uk, Limited	PET	-	17,247	-	17,247	-
Eastern Europe zone:						
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	PREFORMS	-	2,645	-	2,645	-
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	PET	10,572	7,453	(474)	(2,645)	-
Artenius Hellas	PET	3,931	3,965	(1,733)	-	1,767
		124,412	115,839	(8,527)	-	(46)

The "Others" column mainly refers to the revaluation of assets and the readjustment of the provision for employment liabilities in the case of Artenius UK, Limited and the readjustment of the purchase price in the case of Artenius Hellas.

7.3. Deterioration of goodwill

In accordance with the International Accounting Standard (IAS) 36 "Deterioration of the Value of Assets", studies have been carried out on the deterioration of goodwill, involving an estimate on the valuation date of the recoverable amount of Cash Generating Units (CGUs) associated with the companies purchased, considering the criteria of value in use, by application of the Discount of Free Cash Flow method before taxes, in order to compare the value thus obtained with the book value of the Cash Generating Units respectively.

The Management of the Seda Group has implemented an annual process with the aim of identifying possible losses in the recorded cost compared to the recoverable value of the same. The process for the carrying out the "deterioration test" is as follows:

- The Management of the Group has defined the CGUs according to the location of each production plant and their business type.
- The head of each subsidiary annually prepares the business plan by market and activity for every cash-generating unit, generally for the next five years.

The main parts of this plan are:

- Projections of financial statements.
- Projections of investments and circulating capital.

The projections include the best estimates available of income and costs of the CGUs. The estimates have to be consistent with external information, past experience and the future expectations.

A short description of the main key hypotheses included in the projections, to which the recoverable amounts of the CGUs are most sensitive, and those with significant goodwill are as follows:

- Being a market leader allows the Seda Group to have a greater influence on setting prices and the ability to affect cost increases in the geographical areas where it operates, with the most significant cost being that of raw materials.
- Due to the implementation of the purchasing centralisation process for main raw materials (chiefly PTA, MEG and IPA) synergies which represent a saving on costs of between 1.8% and 3.5% for the PET CGUs located in the various geographical areas where the Seda Group operates are projected for 2008 and the following years.
- Synergies in the transport cost of 4 euros/Tm for the PET CGUs located in Spain, Italy and Turkey as a consequence of the concentration of sales by production plant and/or supply plant considering those customers within a radius of 600-700 Km of the plant as assignment criteria.
- As a consequence of the purchase of Artenius Pet Packaging UK, Limited in October 2007, which accounts for 31% of the preforms market in the United Kingdom, a cost reduction of approximately 3.5 million euros per year has been estimated for transportation and logistics for the PET CGU in this country. Additionally, an increase in sales of 70,000 Tm of PET for 2008 is estimated, which will be maintained in the coming years and which will be assigned to Artenius Pet Packaging UK, Limited, and this will enable the less profitable customers to be replaced and better margins to be obtained.
- In the 2007 financial year, the Seda Group closed the T-7 production line in the PTA CGU of the United Kingdom, as it did not meet the minimum profitability requirements of the Group. This production line had a capacity of 170,000 t, which was 25% of the total capacity of the plant and 7% of the European PTA market. The most significant effects of this closure are that the combination of the reduction in capacity in the European market and a forecast increase in the demand for PTA of 5% will lead to an estimated improvement of 11% in the molecule's margin for the 2008 financial year, a reduction of personnel costs of 3 million euros per year and a saving on energy costs and other production costs. The T-7 line was a fully depreciated plant and much less efficient than the T-8.
- In addition, due to the industrial reorganisation and the optimisation of the human resources begun by the Group, the obtaining of synergies in human resources worth approximately 2.8 million euros is anticipated in the 2008 and 2009 financial years, mainly in the CGUs located in Italy and the United Kingdom.
- As regards the PET CGU located in Italy, an increase in sales of 6% is forecast for the 2007 financial year. The company will subsequently remain stable. Furthermore, this subsidiary company has reached commercial agreements for the production of 12,000 t of radicron for the 2008 financial year, a PET speciality which is only produced at this Group plant and one that has substantially higher margins.
- With regard to the PET CGU located in Portugal, the Management of the Group is introducing the production of PET specialities, which have a much higher margin, during the 2008 financial year. This implementation will be completed in 2009. From the 2010 financial year onwards, this plant will only produce PET specialities. It is estimated that the gross margin will increase from 9.71% in 2007 to 20.4% in 2010 and the EBITDA ratio to sales will increase from 1.27% in 2007 to 11.3% in 2010.
- As regards the preforms CGUs an increase in sales of 9% is estimated for the United Kingdom for 2008, with stable growth in the subsequent years. In Germany, an increase in sales of 30% is forecast in the 2008 and 2009 financial years due to new contracts being obtained in the 2007 financial year with leading companies in the consumer goods market, although the contracts have a lower added value and affect the corresponding gross sales margin.

- Finally, with regard to the PET recycling CGU located in France, an increase in sales of 36% is predicted for the 2008 and 2009 financial years compared to the 2007 financial year as a consequence of the production capacity increase process, which ends in May 2008.

➤ The business plans prepared are reviewed and finally approved by the Executive Committee and the Board of Directors.

➤ Other variables that influence the calculations are:

- The discount rate to be applied before taxes which includes the business capital cost and that of the geographic area where it is being undertaken. For this calculation, the actual cost of money and the risk premiums used on a general basis by analysts for the business and geographical area are taken into consideration. The applied discount rates in 2007 fluctuated between 10.0% and 13.6% and in 2006 the average rate was 7%.
- The cash flow growth rate used to extrapolate the cash flow projections beyond the period covered by the five-year budgets. Reasonable growth rates of 2% have been estimated, which under no circumstances are growing and do not exceed the growth rate of the previous years.

For those goodwills with a significant book value assigned to a CGU compared to their total amount in the books, the discount rates applied in 2007 to obtain the current value of future cash flows, as well as the internal rate of return before tax and the recovery period ("pay-back") of the book value of the CGUs as of December 31st, 2007, is as follows:

Discount rates, internal rates of return and payback				
	CGU	Discount rate (before tax)	Internal rate of return (IRR) (before tax)	Payback (years)
Western Europe zone:				
Artenius Portugal, Industria de Polimeros, S.A.	PET	11.7%	13.5%	11.0
Central Europe zone:				
Artenius Italia, Spa	PET	11.9%	15.1%	11.0
Artenius Pet Packaging Belgium, NV	PREFORMS	11.1%	12.3%	12.0
Artenius Pet Packaging Deutschland, GmbH	PREFORMS	10.7%	11.1%	14.0
Artenius Pet Packaging France, SAS	PREFORMS	11.9%	13.1%	13.0
Artenius Pet Recycling France, SAS	RECYCLED PET	11.6%	15.9%	7.0
United Kingdom zone:				
Artenius Uk, Limited	PTA	10.0%	11.1%	12.0
Artenius Uk, Limited	PET	11.1%	18.4%	9.0
Artenius Pet Packaging UK, Limited	PREFORMS	10.9%	15.3%	10.0
Eastern Europe zone:				
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	PET	13.6%	19.9%	6.0
Artenius Hellas	PET	11.1%	12.8%	13.0
Other zones:				
Artenius Pet Packaging Maroc, Sarlau	PREFORMS	13.5%	16.0%	12.0

According to the estimates and the projections available to the Administrators of the Group, the cash flow predictions attributable to the CGUs to which the various goodwill funds are assigned enable recovery of the net value of all the goodwill recorded on December 31, 2007.

Note 8. Other intangible assets

8.1. Analysis of movements during the 2007 financial year.

The composition of intangible assets and the operations taking place during the 2007 financial year is as follows:

Other Intangible Assets								
(Thousands of euros)								
	Balance at 31.12.2006	Additions to Perimeter (*)	Additions	Removals	Conversion Differences	Cost	Accumulated Depreciation	Net Worth
Development costs	2,093	-	-	-	-	2,093	(1,046)	1,047
Franchises, patents, licences, brands and similar	45,065	67	-	-	(19)	45,113	(5,339)	39,774
Computer applications	14,484	4,986	5,649	-	(21)	25,098	(12,954)	12,144
Other intangible fixed assets	16,652	-	1,268	(841)	(235)	16,844	(2,258)	14,586
	<u>78,294</u>	<u>5,053</u>	<u>6,917</u>	<u>(841)</u>	<u>(275)</u>	<u>89,148</u>	<u>(21,597)</u>	<u>67,551</u>
(Thousands of euros)								
	Balance at 31.12.2006	Additions to Perimeter (*)	Additions	Removals	Conversion Differences	Balance at 31.12.2007		
Accumulated depreciation Development costs	-	-	(1,046)	-	-	(1,046)		
Accumulated depreciation Franchises, patents, licences, brands and similar	(789)	(67)	(4,409)	-	-	(5,339)		
Accumulated depreciation Computer applications	(6,062)	(4,343)	(2,573)	-	24	(12,954)		
Accumulated depreciation Other intangible fixed assets	(1,260)	-	(998)	-	-	(2,258)		
	<u>(8,111)</u>	<u>(4,410)</u>	<u>(9,026)</u>	<u>-</u>	<u>24</u>	<u data-cs="3" data-kind="parent">(21,597)</u>		

(*) See Note 1c)

The main additions in the financial year consisted of the definition, development and implementation work for the SAP system in the plants of Artenius Italia, S.p.A., Artenius San Roque, S.A. and Artenius Hellas, S.A. All costs incurred which will allow the subsequent integration at corporate level of the rest of the companies of the group to the SAP system are included in the same "Computer applications" account.

The additions and deductions under the heading "Other Intangible Fixed Assets" are greenhouse gas emission rights (see Note 41).

The charge to the 2007 financial year results as regards the allocation to the amortisation of intangible assets was 9,026 thousand euros and this has been recorded under the heading "Endowments for amortisation of fixed assets".

The additions to the perimeter by company during the 2007 financial year is as follows:

Net Additions to the Consolidation Perimeter	
Company	(Thousands of euros)
Artenius San Roque, S.A.	105
Artenius PET Packaging Belgium, NV	93
Artenius PET Packaging Deutschland, GmbH	112
Artenius PET Packaging France, SAS	24
Artenius PET Recycling France, SAS	65
Artenius PET Packaging Iberia, S.A.	193
Artenius PET Packaging Uk, Limited	51
	<u>643</u>

8.2. Analysis of movements during the 2006 financial year.

The composition and the operations taking place during the 2006 financial year in terms of intangible assets is as follows:

Other Intangible Assets		(Thousands of euros)							
		Balance at 31.12.2005	Modification of the perimeter			Balance at 31.12.2006			
		31.12.2005	Additions	Removals	Additions	Removals	Cost	Net Worth	
Development costs	-	-	-	-	2,093	-	2,093	-	2,093
Franchises, patents, licences, brands and similar	-	49	-	-	45,016	-	45,065	(789)	44,276
Computer applications	11,543	753	(170)	2,359	-	14,484	(6,062)	8,422	
Other intangible fixed assets	-	15,046	-	6,622	(5,016)	16,652	(1,260)	15,392	
	11,543	15,848	(170)	56,090	(5,016)	78,294	(8,111)	70,183	
(Thousands of euros)									
		Balance at 31.12.2005	Modification of the perimeter			Balance at 31.12.2006			
		31.12.2005	Additions	Removals	Additions	Removals	31.12.2006		
Accumulated depreciation									
Development costs	-	-	-	-	-	-	-	-	
Accumulated depreciation									
Franchises, patents, licences, brands and similar	-	(34)	-	(755)	-	(789)			
Accumulated depreciation Computer applications	(3,357)	(657)	108	(2,156)	-	(6,062)			
Accumulated depreciation									
Other intangible fixed assets	-	(766)	-	(494)	-	(1,260)			
	(3,357)	(1,457)	108	(3,405)	-	(8,111)			

In 2006 the Company purchased trademarks, patents and licensing rights from Advansa BV for the sum of 45,000 thousand euros.

As a consequence of the recognition of the customer portfolio on the date of purchase (see Note 4 b) and Note 6.2), the additions to the perimeter of the companies taking place during the 2006 financial year were as follows:

New additions to Consolidation Perimeter

Company	(Thousands of euros)	
	Client Portfolio	Other
Artenius Hellas, S.A.	4,532	95
Artenius Italia, SPA	3,185	14
Artenius Portugal, Industria de Polimeros, S.A.	1,747	3
Artenius Turkpet Kimyevi Maddeler ve Pet		
Ambalaj Malzemeleri Sanayi Anonim Sirketi	593	-
Artenius Uk, Limited	4,220	-
Artenius Romania, SRL	-	2
	14,277	114

The charge to profits/losses for the 2006 financial year by way of allocation to the depreciation of intangible assets was 3,405 thousand euros.

8.3. Fully amortised assets.

The value of fully amortised assets as of December 31, 2007 and 2006 amounted to 2,569 thousand euros and 1,112 thousand euros respectively. The fully amortised assets are the following:

Fully Depreciated Intangible Fixed Assets

	(Thousands of euros)	
	31.12.07	31.12.06
Development costs	14	-
Franchises, patents, licences, brands and similar	88	-
Computer applications	1,699	344
Other intangible fixed assets	768	768
	2,569	1,112

Note 9. Non-current financial assets

9.1. Analysis of movements during the 2007 financial year.

Their breakdown and changes during the 2007 financial year is as follows:

Non-current financial assets						
	(Thousands of euros)					
	Balance at 31.12.2006	Additions to Perimeter (*)	Additions	Removals	Transfers	Balance at 31.12.2007
Holdings in companies excluded from the consolidation perimeter	2,281	-	-	-	-	2,281
Other financial assets	10	33	-	-	88	131
Financial assets available for sale	535	-	-	-	-	535
Other loans	89,444	-	41,056	(2,952)	378	127,926
Credits to associated companies	-	-	533	-	-	533
Deposits and guarantees	197	85	1,204	(46)	(88)	1,352
Derivatives (see Note 33)	-	-	3,468	-	-	3,468
	<u>92,467</u>	<u>118</u>	<u>46,261</u>	<u>(2,998)</u>	<u>378</u>	<u>136,226</u>

(*) See Note 1 c)

The “Shareholdings in companies excluded from the perimeter of consolidation” heading includes the stake in the company **Fibras Europeas de Poliéster, S.L.** As of December 31st, 2007, La Seda de Barcelona, S.A. owned a percentage shareholding of 19.01% in the said company.

In view of the fact that the Board of Directors of Fibras Europeas de Poliéster, S.L. consists of 5 directors, of whom only one represents La Seda de Barcelona, S.A. without holding any executive post, and that there is no majority share agreement, La Seda de Barcelona, S.A. is deemed not to have a significant influence on the management of Fibras Europeas de Poliéster, S.A. at the year-end date.

The list of the additions to the consolidation perimeter in the 2007 financial year is as follows:

Additions to the Perimeter	
Company	(Thousands of euros)
Artenius PET Packaging Belgium, NV	52
Artenius PET Packaging Deutschland, GmbH	33
Recuperaciones de Plásticos de Barcelona, S.L.	33
	<u>118</u>

9.2. Other credits.

The composition of the “Other credits” heading at the close of the financial year is as follows:

	(Thousands of euros)	
	<u>31.12.07</u>	<u>31.12.06</u>
Fibracat Europa, S.L.	68,060	70,082
Debtors through sale of lands	16,311	16,311
Accounts receivable due to sale of licensing rights	38,042	-
Other loans	<u>5,513</u>	<u>3,051</u>
	<u><u>127,926</u></u>	<u><u>89,444</u></u>

The outstanding balance with **Fibracat Europa, S.L.U** corresponds to the loans initially arranged for a sum of 69,600 thousand euros, with Fibracat Europa, S.L. as a consequence of the acceptance by **La Seda de Barcelona, S.A.**, of the non-transferred debt concerning the fibre business unit contributed by the latter, with an outstanding balance at the close of the year amounting to 68,060 thousand euros.

The outstanding balance as of December 31, 2007 is guaranteed with real estate collateral from the land on which the Fibracat Europa, S.L.U. is located.

The heading "*Debtors through sale of lands*" corresponds to the amount receivable in full in 2010 from the sale in 2006 of a property belonging to La Seda de Barcelona, S.A. located in El Prat de Llobregat as stated in the Land Register for that municipal district, in Volume 1,295, Book 655, Folio 137, Property No. 32,250, entry four.

Under the heading "*Debtors through the sale of licensing rights*" the rights to a deferred collection maturing in 2009 from the sale of the licensing rights for the PET and PTA production processes is recorded at its current value (see Note 23).

9.3. Analysis of movements during the 2006 financial year.

Their breakdown and changes during the 2006 financial year is as follows:

Non-current financial assets						
	(Thousands of euros)					
	Balance at 31.12.2005	Perimeter modification			Balance at 31.12.2006	
		Additions (*)	Removals (*)	Additions	Removals	Transfers
Holdings in companies excluded from the consolidation perimeter	-	-	-	2,281	-	-
Long-term securities portfolio	509	112	(2,754)	2,747	(69)	-
Other loans	263	88	-	92,582	(2,964)	(525)
Long-term deposits and financial guarantees	<u>525</u>	<u>27</u>	<u>(4)</u>	<u>33</u>	<u>(367)</u>	<u>(17)</u>
	<u><u>1,297</u></u>	<u><u>227</u></u>	<u><u>(2,758)</u></u>	<u><u>97,643</u></u>	<u><u>(3,400)</u></u>	<u><u>(542)</u></u>
						<u><u>197</u></u>
						<u><u>92,467</u></u>

The heading "Participation in companies excluded from the consolidation perimeter" include the shareholding of the company **Fibras Europeas de Poliéster, S.L.**

The list of the additions to the consolidation perimeter in the 2006 financial year is as follows:

Additions to the Consolidation Perimeter	
<u>Company</u>	<u>(Thousands of euros)</u>
Artenius Hellas, S.A.	115
Artenius Italia, SpA	20
Artenius Portugal, Industria de Polimeros, S.A.	92
	<u><u>227</u></u>

The withdrawals from the consolidation perimeter concern **Industrias Químicas Textiles, S.A.**

9.4. Investments subject to a guarantee

On the date these consolidated annual accounts were formulated, 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, Limited**, **Artenius Holding, B.V.**, **Artenius PET Packaging Europe, Limited** and **Artenius PET Packaging UK, Limited** were pledgeable to the financial institution granting the syndicated loan described in Note 18.

Note 10. Investments entered into the books by the equity method.

10.1. Analysis of movements during the 2007 financial year.

Their breakdown and changes during the 2007 financial year is as follows:

	<u>(Thousands of euros)</u>			
	<u>Balance at 31.12.2006</u>	<u>Additions to Perimeter (*)</u>	<u>Removals</u>	<u>Result for the tax year</u>
Petrolest, S.L.	2,839	-	-	14
Simpe, SpA	7,030	-	(7,030)	-
Begreen SGPS, S.A. and Subsidiary companies	-	7,400	-	(140)
	<u><u>9,869</u></u>	<u><u>7,400</u></u>	<u><u>(7,030)</u></u>	<u><u>(126)</u></u>
				<u><u>7,260</u></u>
				<u><u>10,113</u></u>

(*) See Note 1 c)

- *Petrolest, S.L.*

The shareholdings equivalent to 49% of the share capital correspond to the fraction of net worth represented by the Group's shareholding in its capital on December 31, 2007. The difference with regard to the valuation of the contribution to the company's net worth by the branch of activity comprising the distribution, logistics, loading, unloading and transportation of the full range of products manufactured and marketed by **La Seda de Barcelona, S.A.** is 610 thousand euros and has been recorded as the higher shareholding cost.

In view of the fact that La Seda de Barcelona, S.A. does not exercise any executive function and there is no majority share agreement, it is considered not to have a significant influence on the management of Petrolest S.L.

- *Simpe, SpA.*

The holdings equivalent to 19% of the share capital were purchased by **La Seda de Barcelona, S.A.** in the 2006 financial year. Exactly as stated in Note 1 c), the group's holding in the company increased on January 30, 2007. As a consequence, the consolidation method has been modified to include the said company using the global integration method during the 2007 financial year.

- *Begreen SGPS, S.A. and dependent companies*

The shareholdings equivalent to 20% of the share capital were acquired by **La Seda de Barcelona, S.A.** on July 9, 2007 for 7,400 thousand euros and are recorded for an amount corresponding to the fraction of its net worth that represents the Group's shareholding in its capital, with the difference from the value of the company's net worth recorded as higher cost of the shareholding for an amount of 4,784 thousand euros. On the same date, the majority shareholders of **Begreen SGPS, S.A.** undertook to buy back from **La Seda de Barcelona, S.A.** the holding purchased acquired for the same amount paid initially, if the said company did not achieve the EBITDA figure budgeted for the 2008 financial year of 8 million euros, with a final execution date of March 31, 2009.

10.2. Analysis of movements during the 2006 financial year.

Their breakdown and changes during the 2006 financial year is as follows:

	(Thousands of euros)			
	Balance at 31.12.2005	Additions to Perimeter	Result for the tax year	Balance at 31.12.2006
Petrolest, S.L.	2,794	-	45	2,839
Simpe, SpA	-	7,030	-	7,030
	<u>2,794</u>	<u>7,030</u>	<u>45</u>	<u>9,869</u>

Note 11. Inventories

The breakdown of this heading as of December 31, 2007 and on December 31, 2006 is as follows:

	(Thousands of euros)	
	31.12.07	31.12.06
Goods	55,608	-
Raw materials and other procurements	68,855	36,007
Spare parts	15,786	14,073
Semi-finished products	19,287	10,622
Finished products	99,503	48,279
Supplier advances	2,970	3,213
Other	6,083	2,001
Provision for damage	(3,483)	(833)
	<u>264,609</u>	<u>113,362</u>

The heading "Merchandise" as of December 31, 2007 mainly includes commercial inventories acquired by La Seda de Barcelona, S.A. for an amount of 53,126 thousand euros. This is due to the fact that during the 2007 financial year, in order not to neglect its customers' supply and production needs, which could arise from the restructuring process which the Group is involved as a consequence of the companies incorporated therein and the failure to obtain full production capacity at the Artenius San Roque, S.A. plant until the final reception of production quality certificates, the Parent Company of the Group purchased finished product from various sources outside the Group, in order to avoiding possible interruptions in stock.

The heading "Others" mainly includes the returnable containers in companies which have the manufacturing of preforms as their corporate purpose.

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

The operations for the provision for deterioration during the 2007 and 2006 financial years is as follows:

	<u>(Thousands of euros)</u>
Balance at 31.12.05	(227)
Perimeter additions	(13,884)
Transfer	(19)
Application	13,439
Conversion differences	(142)
Balance at 31.12.06	(833)
Perimeter additions (*)	(1,564)
Transfer	(2,107)
Application	372
Final application	673
Conversion differences	(24)
Balance at 31.12.07	<u><u>(3,483)</u></u>

(*) See Note 1 c)

Note 12. Trade debts and other accounts receivable

The breakdown of this heading as of December 31, 2007 compared to the previous year is as follows:

	Trade debts and other accounts receivable		
	<u><u>(Thousands of euros)</u></u>	<u><u>31.12.07</u></u>	<u><u>31.12.06</u></u>
Clients due to sales and rendering of services	397,502	392,680	
Other accounts receivable	23,351	17,974	
Provision for damage	<u><u>(5,442)</u></u>	<u><u>(3,740)</u></u>	
	<u><u>415,411</u></u>	<u><u>406,914</u></u>	

The heading "Other accounts receivable", basically includes the following items:

- 1) Purchase of shares from Fabricat Europa, S.L.U.: this is the balance pending (4,921 thousand euros) from the sale to a Mexican commercial entity of 68.32% of the shares in Fabricat Europa, S.L.U. arising from the split in the polyester fibre business branch of business.
- 2) Demands to third parties to the value of 4,675 thousand euros. These mainly include demands for amounts receivable from Public bodies abroad and demands for amounts receivable from insurance companies, which will be collected in 2008.
- 3) Anticipated insurance premium expenses for an amount of 2,657 thousand euros.
- 4) Advances to employees valued at 1,989 thousand euros.

5) Debtors from the sale of land: a record has been made of the amount pending payment (1,631 thousand euros) from the sale of two properties belonging to Seda de Barcelona S.A. by virtue of the deed of merger through absorption dated May 31, 2005. These properties are located in El Prat de Llobregat, as shown on the Land Registry of that municipal district, in Volume 1,326, Book 686, Folio 137, Property No. 35,815, entry one and Volume 1,295, Book 655, Folio 137, Property No. 35,250, entry four.

6) The compensation to be paid to a member of the board of Artenius PET Packaging Iberia, S.A. of 694 thousand euros is provided for in its entirety (see Note 21). However, this sum has been entirely re-invoiced to the previous parent company of the group and is pending collection at the close of the year.

7) There are also less important balances such as sundry debtors, debtors for bills receivable, fully covered doubtful debts (for a value of 1,028 thousand euros) and fund provisions given to third parties.

At the close of the 2007 financial year, the analysis by maturity of the heading Trade debts and other non-deteriorated accounts receivable is as follows:

(Thousands of euros)							
		Unimpaired overdue balances					
	Non-mature		from 30	from 90	from 180 days	to 1 year	> 1 year
	Total	balances	< 30 days	to 90 days	to 180 days	to 1 year	> 1 year
31.12.07	420,853	348,943	46,986	12,183	4,054	4,344	4,343
31.12.06	410,654	338,251	49,962	9,835	4,212	6,724	1,670

As of December 31, 2007 there were impaired and fully provisioned balances of 5,442 thousand euros. The provisions for deterioration in 2007 and the previous financial year were as follows:

Movements in provision for damage			(Thousands of euros)	
			31.12.07	31.12.06
Opening balance			(3,740)	(1,874)
Perimeter additions			(838)	(1,183)
Perimeter withdrawals			-	52
Transfers in the financial			(1,410)	(1,910)
Applications			375	26
Final applications			12	1,152
Conversion differences			159	(3)
			<u>(5,442)</u>	<u>(3,740)</u>

At the close of the 2007 financial year, the analysis by maturity of the heading Trade debts and other deteriorated accounts receivable is as follows:

(Thousands of euros)							
		Impaired balances					
	Non-mature		from 30	from 90	from 180 days	to 1 year	> 1 year
	Total	balances	< 30 days	to 90 days	to 180 days	to 1 year	> 1 year
31.12.07	5,442	135	12	422	177	454	4,242
31.12.06	3,740	-	638	618	550	264	1,670

Declarations of insolvency, suspensions of payment or bankruptcy proceedings by clients or debtors of which the Group is aware have been taken into account as factors in considering the debit balances as deteriorated.

The maximum exposure to credit risk of customers due to sales or rendering of services is as follows:

	(Thousands of euros)			
	31.12.07		31.12.06	
	Balance	Maximum Risk	Balance	Maximum Risk
Clients - sales and rendering of services	397,502	260,811	392,680	198,275
	<u>397,502</u>	<u>260,811</u>	<u>392,680</u>	<u>198,275</u>

All balances that are not covered by credit insurance are considered to be completely exposed to credit risk. Comparatively, 66% of balances were maximum risk at the close of 2007, while they were only 50% in the previous year. This is due to the inclusion in 2007 of the turnover of the European division Artenius Pet Packaging, formerly Amcor, which has no credit insurance coverage.

The guarantees maintained by the Group to ensure payment by customers are mainly based on the insurance coverage that most companies in the group have which guarantees sales up to a maximum of 440 million euros. However, as mentioned above, there are some subsidiaries which have no insurance coverage and because of this their balances are considered to be exposed to credit risk. Nevertheless, the Group takes the following factors into account when considering their real risk (which is much lower than the exposure to maximum risk):

- Very strict rules in granting credit to customers by means of automatic alarm systems, which prevent breaches of rules without the appropriate authorisation (the Risk Committee as a last resort).
- Customers considered as first-rate with supply contracts.
- The practice in Turkey, Greece and Italy of requesting bank or even real guarantees when making sales.

The creation of an international credit insurance programme for the whole Group is currently being studied in order to change from the present individualised credit insurance policy per country to a connected system which will allow the Management to manage the granting of credit to major customers operating in different countries in a centralised and efficient manner.

The maximum exposure to the credit risk of the "Other debtors" is equivalent to the book value of these assets at the close of the 2007 financial year.

Note 13. Other current financial assets

The breakdown of this heading on December 31, 2007 and on December 31, 2006 is as follows:

Other current financial assets	(Thousands of euros)	
	31.12.07	31.12.06
Short-term attributions	250	1,250
Investment in public debt	100	-
Deposits and guarantees	-	21,000
Financial assets available for sale	720	-
Other loans	1,711	1,286
Interest receivable	<u>46</u>	<u>-</u>
	<u>2,827</u>	<u>23,536</u>

The main variation between the two years is due to the cancellation of the guarantee for 20,000 euros to the Sabancci Group guaranteeing the execution of the final payment for the purchase of the Companies Artenius Holding, B.V., Artenius UK, Limited, Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi Anonim Sirketi and Artenius Romania, SRL, which was made in 2007.

The financial assets available for sale consist of deposits and term deposits which the companies consider will be paid within one year.

The additions to the perimeter in the 2007 financial year were as follows:

Perimeter additions	
Company	(Thousands of euros)
Recuperaciones de Plásticos de Barcelona, S.L.	57
Artenius PET Packaging Belgium, NV	27
Simpe, S.p.A.	<u>711</u>
	<u><u>795</u></u>

The breakdown by company at the year-end and that of the previous financial year is as follows:

Company		
	31.12.07	31.12.06
La Seda de Barcelona, S.A.	677	21,022
Industrias Químicas Asociadas LSB, S.L.U.	1,000	1,229
Artenius Portugal, Industria de Polimeros, S.A.	250	1,285
Recuperaciones de Plásticos de Barcelona, S.L.	143	-
Artenius PET Packaging Belgium, NV	7	-
Simpe, S.p.A.	<u>750</u>	<u>-</u>
	<u><u>2,827</u></u>	<u><u>23,536</u></u>

Note 14. Other current assets

The balance under this heading is mainly debts with Public bodies, relating to the deduction of withholdings and Value Added Tax payments to be compensated for or returned. The breakdown by company at the end of the 2007 and 2006 financial years is as follows:

Company		
	31.12.07	31.12.06
La Seda de Barcelona, S.A.	6,493	5,894
Industrias Químicas Asociadas LSB, S.L.U	-	1,238
Artenius Hellas, S.A.	1,080	445
Artenius Italia, S.p.A.	973	407
Artenius Portugal, Industria de Polimeros, S.A.	228	1,676
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	12,164	11,605
Artenius Romania, SRL	-	994
Artenius San Roque, S.A.	5,811	-
Artenius PET Packaging Iberia, S.A.	1,723	-
Artenius PET Packaging Maroc, S.A.R.L.A.U.	796	-
Simpe, S.p.A.	2,719	-
Other companies	<u>1,040</u>	<u>71</u>
	<u><u>33,027</u></u>	<u><u>22,330</u></u>

Of the 33,027 thousand euros receivable at the close of the financial year, 32,408 thousand euros are Value Added Tax payments to be compensated for or returned. Of the 22,330 thousand euros receivable at the end of the previous financial year, 20,442 are also for Value Added Tax.

Note 15. Cash and other liquid equivalent means.

The cash and other equivalent liquid means items for the years ending on December 31, 2007 and 2006, are as follows:

	(Thousands of euros)	
	31.12.07	31.12.06
Short-term deposits	19,396	10,338
Cash and bank balances	<u>50,314</u>	<u>27,862</u>
	<u><u>69,710</u></u>	<u><u>38,200</u></u>

Note 16. Net worth

16.1. Share capital

The changes in the share capital figures of La Seda de Barcelona, S.A, over the last five years are 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

The movements in the 2006 and 2007 financial years are as follows:

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 finished (see Note 17), the right to convert 35,847,883 convertible bonds into shares was exercised, by dividing them into 35,847,883 shares with an individual face value of 1.00 euro each and an issue premium of 0.25 euros per share for a total sum of 44,809,854 euros.

On 12 June 2006, the shareholders present or represented with the right to vote at the Ordinary and Extraordinary General Meeting of Shareholders 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 418,721,946.00 euros 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 3 August 2006, the share capital increase was fully covered, with a subscribed share capital figure of 279,147,964.00 euros, 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 139,573,982.00 euros, by means of a cash outlay by the shareholders of 418,721,946.00 euros.

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 ended (see Note 17), the right to convert 320,509 convertible bonds into shares was exercised, by dividing them 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 sum of 400,543.52 euros.

The final figure for the share capital after the share capital increase and the conversion of convertible bonds into shares stood at 416,787,398.00 euros, divided into 416,787,398 ordinary shares, fully subscribed and paid for, 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 implementation agreement passed on the same day by the Board of Directors, the increase in the share capital of La Seda de Barcelona, S.A. by a sum total of Euros 439,523,706.30 was approved, by means of the issue and sale of 209,297,003 new ordinary shares, each one with a face value of 1.00 euro with an issue premium of 1.10 euros per share, which will share in the Company profits from January 1, 2007 onwards.

Once the priority subscription period ended, on July 14, 2007, the share capital increase was fully covered, with a subscribed share capital figure 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 second conversion period of the issue of convertible bonds agreed on June 27, 2005 by the Company's Board of Directors had ended (see Note 17), the right to convert 1,313,054 convertible bonds into shares was exercised, 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 for, each with a nominal 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%, excluding the treasury stock are as follows:

Shareholder	% Share
Imatogil Investimentos SGPS, S.A.	15.87
Liquidambar, Inversiones Financieras, S.L.	6.13
Caixa Geral de Depositos, S.A.	6.00
Oman Oil Company, S.A.O.C.	5.69
Caixa Capital Sociedad de Capital Risco, S.A.	4.50

16.2. Other reserves

16.2.1. Issue premium.

The Revised Text of the Public Limited Companies Act specifically allows this amount to be used to increase the capital without establishing any restriction about its availability.

16.2.2. Reserve for depreciated capital

In accordance with Article 167.3. of the Revised Text of the Public Limited Companies Act, the Company endowed a reserve for the face value of its own shares redeemed in 1996 (6.06 million euros) and which were acquired by the Company in the said financial year free of charge.

During the 2005 financial year, as a result of the reduction in share capital approved by the Ordinary and Extraordinary General Shareholders' Meeting held on June 27, 2005, the Company, pursuant to the article mentioned in the preceding paragraph, endowed a reserve for a sum total of 87.11 million euros as a result of the reduction in the face value of each one of the shares that make up the Company's share capital and which finally stood at 1.00 euro per share. At the year-end, this balance totalled 93.168 thousand euros.

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

16.2.3. Reserves for the first application of IFRS

As a result of the first application of the IFRS to the Group's financial statements certain assets and liabilities appeared on January 1, 2004 which are explained in the annual accounts of the previous year and the effect of which on the net worth is acknowledged in this heading.

16.3. Accumulated profits

16.3.1. Reserves of the Parent Company

- *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 financial year, until the reserve fund established 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. Apart from that purpose and as long as it does not exceed 20% of the share capital, this reserve may only be used to offset losses, as long as there are no other sufficient reserves available for this purpose. At the year-end, this amount totalled 12,264 thousand euros.

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

- *Reserve for own shares*

As of December 31, 2007, the company has transferred its portfolio of treasury stock in its entirety.

The number of shares purchased during the 2007 financial year was 29,356,325 shares and they were purchased at an average price of 2.457 euros per share (6,348,187 shares purchased during the 2006 financial year at a price of 2.044 euros per share).

The number of shares purchased during the 2007 financial year was 30,666,325 shares and they were purchased at an average price of 2.183 euros per share (5,142,119 shares purchased during the 2006 financial year at a price of 2.055 euros per share).

- *Reserve for assignment.*

As a consequence of the takeover by the Company of **Hispano Química, S.A. (Single-member Company)** and **Viscoseda Barcelona, S.L. (Single-member Company)** which took place on 14 December 14, 2001, an assignment reserve was established consisting of the difference between the assets and liabilities provided by the companies that had been taken over, of 14.43 million euros.

- *Reserve for merger.*

This amount is recorded as a consequence of the merger process filed with the Companies Register in the 2005 financial year.

16.3.2. Reserves in companies consolidated by global integration

The breakdown by company under this heading at 31 December 2007 and 2006 is as follows:

Reserves in consolidated companies		
<u>Group companies</u>	(Thousands of euros)	
	Balance at 31.12.2007	Balance at 31.12.2006
Industrias Químicas Asociadas LSB, S.L.	8,078	5,876
SLIR, S.A. (Single-member Company)	(35)	(173)
CAR B-IQA de Tarragona, S.L.	14	171
Artenius Portugal, Industria de Polímeros, S.A.	730	-
Artenius Italia, Spa	(1,181)	-
Artenius Uk, Limited	1,439	-
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	(171)	-
Artenius Romania, S.R.L	(162)	-
Artenius Hellas holding, S.A.	-	-
Artenius Hellas, S.A.	-	-
Artenius Sines, S.A.	(4)	-
Selenis Servicios	18	-
Simpe, S.p.A.	112	-
Artenius Pet Packaging Uk, Limited	325	-
Artenius Pet Packaging Belgium	4	-
Artenius Pet Packaging Germany	113	-
	<u>9,280</u>	<u>5,874</u>

16.3.3. Reserves in companies consolidated by the equity method

The breakdown by companies under this heading at 31 December 2007 and 2006 is as follows:

Reserves in consolidated companies by the equity method		
<u>Associated companies</u>	(Thousands of euros)	
	Balance at 31.12.2007	Balance at 31.12.2006
Petrolest, S.L.	96	52

16.4. Reserves for Conversion differences

The list by company of the net tax conversion differences on the balance sheet as of December 31, 2007 and 2006 is as follows:

Conversion difference reserves		31.12.07	31.12.06
Company			
Artenius Uk, Limited		(15,357)	1,736
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi Anonim Sirketi		7,363	1,859
Artenius Romania, SRL		(20)	228
Artenius PET Packaging Uk, Limited		(7,085)	-
Artenius PET Packaging Europe, Limited		124	-
Amcor PET Packaging Maroc, S.A.R.L.A.U.		22	-
		(14,953)	3,823

16.5. Interim dividend

At the General Ordinary and Extraordinary Shareholders' Meeting held on June 19, 2007, the basic dividend policy of the Company was approved, which anticipates distribution among shareholders starting from the current 2007 financial year, in accordance with the legal regulations, of an amount equivalent to 1% of the company's stock value.

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 was 7,579 thousand euros.

This amount is within the limits established in the syndicated loan contract (see Note 18), and therefore does not exceed the equivalent of 1% of the stock value of the Group calculated on the date of approval mentioned in the previous paragraph.

16.6. Minority interests

The balance included under this heading on the attached consolidated balance sheet on December 31, 2007 shows the value of the shareholdings of the minority shareholders in the Consolidated Companies. Furthermore, the balance shown in the attached profit and loss account under the heading "Profits attributed to external partners" represents the participation of these minority shareholders.

The interests of the external partners in those Subsidiary Companies that are consolidated using the global integration method in which the ownership is shared with third parties for the 2007 financial year is as follows:

Company	(Thousands of euros)									
	Balance at 31.12.2006	Perimeter Additions	Other adjustments	Result minority interests	Balance at 31.12.2007	Breakdown at 31 december 2007				Total
CARB-IQA de Tarragona, S.L.	328	-	(156)	2	174	156	16	2	174	
Artenius Hellas, S.A.	15,704	(4,647)	-	567	11,624	8,615	2,442	567	11,624	
Biocombustibles La Seda	-	1,200	-	(5)	1,195	1,200	-	(5)	1,195	
Recuperaciones de Plásticos de Barcelona, S.A.	-	676	-	(71)	605	562	114	(71)	605	
Recyclage Plastique Catalan R.P.C., SAS	-	4	-	(39)	(35)	4	-	(39)	(35)	
Simpe, S.p.A.	-	25,626	112	(1,488)	24,250	28,622	(2,884)	(1,488)	24,250	
	16,032	22,859	(44)	(1,034)	37,813	39,159	(312)	(1,034)	37,813	

The interests of the external partners for the 2006 financial year are as follows:

Minority interests									
Company	(Thousands of euros)								
	Balance at 31.12.2005	Perimeter Additions	Other adjustments	Result attributed to the minority	Balance at 31.12.2006	Breakdown at 31 December 2006			
CARB-IQA de Tarragona, S.L.	482	-	(156)	2	328	312	14	2	328
Artenius Hellas, S.A.	-	15,704	-	-	15,704	12,061	3,643	-	15,704
	482	15,704	(156)	2	16,032	12,373	3,657	2	16,032

16.7. Capital management.

The principal objective of the capital management of La Seda de Barcelona, S.A. is to ensure a financial structure which will optimise the cost of capital while maintaining a solid financial position, to make the creation of value for the shareholder compatible with access to the financial markets at a competitive cost in order to cover financing needs.

The Group manages the leverage level based on the estimated free cash flows in long term projections, after management of current assets and investments in assets. The limits set by the Group and negotiated with the Agent Bank for the syndicated loan (see Note 18) amount to a level of debt not more than 3.5 times the generation of cash flow in the 2007 financial year. Furthermore, the level of debt will gradually fall to 2.75 times cash flow generation from the 2010 financial year onwards. These limits have been negotiated at 25% more than the debt limit that the management of the Group considers as optimum.

The leverage ratio is as follows:

		<u>(Thousands of euros)</u>
		<u>31.12.2007</u>
Net financial debt:		
Non-current financial debt (Note 18)		657,367
Current financial debt (Note 18)		630,365
Cash and other equivalent liquid assets (Note 15)		96,435
Financial coverage instruments (Note 33)		(69,710)
Current financial assets (Note 13)		3,104
		(2,827)
Net worth:		
Of shareholders in the parent company (Note 16)		1,131,707
Of minority interests (Note 16)		1,093,894
		37,813
Leverage (Net financial debt/(Net financial debt + Net worth))		
		37%

The leverage ratio in the 2006 financial year was 36%.

Note 17. Issue of bonds and other negotiable securities

On June 27, 2005, the Company's Board of Directors, using the authorisation granted by the General Shareholders' Meeting 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 euros, by means of the issue of 37,975,000 convertible bonds, each with a nominal value of 1.25 euros.

The conversion of the bonds issued took place in the initial period at a fixed rate of 1.25 euros, i.e. a face value of 1.00 euro plus an issue premium of 0.25 euros per share and in both the ordinary as well as the exceptional conversion periods, at a variable rate of 90% of the average listed value of the ordinary shares in the Company in the 65 sessions before the start date of each ordinary conversion period.

Once the initial conversion period and the first ordinary conversion period 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 were 1.25 and 2.08 euros, respectively.

As regards the second ordinary conversion which began on July 12, 2007 and ended on August 10, 2007, the conversion to shares of 1,313,054 bonds for the sum of 1,641,120 euros was carried out (see Note 16). According to the stipulations in the information leaflet for the said issue and based on the agreements adopted by the General Ordinary Shareholders' Meeting on June 27, 2005 and that of the Board of Directors on the same date, the decision was adopted to redeem in advance the bonds that had an active balance of less than 10% of the issue. On August 11, 2007, the company paid in advance the remaining balance of 493,554 bonds, for a sum of 616,942.50 euros, thereby paying in full the borrowed monies due to bonds subscribed in 2005.

Note 18. Financing debt

18.1 Debts with credit institutions

The breakdown of this heading as of December 31, 2007 is as follows:

Type of transaction	(Thousands of euros)					
	2007		Drawn down		2006	
	Granted	Available	Current	Non-current	Current	Non-current
Loans	-	-	28,926	619,901	11,501	401,789
Lease	-	-	2,362	8,238	1,282	2,036
Lines of credit	70,319	38,420	31,899	-	12,695	-
Interest pending payment	-	-	6,770	-	153	-
Discounted bills	24,875	5,426	19,449	-	2,976	-
Factoring	16,000	12,190	3,810	-	-	-
	111,194	56,036	93,216	628,139	28,607	403,825

⁽¹⁾ This corresponds to short-term transactions.

The main operations during the year concerning debts with credit institutions were:

- An increase of 198,375 thousand euros in the current year in the initial syndicated loan granted for an amount of 405,000 thousand euros, with a maximum maturity of 7 years, contractually ratified in October 2007. The amount drawn down of the loan as of December 31, 2007 was 599,209 thousand euros (see Note 33), and after being corrected due to the costs incurred in the opening and formalisation of the same, applying the IAS 39, it was 582,058 thousand euros. The interest accrued due to the loan and paid at the end of the financial year amounted to 5,982 thousand euros.
- As mentioned in Note 1 c), the company Simpe, S.p.A., which has mortgages with a balance as of December 31, 2007 of 42,436 thousand euros (included in the loans), has been integrated within the group for the first time during this financial year. These mortgages have been arranged for the conversion of the factory at Acerra from polyester production to PET production. The accrued interest on these mortgages during 2007 which had not yet been paid at year-end was 336 thousand euros.

- The amount of the financial leases increased compared to the 2006 financial year, mainly due to the incorporation of the Amcor group.
- The current debt has increased mainly due to the larger provision of policies in Spain, Portugal and Italy and because of the increase in the discount of bills in the Spanish companies.

The aforementioned operations are mainly pegged to the EURIBOR at one year plus a differential that ranges between 1.75% and 2.5%.

- *Syndicated loan*

On June 14, 2006, the Seda Group arranged a syndicated loan for 405 million euros, with a maturity in 2014 at the latest, with a financial organisation as the only underwriter.

During the 2007 financial year, the Seda Group increased the amount financed by the said loan by 198,375 thousand euros, while retaining the initial maximum maturity period.

The interest rate applied to this syndicated loan is the EURIBOR three-month plus a margin between 1.75% and 2.5% according to the section of the loan. This margin can be updated depending upon the compliance of certain financial ratios. The Group has negotiated variable to fixed interest rate hedging contracts for 421.75 million euros maturing in the year 2014 (see Note 33).

This loan contract stipulates compliance with commitments of a general nature by the Seda Group, including the obtaining of certain financial ratios during the life of the loan, and the limiting of the distribution of dividends to 1% of the Group's stock value, calculated at the date of the approval for distribution at most, the limiting of modifications in its control, the limiting of the shareholding percentage that can be held by the Group's parent company and the limiting of the sale or transfer of significant assets belonging to the Group.

In accordance with the conditions stated in the contract, pledges regarding certain shares and holdings in companies of the Group have been made to guarantee the loan (see Note 9.4).

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

	(Thousands of euros)					
	2009	2010	2011	2012	2013 and subsequent	Total
Loans	33,025	50,041	81,331	71,307	384,197	619,901
Lease	1,441	787	779	755	4,476	8,238

At the close of year 2006, the maturity of the long-term debt was as follows:

	(Thousands of euros)					
	2008	2009	2010	2011	2012 and subsequent	Total
Loans	9,746	13,629	28,249	41,719	308,446	401,789
Lease	1,341	695	-	-	-	2,036

18.2 Other financial liabilities.

The breakdown of this heading on December 31, 2007 compared to the previous year, was as follows:

	(Thousands of euros)			
	2007		2006	
	Current	Non-current	Current	Non-current
Postponement of debt with public bodies	-	-	1,358	-
Compensation	2,516	2,157	3,922	2,908
Financial instruments	4,966	1,606	-	4,785
Other	703	69	-	-
	8,185	3,832	5,280	7,693

The more significant aspects under this heading are the following:

- **Deferral of debt with Public bodies.** During the 2007 financial year the debt assumed as a consequence of the termination of "**La Seda de Barcelona-Courtaulds Hespan, Central Energética, Temporary Joint Venture Law 18/82 of May 26th.**" with the Tax Agency was repaid in its entirety as a consequence of the settlement of the electricity tax from the financial years 2000 to 2004.
- **Compensation.** Compensation assumed by the Company as a consequence of the restructuring process carried out executed by the Group generated between 2000 and 2007. The long-term maturities of the indemnities in 2007 and 2006 are distributed as follows:

	(Thousands of euros)					
	2009	2010	2011	2012	2013 and subsequent	Total
Maturity on 31.12.07						
Compensation	1,644	372	56	28	57	2,157
Maturity on 31.12.06						
Compensation	1,766	964	55	44	79	2,908

- **Financial instruments.** See Note 33 about financial hedging instruments.

Note 19. Tax situation

The various companies present the balance of the profit and loss account individually after considering the accrued corporate tax, and as such this amount is shown as an expense, taking into account the permanent differences of a fiscal nature and regardless of the amount to be paid. Each company, as a consequence of the temporary differences between the results for the financial year and the taxable base, considers the deferred tax assets and liabilities which will revert in subsequent financial years and in the tax amounts to be paid, considering the foreseeable execution or application of each one.

19.1 Corporate tax expenditure

The tax for the different Group companies is differentiated depending on whether they are integrated within a tax Group or if they pay tax independently.

In the financial year ending on December 31, 2007, **La Seda de Barcelona, S.A.** and its companies located in Spain and owned directly or indirectly with at least 75% of their share capital (see Note 1 b), were covered by the System for Consolidated Statements due to forming part of Consolidated Group 236/03, with **La Seda de Barcelona, S.A.** being the Parent Company.

The Companies that make up the Group subject to 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 December 29, 2004 and registered on June 16, 2005 in 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.**), and as a result the companies have to pay this tax amount to **La Seda de Barcelona, S.A.** The dependent companies not included in the said Consolidated Group pay tax individually and directly to the appropriate Tax Authorities.

All the taxable bases calculated individually for each company belonging to the Group are initially added, and corrected for the tax effect arising from the special consolidated tax for the companies of the tax Group. This addition may be reduced, if it is positive, by compensation for negative taxable bases from previous financial years of the same tax group as well as those arising from the integrated companies. This enables the expenditure on corporate tax of the tax group to be determined, which in turn is subject to additional expenses from corporate taxes from the other companies which are excluded from the tax group.

Furthermore, Artenius UK, Limited, Artenius Pet Packaging UK, Limited and Artenius Pet Packaging Europe, Limited became subject to the combined tax system allowed by the United Kingdom in the last quarter of the 2007 financial year.

The current or deferred taxes related to items charged or paid directly to the net worth accounts in the 2006 and 2007 financial years are listed in the Income and Expenses Account as recognised in the net worth.

19.2 Conciliation between the results before tax and the taxable base

The conciliation between the consolidated results before taxes and the taxable base for the 2007 and 2006 financial years is as follows:

Reconciliation of the book profit/loss with the taxable base for corporation tax		
	(Thousands of euros)	
	2007	2006
Consolidated pre-tax result	14,998	32,276
Permanent differences	(11,653)	(4,828)
Adjusted result	3,345	27,448
Tax rate	32.5%	35%
Result adjusted for tax rate	(1,087)	(9,607)
Effect of the application of various tax rates	582	(143)
Deductions and allowances	77	14
Offsetting of negative tax bases	21	49
Result of acknowledgement of tax credits	2,254	7,639
IFRS conversion adjustments	(2,925)	1,962
Tax accrued	<u>(1,078)</u>	<u>(86)</u>

Permanent differences: These arise mainly from the non-deductible part of certain provisions, from the negative consolidation differences recorded in the consolidated profit and loss account (see Note 6) and from the non-activated negative taxable bases, mainly in certain subsidiaries in the United Kingdom, Italy and Portugal when the Management of the Group considers, at the close of the year that there is no reasonable certainty of their complete future recovery, according to the estimates made by the Management and within the maximum time frames for recovery established under the tax regulations of the said countries.

Effect on the application of different tax rates: This is the effect arising from payment of taxes at different tax rates on the profits made by subsidiaries in the United Kingdom, Central Europe and Western Europe. Furthermore, in order to make a uniform comparison with the information for the 2006 financial year, this section mainly shows the impact of the change in the Spanish tax rate after the approval of the Personal Income Tax Law 35/2006, of November 28, picked up, and the partial modification of the laws on Corporate Tax, Non-residents' Income Tax and Wealth Tax, which approve the gradual reduction in the tax rates applicable for Corporate Tax, and as a consequence, the tax assets and liabilities on the consolidated balance sheet as of December 31, 2007 are recorded at their estimated recovery value.

19.3 Deferred tax assets

The following are entered under this heading: tax credits for Corporation Tax to be offset with future taxable bases, taxes paid in advance deriving from tax deductions pending application, as well as temporary asset differences envisaged to be recoverable in the future and which arise from the difference between the book value of assets and liabilities and their tax base.

The operations recorded during the 2007 financial year are as follows:

Deferred tax assets						
	(Thousands of euros)					
	31.12.2006	Perimeter additions	Additions	Withdrawals	Conversion differences	31.12.2007
• Group tax credits	28,120	122	5,379	(5,204)	-	28,417
• Deductions pending application	772	-	-	(206)	-	566
• Interim taxes	19,945	7,886	10,608	(3,424)	(43)	34,971
	48,837	8,008	15,987	(8,835)	(43)	63,954

The list of the additions to the consolidation perimeter in the 2007 financial year by company is as follows:

Additions to the consolidation perimeter	
Company	(Thousands of euros)
Recuperaciones de Plásticos de Barcelona, S.L.	123
Artenius San Roque, S.A.	1,402
Artenius PET Packaging Belgium, NV	2,115
Artenius PET Packaging Deutschland, GmbH	515
Artenius PET Packaging Europe, Limited	38
Artenius PET Packaging France, SAS	897
Artenius PET Packaging Iberia, S.A.	2,622
Artenius PET Packaging Maroc, S.A.R.L.A.U.	151
Artenius PET Packaging Uk, Limited	53
Artenius PET Recycling France, SAS	92
	8,008

The operations recorded during the 2006 financial year are as follows:

Deferred tax assets		(Thousands of euros)					
		31.12.2005	Perimeter modification		31.12.2006	Conversion differences	
		Additions	Withdrawals	Additions	Withdrawals	Additions	Withdrawals
• Group tax credits		26,509	-	(3,368)	12,695	(7,716)	-
• Deductions pending application		779	-	-	41	(48)	-
• Interim taxes		7,021	2,088	-	10,910	(77)	3
		34,309	2,088	(3,368)	23,646	(7,841)	3
							48,837

The increases to the perimeter by company during the 2006 financial year are as follows:

Additions to the consolidation perimeter		(Thousands of euros)	
Company		31.12.2006	
Artenius Hellas, S.A.		947	
Artenius Italia, S.A.		1,141	
		2,088	

The withdrawals from the perimeter during the 2006 financial year are due to the activation of taxable bases for the company **Industrias Químicas Textiles, S.A.**

The restructuring of the Seda Group aimed at PET production and distribution, as well as the high international profile obtained by purchasing shareholdings in non-resident companies, suggests that tax profits will be obtained that will enable the negative taxable bases of previous financial years that have not as yet been activated to be offset in the next 10 years. To this end, the Consolidated Group has recorded the corresponding activation of the aforementioned bases for an amount of 11,554 thousand euros in the 2006 financial year. The negative taxable bases have been activated with the tax rate forecast for the year-ends from 2008 onwards applicable to each company.

The various companies with registered offices in Spain have accounted for the change in the taxable rate for the 2006 tax year, adjusting the amount of the advance taxes and deferred taxes, as well as the credits of the activated taxable bases.

The deferred tax assets as of December 31, 2007 and 2006 are as follows:

Deferred tax assets originating in:		(Thousands of euros)	
		31.12.2007	31.12.2006
• Group tax credits		28,417	28,120
• Deductions and allowances pending application		566	772
• Start-up expenses		11,700	8,284
• Deferral of goodwill depreciation		1,346	-
• Intangible assets		891	-
• Tangible fixed assets		205	507
• Accounts receivable and other		95	23
• Inventories		235	-
• Financial derivatives		1,754	1,436
• Capital subsidies		296	-
• Deferred costs		941	751
• Provisions		317	-
• Pensions		3,642	-
• Lease		1,972	-
• Conversion differences		1,183	-
• Due to intra-group operations		8,162	7,000
• Other consolidation adjustments		1,867	1,895
• Other		365	49
Total deferred tax assets		63,954	48,837

19.4 Deferred tax liabilities

The temporary differences in liabilities that are anticipated to be recovered in the future and which stem from the difference between the book value of the assets and liabilities and their tax base are recorded under this heading.

The operations recorded during the 2007 financial year are as follows:

Liabilities for deferred taxes						
	(Thousands of euros)					
	<u>31.12.2006</u>	<u>Perimeter</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>Conversion differences</u>	<u>31.12.2007</u>
• Liabilities for deferred taxes	27,374	23,117	5,542	(6,125)	(74)	49,834

The increases to the perimeter by company during the 2007 financial year are as follows:

Additions to the consolidation perimeter (Liabilities)	
Company	(Thousands of euros)
Artenius San Roque, S.A.	16,822
Artenius PET Packaging Belgium, NV	1,771
Artenius PET Packaging Deutschland, GmbH	1,045
Artenius PET Packaging France, SAS	1,707
Artenius PET Packaging Maroc, S.A.R.L.A.U.	7
Artenius PET Packaging Uk, Limited	1,435
Artenius PET Recycling France, SAS	330
	<u>23,117</u>

The operation recorded during the 2006 financial year is as follows:

Liabilities for deferred taxes				
	(Thousands of euros)			
	<u>31.12.2005</u>	<u>Perimeter</u>	<u>Additions</u>	<u>Withdrawals</u>
• Liabilities for deferred taxes	20,495	12,352	5,526	(10,999)
				27,374

The increases to the perimeter by company during the 2006 financial year are as follows

Additions to the consolidation perimeter (Liabilities)	
Company	(Thousands of euros)
Artenius Portugal, Industria de Polímeros, S.A.	3,818
Artenius Hellas, S.A.	1,548
Artenius Italia, S.A.	6,986
	<u>12,352</u>

The breakdown at December 31, 2007 and 2006 is as follows:

Liabilities for deferred taxes originating in:		(Thousands of euros)	
		<u>31.12.2007</u>	<u>31.12.2006</u>
• Due to intra-group operations		1,485	671
• Accelerated depreciation		2,912	2,232
• Tangible fixed assets		39,355	16,629
• Revaluation of debts		241	143
• Lease-back application		60	76
• Client portfolio		3,631	3,923
• Financial derivatives		1,040	-
• Standardisation of valuation criteria		166	1,848
• Conversion differences		-	1,638
• Other		944	214
Total liabilities for deferred taxes		49,834	27,374

19.5 Negative taxable bases and deductions pending application

The negative taxable bases for the companies that belong to the Spanish Tax Group and to the rest of the Group, pending tax offsetting are listed below:

NEGATIVE TAXABLE BASES FOR THE SPANISH FISCAL GROUP			
Company	Year generated	Year of prescription	Thousands of euros
La Seda de Barcelona, S.A.	1996	2011	7,433
	1997	2012	17,188
	1998	2013	15,167
	1999	2014	19,632
	2000	2015	3,674
	2001	2016	1,530
	2002	2017	15
SLIR, S.L. (Single-member Company)	1996	2011	426
	1997	2012	396
	1998	2013	520
	1999	2014	61
	2000	2015	550
	2001	2016	569

NEGATIVE TAXABLE BASES FOR THE REST OF THE GROUP

Company	Year generated	Year of prescription	Thousands of euros
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi Anonim Sirketi	2006	2011	12,210
	2007	2012	16,102
Artenius Uk, Limited	2000	Indefinite	106
	2001	Indefinite	49,965
	2002	Indefinite	5,629
	2006	Indefinite	23,438
	2007	Indefinite	24,569
Artenius Portugal, Industría de Polímeros, S.A.	2006	2012	6,686
	2007	2013	8,635
Selenis Serviços Técnicos e Administrativos, Lda.	2005	2011	402
	2007	2013	757
Artenius Sines PTA, S.A.	2006	2012	4
	2007	2013	570
Artenius Romania, SRL	2005	2010	169
	2006	2011	220
	2007	2012	1,105
Artenius Hellas, S.A.	2006	2011	1,585
	2007	2012	1,270
Artenius Italia, S.p.A	2003	2008	3,451
	2006	2011	6,478
	2007	2012	5,692
Recuperaciones de Plásticos de Barcelona, S.L.	2002	2017	111
	2003	2018	304
	2007	2022	265
Artenius San Roque, S.A.	2007	2022	11,581
Artenius PET Packaging Deutschland, GmbH	2007	Indefinite	63
Artenius PET Packaging Iberia, S.A.	1996	2011	202
	2001	2016	1,185
	2006	2021	2,055
Simpe, S.p.A.	2005	Indefinite	413
	2006	2011	2,229
	2007	2012	5,315

The deductions pending application for the Group companies are as follows:

DEDUCTIONS PENDING APPLICATION			
Company	Year generated	Year of prescription	Thousands of euros
La Seda de Barcelona, S.A.	1998	2008	158
	1999	2009	305
	2000	2010	22
	2001	2011	51
	2002	2012	29
SLIR, S.L. (Single-member Company)	1998	2008	2
	2001	2011	16
Artenius San Roque, S.A.	2007	2017/2018	0.4
Artenius PET Packaging Iberia, S.A.	2001	2011	15
	2002	2012	37
	2003	2013	46
	2004	2014	10
	2005	2015	35
	2006	2016	22

19.6 Other tax information

The changes taking place in the tax rates applicable to the various companies included in the consolidation perimeter, together with their effect on the net worth and the profit and loss account are as follows:

Change in tax rate				
Company	(Thousands of euros)			
	2007 tax rate	2008 tax rate	Effect on Results	Effect on Net Worth
La Seda de Barcelona, S.A.	32.5%	30%	-	47
Industrias Químicas Asociadas LSB, S.L. (Single-member Company)	32.5%	30%	67	-
Artenius Italia, S.p.A.	33%	27.5%	34	866
Artenius PET Packaging Deutschland, GmbH	39%	30%	(175)	-
Artenius PET Packaging Europe, Limited	30%	28%	1	-
Artenius PET Packaging Uk, Limited	30%	28%	125	-

As set forth by the legislation in force, taxes cannot be deemed to have been fully settled until the Tax Authorities have inspected the submitted statements, or the statutory period has elapsed.

With regard to the financial years that are open to inspection, the Company Administrators do not expect any extra sizeable liabilities to arise in the event of an inspection.

19.7 Information on the merger by takeover in the 2005 financial year.

According to the merger deed registered in the Companies Register on June 16, 2005 (see Note 1a)) the companies involved in the merger recorded their intent to be covered by the system of tax neutrality stipulated in Heading VII, under Chapter VIII, of Royal Legislative Decree 4/2004 of March 5, approving the Revised Text of the Corporation Tax Act.

The breakdown by purchase date of the assets transferred that are liable to be amortised that have been incorporated in the purchasing company are as follows:

	<u>Purchase Dates</u>
Start-up expenses	2000 - 2001
Research & development expenses	2000, 2001 and 2003
Concessions, 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 most recent finalised balance sheets for the companies transferring assets taking part in the merger process described in Note 1 a) are as follows:

	(Thousands of euros)					
	Catalana de Polímeros, S.A. (*)	Celtiberica de Finanzas, S.L. (*)	Proyectos Voltak, S.L. (*)	Mendilau, S.L. (*)	KD-IQA, S.L. (*)	Iberseda, S.L. (*)
Assets						
Fixed						
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 expenses	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	-	-	-	-	-
	226,877	7,266	6,606	2,117	7,099	10
Liabilities						
Other liabilities	56,851	58	24	712	2,292	(22)
Provisions for contingencies and expenses	-	-	-	-	-	-
Long-term liabilities	34,036	7,208	6,581	1,405	-	-
Short-term liabilities	135,990	-	1	-	4,807	32
	226,877	7,266	6,606	2,117	7,099	10

(*) Single-member Company

The purchasing Company, as a result of the merger process described in Note 1 a) above, has included in its assets, for an amount of 57 thousand euros, the tax benefits from the Company taken over Catalana de Polímeros, S.A.U. (**Single-member Company**), for the deductions and rebates pending application.

Note 20. Non-current provisions

The operations in the non-current provisions during the 2007 financial year are as follows:

Movement in non-current provisions							
	(Thousands of euros)						
	<u>31.12.06</u>	<u>Additions to Perimeter (*)</u>	<u>Additions</u>	<u>Use</u>	<u>Reversion</u>	<u>Conversion Differences</u>	<u>31.12.07</u>
Provisions for pensions and similar obligations	45,076	2,138	1,706	(772)	(719)	(3,369)	44,060
Other provisions	1,037	2,268	332	(86)	-	(63)	3,488
	46,113	4,406	2,038	(858)	(719)	(3,432)	47,548

(*) See Note 1 c)

The breakdown by company at the end of the 2007 and 2006 financial years is as follows:

Non-current provisions		
(Thousands of euros)		
Company	<u>31.12.06</u>	<u>31.12.07</u>
Provisions for pensions and similar obligations		
Artenius Hellas, S.A.	476	557
Artenius Italia, S.p.A.	1,228	1,182
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj		
Malzemeleri Sanayi Anonim Sirketi	1,286	1,512
Artenius Uk, Limited	42,086	38,231
Artenius PET Packaging Belgium, NV	-	375
Artenius PET Packaging Deutschland, GmbH	-	2,333
Artenius PET Packaging France, SAS	-	107
Artenius PET Packaging Iberia, S.A.	-	(224)
Artenius PET Packaging Uk, Limited	-	(1,056)
Simpe, S.p.A.	-	1,043
	45,076	44,060
Other provisions		
Artenius Italia, S.p.A.	-	300
Artenius Portugal, Industria de Polimeros, S.A.	1,037	1,037
Artenius San Roque, S.A.	-	267
Artenius PET Packaging Deutschland, GmbH	-	671
Artenius PET Packaging Uk, Limited	-	1,213
	1,037	3,488
Total non-current provisions	46,113	47,548

20.1 Provisions for pensions and similar obligations

a) *Defined benefit plan*

The commitments related to the defined benefit plans are mainly the commitment due to pensions offered to employees of the companies Artenius UK, Limited and Artenius PET Packaging UK, Limited.

These plans are based upon the years worked by the employees and on their final average remuneration and they are financed by external funds which are managed by trustees. A complete actuarial valuation of these plans is carried out every three years using the projected unit method. In addition to this, there is a complete accounting valuation every year in accordance with the International Rules of Financial Information.

- *Artenius UK, Limited*

The valuation for Artenius UK, Limited took place during the 2007 financial year.

The actuarial hypotheses used are the following:

Actuarial assumptions Artenius Uk, Limited		2007	2006
Discount rate		5.80%	5.10%
Long-term expected rate of return on plan assets		6.60%	6.70%
Rate of future salary increases		4.10%	3.80%
Inflation rate		3.10%	2.80%
Growth rate of pensions		2,50% - 3,10%	2,50% - 2,80%

The assumptions about mortality used are based upon the PA92MC tables.

The changes in the reasonable values of assets and liabilities are listed below:

Assets Artenius Uk, Limited		(Thousands of euros)	
		31.12.07 (12 months)	31.12.06 (3 months)
Total reasonable value of plan assets at the beginning of the period		107,242	101,421
Expected return on plan assets		7,027	1,546
Actuarial profits/(losses) on plan assets		(457)	3,205
Employer contributions		3,493	807
Contributions by employees included in the plan		864	222
Benefits paid in the period		(4,406)	(718)
Expenses paid in the period		(1,109)	(97)
Premiums paid in the period		(17)	(80)
Conversion differences		(9,390)	936
Reasonable value of plan assets at end of period		103,247	107,242

Liabilities Artenius Uk, Limited		(Thousands of euros)	
		31.12.07 (12 months)	31.12.06 (3 months)
Current value of liabilities at start of period		148,046	143,347
Cost of services in the current period		2,910	609
Interest cost		7,284	1,517
Contributions by employees included in the plan		864	222
Actuarial (profits)/losses		(22,601)	1,923
Benefits paid in the period		(4,406)	(718)
Expenses paid in the period		(1,109)	(97)
Premiums paid in the period		(17)	(80)
Conversion differences		(11,422)	1,323
Current value of liabilities at end of period		119,549	148,046

The acknowledged amounts in the balance and the profit and loss account are as follows:

Balance Artenius Uk, Limited		(Thousands of euros)	
		<u>31.12.07</u>	<u>31.12.06</u>
Current value of obligations		119,549	148,046
Reasonable value of assets		(103,247)	(107,242)
Net deficit/(surplus) to be acknowledged		16,302	40,804
Unacknowledged actuarial profit/(loss)		21,929	1,282
Net (assets)/liabilities acknowledged on the balance sheet		<u>38,231</u>	<u>42,086</u>

Profit and loss account Artenius Uk, Limited		(Thousands of euros)	
		<u>31.12.07</u>	<u>31.12.06</u>
Cost of services in the current period		(2,910)	(609)
Interest cost		(7,284)	(1,517)
Expected return on plan assets		<u>7,027</u>	<u>1,546</u>
Acknowledged expenditure in the profit and loss account		<u>(3,167)</u>	<u>(580)</u>

The assets subject to the plan programme at the close of the 2007 and 2006 financial years were as follows:

Assets affected by plan Artenius Uk, Limited		<u>31.12.07</u>	<u>31.12.06</u>
Equity		75.90%	80.20%
Fixed income debt		3.80%	19.80%
Treasury bonds and notes		3.90%	0.00%
Other assets		<u>16.40%</u>	<u>0.00%</u>
Total		<u>100%</u>	<u>100%</u>

- *Artenius PET Packaging UK, Limited*

The valuation of Artenius Pet Packaging UK, Limited took place during the 2007 financial year.

The actuarial hypotheses used are the following:

Actuarial assumptions APP Uk, Limited		<u>2007</u>
Discount rate		5.80%
Long-term expected rate of		6.74%
return on plan assets		
Rate of future salary increases		3,95% - 5,45%
Inflation rate		3.20%
Growth rate of pensions		2,15% - 3,05%

The assumptions about mortality used are based upon the PA92MC tables.

The changes in the reasonable values of assets and liabilities are listed below:

Assets APP Uk, Limited	
	(Thousands of euros)
	<u>31.12.07</u>
	(3 months)
Total reasonable value of plan assets at the beginning of the period	37,511
Expected return on plan assets	614
Actuarial profits/(losses) on plan assets	(231)
Employer contributions	83
Contributions by employees included in the plan	147
Benefits paid in the period	(60)
Conversion differences	(1,886)
Reasonable value of plan assets at end of period	<u>36,178</u>

Liabilities APP Uk, Limited	
	(Thousands of euros)
	<u>31.12.07</u>
	(3 months)
Current value of obligations at start of period	35,931
Cost of services in the current period	217
Interest cost	505
Contributions by employees included in the plan	147
Actuarial (profits)/losses	200
Benefits paid in the period	(60)
Conversion differences	(1,819)
Current value of obligations at end of period	<u>35,121</u>

The acknowledged amounts in the balance and the profit and loss account are as follows:

Balance APP Uk, Limited	
	(Thousands of euros)
	<u>31.12.07</u>
Current value of obligations	35,121
Reasonable value of assets	(36,178)
Net deficit/(surplus) to be acknowledged	(1,057)
Unacknowledged actuarial profit/(loss)	(420)
Net (assets)/liabilities acknowledged in the balance sheet	<u>(1,477)</u>

Profit and loss account APP Uk, Limited	
	(Thousands of euros)
	<u>31.12.07</u>
Cost of services in the current period	(217)
Interest cost	(505)
Expected return on plan assets	614
Acknowledged expenditure in the profit and loss account	<u>(108)</u>

The plan assets at the end of the 2007 and 2006 financial years were as follows:

Assets affected by plan APP UK, Limited	
	<u>31.12.07</u>
Equity	50.10%
Fixed income debt	6.20%
Treasury bonds and notes	6.10%
Other Assets	37.60%
Total	<u>100%</u>

b) Insured benefit plan

In the insured benefit plans, the company finances the benefits by means of premium payments on an insurance policy.

- *Artenius PET Packaging Belgium, NV*

The valuation of Artenius Pet Packaging Belgium, NV took place during the 2007 financial year. This company finances the benefits for some employees through two insurance policies (Fortis-AG and Axa)

The actuarial hypotheses used are the following:

Actuarial assumptions APP Belgium, NV	
	<u>2007</u>
Discount rate	5.00%
Long-term expected rate of return on plan assets	4.75%
Rate of future salary increases	3.00%
Inflation rate	1.50%

The assumptions about mortality are based upon the tables used in Belgium as of January 1st, 1993 for the valuation of pension funds.

The changes in the reasonable values of assets and liabilities are listed below:

Assets APP Belgium, NV	
	(Thousands of euros)
	<u>31.12.07</u>
	(3 months)
Total reasonable value of plan assets at the beginning of the period	262
Expected return on plan assets	3
Actuarial profits/(losses) on plan assets	3
Employer contributions	8
Contributions by employees included in the plan	3
Reasonable value of plan assets at end of period	<u>279</u>

Liabilities APP Belgium, NV

	(Thousands of euros)
	<u>31.12.07</u>
	(3 months)
Current value of obligations at start of period	600
Cost of services in the current period	7
Interest cost	7
Contributions by employees included in the plan	3
Current value of obligations at end of period	<u><u>617</u></u>

The acknowledged amounts in the balance and the profit and loss account are as follows:

Balance APP Belgium, NV

	(Thousands of euros)
	<u>31.12.07</u>
Current value of obligations	617
Reasonable value of assets	(279)
Net deficit/(surplus) to be acknowledged	<u>338</u>
Unacknowledged actuarial profit/(loss)	-
Net (assets)/liabilities acknowledged on the balance sheet	<u><u>338</u></u>

Profit and loss account APP Belgium, NV

	(Thousands of euros)
	<u>31.12.07</u>
Cost of services in the current period	(7)
Interest cost	(7)
Expected return on plan assets	<u>3</u>
Acknowledged expenditure in the profit and loss account	<u><u>(11)</u></u>
Acknowledged income in net worth	<u><u>3</u></u>

The operations of the liabilities during the 2007 financial year are as follows:

Movements in Liabilities of APP Belgium, NV

	31.12.07
Opening net liabilities balance	357
Acknowledged expenditure in the profit and loss account	(11)
Acknowledged expenditure in net worth	3
Employer contributions	8
Closing liabilities net balance	<u><u>357</u></u>

The assets subject to the plan at the end of the 2007 financial year are the reserves associated with each of the insurance policies arranged by Artenius Pet Packaging Belgium, NV (Axa-AG and Fortis).

c) **Defined benefit plan (Internal pension fund)**

- *Artenius PET Packaging Deutschland, GmbH*

The valuation of Artenius Pet Packaging Deutschland, GmbH, took place during the 2007 financial year.

This programme is based upon the years worked by employees and the average remuneration in the last 3 years, applying a coefficient of 0.3%.

The actuarial hypotheses used are the following:

Actuarial assumptions APP Deutschland, GmbH	
	<u>2007</u>
Discount rate	5.30%
Rate of future salary increases	2.00%
Growth rate of pensions	1.50%

The changes in the reasonable values of liabilities are listed below:

Liabilities APP Deutschland, GmbH	
	<u>(Thousands of euros)</u>
	<u>31.12.07</u>
	<u>(3 months)</u>
Current value of liabilities at start of period	2,436
Cost of services in the current period	34
Interest cost	29
Expenses paid in the period	(5)
Actuarial profit acknowledged in the net worth	(161)
Current value of obligations at end of period	<u>2,333</u>

The amounts acknowledged in the profit and loss account are as follows:

Profit and loss account APP Deutschland, GmbH	
	<u>(Thousands of euros)</u>
	<u>31.12.07</u>
Cost of services in the current period	34
Interest cost	29
Acknowledged expenditure in the profit and loss account	<u>63</u>

d) **Defined contribution programme (External pension fund)**

- *La Seda de Barcelona, S.A..*

The monthly contributions made to an external pension plan are calculated by applying a 2.2% of the gross total wage bill, excluding overtime.

The amount acknowledged as an expense in the profit and loss account is 581 thousand euros and 1,368 thousand euros in the 2007 and 2006 financial years, respectively.

- *Industrias Quimicas Asociadas LSB, S.L. (Single-member Company)*

The monthly contributions made to an external pension plan are calculated by applying a percentage to the pensionable salary, i.e. the basis salary plus seniority. This percentage varies between:

- 3.5% - 10.5% - 24.5% depending on the contribution by the company.
- Up to a maximum of 3.5% to 7% as regards the contribution payable by the employee.

The amount recognised as an expense in the profit and loss account is 252 thousand euros and 242 thousand euros during the 2007 and 2006 financial years, respectively.

As regards the working personnel listed on the company payroll at the close of the year and which joined prior to December 31, 1994, a plan was approved to restore a balance with the transfer and outsourcing of the internal fund on November 13, 2002. The starting date for the transfer was 31 October 2002, with an interest rate of 4% being applied to the balance pending amortisation which at December 31, 2007 amounted to 0.29 million euros. The time limit for the transfer was set at 10 years.

- *Simpe, S.p.A.*

The post-employment benefits are mainly remunerations paid to the employees at the time that their employment with the company Simpe, S.p.A. ends.

Due to a legal reform in Italy, the treatment of post-employment benefit has changed and therefore no defined benefit plans are being considered. As of January 1, 2007, these plans are considered as plans with a defined contribution.

This benefit is based on the years worked by the employees. The calculation is made by adding the amount of real payment received relating to the real contribution to TFR for the current year divided by 13.5 for each year of work. Half a percentage point is also deducted from this amount to finance the TFR guarantee fund which must be constituted in the Italian INPS. This fund would make the TFR payment if the company became insolvent. Every year this fund needs to be revalued taking into consideration the fixed increase of 1.5% of the TFR value and 75% over inflation.

The valuation for to Simpe, S.p.A. was made in the 2007 financial year.

The actuarial hypotheses used at Simpe, S.p.A. are the following:

Actuarial assumptions Simpe, S.p.A.	
	<u>2007</u>
Discount rate	5.45%
Rate of future salary increases	3.00%
Inflation rate	2.00%

The changes in the reasonable values of the liabilities are listed below:

Variation in liabilities of Simpe, S.p.A.	
	(Thousands of euros)
	<u>31.12.07</u>
Current value of obligations at start of period	255
Present value of obligations received	1,188
Cost of services in the current period	43
Interest cost	57
Adjustment due to change in plan treatment	(88)
Actuarial (profits)/losses	(224)
Benefits paid in the period	(188)
Current value of obligations at end of period	<u><u>1,043</u></u>

The acknowledged amounts in the profit and loss account are as follows:

Profit and loss account Simpe, S.p.A.	
	(Thousands of euros)
	<u>31.12.07</u>
Cost of services in the current period	(43)
Interest cost	(57)
Acknowledged expenditure in the profit and loss account	<u><u>(100)</u></u>

20.2 Other provisions.

The itemisation for this heading for the 2007 and 2006 financial years are as follows:

Other provisions		
	(Thousands of euros)	
	<u>31.12.07</u>	<u>31.12.06</u>
Company		
Contingencies with local public bodies	1,037	1,037
Provision for end of leasing	1,213	-
Other provisions	1,238	-
Total non-current provisions	<u><u>3,488</u></u>	<u><u>1,037</u></u>

The provisions for contingencies with Public bodies contain expected payments and accrued expenses from previous years but their exact amount is undetermined, as is the date on which they will be made to Artenius Portugal, Industria de Polímeros, S.A.

The provision for lease suspension corresponds to the estimate in expenses which Artenius Pet Packaging UK, Limited will incur when the contract for the lease of the building (2020) which it currently occupies ends, for leaving said building in the same condition as when it was leased.

Note 21. Current provisions

The operations of the current provisions during year 2007 are as follows:

Movements in current provisions							
	(Thousands of euros)						
	31.12.06	Additions to Perimeter (*)	Additions	Use	Reversion	Conversion Differences	31.12.07
Current provisions	-	1,708	7,027	(3,996)	(168)	(206)	4,365

The breakdown by company at the end of the 2007 financial year is as follows:

Current provisions		(Thousands of euros)
Company		31.12.07
Artenius Hellas, S.A.		96
Artenius Portugal, Industria de Polimeros, S.A.		322
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj		
Malzemeleri Sanayi Anonim Sirketi		103
Artenius Uk, Limited		2,445
Artenius PET Packaging Europe, Limited		14
Artenius PET Packaging Deutschland, GmbH		388
Artenius PET Packaging France, SAS		139
Artenius PET Recycling France, SAS		96
Artenius PET Packaging Iberia, S.A.		694
Artenius PET Packaging Uk, Limited		68
Current provisions		<u>4,365</u>

This heading mainly includes the demolition and restructuring costs for the closure of the T7 production line at Artenius UK, Limited, due to the aim of improving the efficiency and profitability of the PTA business unit, the costs of compensation to a director due to the change in management in the new group at Artenius PET Packaging Iberia, S.A. and the complaints by customers at Artenius PET Packaging Deutschland, GmbH.

Note 22. Current and non-current liabilities

At the close of the financial year and the previous financial year, it was broken down as follows:

	(Thousands of euros)			
	31.12.2007		31.12.2006	
	Current	Non-current	Current	Non-current
Current debt with public bodies	9,286	-	5,737	-
Wages for personnel pending payment	8,549	-	3,331	-
Suppliers of fixed assets	4,639	18	4,335	58
Time period adjustments	-	11,376	-	9,608
Purchase of shares in Grupo Advansa	-	-	20,000	-
Purchase of shares in Simpe, S.p.A.	-	-	6,000	-
Price premium on purchase of Artenius Hellas, S.A.	898	1,000	-	1,898
Loan to Industrias Quimicas Textiles, S.A.	-	-	2,966	-
Other	1,787	1,364	4,298	1,352
	<u>25,159</u>	<u>13,758</u>	<u>46,667</u>	<u>12,916</u>

The Time period adjustments heading mainly includes amounts for subsidies. The breakdown of this heading is as follows:

	(Thousands of euros)	
	31.12.2007	31.12.2006
Subsidies for gas emissions	2,016	1,592
Capital subsidies granted		
Artenius UK, Limited	3,697	3,388
Artenius Hellas, S.A.	3,770	4,301
Artenius Pet Packaging Iberia, S.A.	1,050	-
Artenius Pet Recycling France, S.a.S.	473	-
Other	370	327
	<u>11,376</u>	<u>9,608</u>

Note 23. Net turnover amount

The breakdown at the close of the 2007 and 2006 financial years is as follows:

	(Thousands of euros)	
	2007	2006
Sales of polymers	692,238	483,755
Sales of PTA	275,405	80,695
Sales of preforms	177,871	9,879
Sales of chemical products	77,364	65,369
Provision of services and other sales	<u>124,709</u>	<u>21,306</u>
	<u>1,347,587</u>	<u>661,004</u>

In the 2006 financial year the Company purchased trademarks, patents and PET and PTA licensing rights from Advansa BV for 45 million euros. In the 2007 financial year the Company recorded sales corresponding to the licensing rights for installation of the PET and PTA production process and the engineering services performed on each project, for an amount of 98,042 and 6,309 thousand euros, respectively.

On October 25, 2007, La Seda de Barcelona, S.A. formalised a sales agreement for the licensing rights for the installation of the PET and PTA production process for 100 million euros with a third party outside the Group, the objective of which is to develop the acquired technology for its application in the field of construction materials and for its subsequent marketing and implementation in geographical areas in the Middle East, Egypt, Sudan, Libya, Tunisia and Algeria. However, La Seda de Barcelona, S.A. has not ruled out the possibility of operating the said licenses itself in the aforementioned geographical areas.

Of the total sales price of 100 million euros, the Company received 1,200 thousand euros on the signing of the contract, and will receive the remaining amounts at the following dates, at the latest:

	(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>

In the 2007 financial year, due to the business line for income from marketing of own technology becoming fully consolidated as a result of fulfilment of the expectations concerning recurring income and in view of the ongoing nature of operations related to this field on the date of formulation of the current annual accounts, the income generated has been recorded as "Net turnover" of 104,351 thousand euros, unlike the criteria used in the previous financial year, when it was recorded under the heading "Other operating income" for a total of 16,440 thousand euros. As a consequence, the Group has reclassified the amounts recorded in the 2006 financial year under the heading "Net turnover".

Note 24. Other operating income

The breakdown at the close of the 2007 and 2006 financial years is as follows:

List of Other operating income		(Thousands of euros)	
		31.12.07	31.12.06
Other current operating income		6,572	16,939
Negative consolidation difference		35,873	215
Work on fixed assets		<u>11,460</u>	<u>3,390</u>
		<u><u>53,905</u></u>	<u><u>20,544</u></u>

The negative consolidation difference in the 2007 financial year appeared as a consequence of the combination of businesses concerning Artenius San Roque, S.A. (22,543 thousand euros) and Artenius Pet Packaging Iberia, S.A. (13,330 thousand euros) For more details see Note 6.1.1 and Note 6.1.2.

Note 25. Operating expenses

25.1 Procurements:

The composition at the end of the 2007 and 2006 financial years is as follows:

Procurements		(Thousands of euros)	
		31.12.07	31.12.06
Purchase of goods, raw materials and other consumable materials		1,040,483	479,960
Change in stocks		(65,962)	5,088
Other external costs		<u>28,286</u>	<u>6,298</u>
		<u><u>1,002,807</u></u>	<u><u>491,346</u></u>

The reconciliation between the balances of supplies and acknowledged income and expenses regarding the variation in supplies for the 2007 and 2006 financial years is as follows:

Goods, raw materials and other consumable materials		(Thousands of euros)	
		2007	2006
Initial stocks		52,081	13,749
Inclusion within perimeter		28,289	43,420
Final stocks		(146,332)	(52,081)
Change in stocks		<u><u>(65,962)</u></u>	<u><u>5,088</u></u>

Finished and semi-finished products		(Thousands of euros)	
		2007	2006
Initial stocks		58,901	48,222
Inclusion within perimeter		30,669	19,819
Final stocks		(118,790)	(58,901)
Change in stocks		<u><u>(29,220)</u></u>	<u><u>9,140</u></u>

25.2 Personnel expenses

Their breakdown at the close of the 2007 and 2006 financial years is as follows:

Personnel expenses		(Thousands of euros)	
		31.12.07	31.12.06
Wages and salaries		68,442	26,905
Staff welfare expenses		10,189	7,154
Compensation		8,161	5,715
Contributions to complementary pensions schemes		968	309
Other Social Security costs		<u><u>4,671</u></u>	<u><u>2,180</u></u>
		<u><u>92,431</u></u>	<u><u>42,263</u></u>

The heading "Compensation" basically includes the costs incurred for the restructuring of personnel at *La Seda de Barcelona, S.A.* as a consequence of the labour force adjustment plan implemented during the 2007 financial year and the necessary costs for the closure of the T7 production line at *Artenius UK, Limited* as a result of the objective of improving the efficiency and profitability of the PTA business unit.

The amount of people employed, distributed by categories as of December 31, 2006 and 2007, and the average number of people employed during those financial years is as follows:

Categories	Average Number of Employees 2007		Average Number of Employees 2006	
	Men	Women	Men	Women
Management staff and middle managers	205	21	90	4
Technical and administrative workers	334	151	117	82
Manufacturing staff	917	25	509	3
	<u><u>1,456</u></u>	<u><u>197</u></u>	<u><u>716</u></u>	<u><u>89</u></u>

Categories	Employees on 31.12.07		Employees on 31.12.06	
	Men	Women	Men	Women
Management staff and middle managers	326	25	228	8
Technical and administrative workers	369	223	160	116
Manufacturing staff	1,390	29	651	6
	<u>2,085</u>	<u>277</u>	<u>1,039</u>	<u>130</u>

Note 26. Financial income and expenses

The financial income during the 2007 and 2006 financial years was as follows:

List of financial revenues		
Income	(Thousands of euros)	
	2007	2006
Interest	7,508	1,933
Profits from sale of financial investments	52	25
Discount for prompt payment	15	7
Income from shareholdings	45	9
Derivatives	2,178	-
Other similar income	<u>155</u>	<u>812</u>
	<u>9,953</u>	<u>2,786</u>

The increase in income from interest is due mainly to:

- 1) An increase in income arising from the loan granted to Fibracat, which amounts to 68,060 thousand euros at the end of the year (see Note 9.2) This loan was established in November 2006, and therefore the impact on the last financial year is only 482 thousand euros. In 2007, the interests accrued due to the loan amounted to 3,553 thousand euros.
- 2) The deposits constituted in the institution underwriting the syndicated loan generated 1,440 thousand euros, while they only generated 308 thousand euros in the previous financial year.
- 3) The income from derivative instruments generated by interest rate swaps arranged by La Seda de Barcelona, S.A, to cover the syndicated loan interest rate risk. This interest was 2,178 thousand euros while in the past financial year these derivatives only generated financial expenses (see Note 33).

The financial expenses in the 2007 and 2006 financial years are as follows:

List of financial expenses		(Thousands of euros)	
Costs		2007	2006
Interest and convertible bonds		38,231	10,331
Discounting of bills		1,365	1,366
Discount for prompt payment		605	199
Debt arrangement costs		3,222	5,088
Derivatives		1,264	1,963
Financial expenses of other debts		1,251	1,249
		45,938	20,196

The increase in interest expenses is explained by the increase in the interest generated by the syndicated loan, as well as the fact that the loan was granted in June 2006 (and therefore only accrued interest for half a year) as well the nominal value of the loan having been increased to 198,375 thousand euros in 2007.

The companies incorporated in the consolidation perimeter during the 2007 financial year bore interest expenses amounting to 3,954 thousand euros, of which 3,271 thousand euros were for accrued interest from the external financing which Simpe, S.p.A. had to incur for the restructuring of the factory at Acerra.

The expenditure from derivative instruments generated by interest rate swaps arranged by La Seda de Barcelona, S.A, to cover the syndicated loan interest rate risk (see Note 33)

Note 27. Exchange rate differences

The negative result because of exchange rate differences has significantly increased to 11,460 thousand euros, mainly because of the difference between the hedging instruments arranged to cover the transactions in the 2007 financial year and the behaviour of the currency (the Turkish Lira) against the dollar during the 2007 financial year.

Note 28. Results from variations in the value of financial instruments at a reasonable value

This heading shows the variations in value of the financial instruments at a reasonable value (see Note 33) at a value of 6,110 thousand euros. The variation compared to the 2006 financial year arose mainly due to the arrangement by the Group of interest rate swaps not classified as hedging and the inefficiency of the derivatives for covering exchange rate cash flows arranged during the current financial year.

Note 29. Result due to deterioration/reversion of deterioration of assets.

The positive result due to deterioration/reversion of deterioration of assets, which increased during 2007 financial year to 12,550 thousand euros, mainly includes a partial reversion of the deterioration of 12,194 thousand euros within the overall deterioration of 32,389 thousand euros of the assets associated to the M5 PET production line at Artenius UK, Limited, existing at the date of purchase. This reversion was possible thanks to a change in the circumstances with regard to those applicable at the moment of the purchase of the subsidiary company by La Seda de Barcelona, S.A, mainly due to the appearance of logistic synergies, an increase in sales, improvement of the production efficiency by increasing the use of production capacity, as a consequence of the purchase in October 2007 of the company Artenius Pet Packaging, Limited from the Amcor group.

Note 30. Results of disposal of non-current assets or valuation of non-current assets classified as maintained for sale, not included as discontinued operations.

The positive result for the 2007 financial year is basically due to the sale of silver from the catalytic converter from Industria Químicas Asociadas LSB, S.L. to a third party (see Note 5).

The positive result for the 2006 financial year is due to the fact that in the previous year La Seda de Barcelona, S.A. sold a property that it owned in El Prat de Llobregat as stated in the Property Register of that town, in Volume 1,295, Book 655, Folio 137, Property no. 32.250, entry four. This operation led to a profit of 12,317 thousand euros.

Note 31. Discontinued operations

On 31 December 2007, the Group did not have any results from discontinued operations.

The result of operations definitively interrupted that have been included in the consolidated balance sheet for the 2006 financial year are shown below:

	(Thousands of euros)
	<u>31.12.06</u>
Income	37,421
Costs	(60,209)
Net result attributable to discontinued operations	(22,788)
Results of disposal of discontinued operations	(6,777)
Discontinued operations	<u>(29,565)</u>

The results of operations interrupted in 2006 concern the company Industrias Químicas Textiles, S.A. and the branch of activity consisting of the assets and liabilities in the manufacture of polyester fibres in the plant at El Prat de Llobregat, which were divided and subsequently transferred to the company Fibracat Europa, S.L.

Note 32. Financial risk management objectives and policies

In the normal course of operations, the Group is exposed to several financial risks. The main ones are credit risk, interest rate risk, exchange rate risk and liquidity risk.

The Company's senior management is responsible for carrying out ongoing monitoring in order to identify, assess and prioritise current and potential risks and take the necessary measures for mitigating as far as possible the threats to the business that might arise from the risks that are identified.

The main financial instruments of the Group, other than those for coverage, are bank loans, credit policies, discounts, financial leases, cash and short-term deposits.

The Group has also arranged derivative products consisting of interest and exchange rate swaps (see Note 33) to manage the exchange rate risks which arise due to commercial operations as well as the risks arising from the syndicated loan.

32.1 Credit risk

The Group has established a credit policy and exposure to this risk is managed during the course of normal activities. The credit risk arising from the failure by another party (client, supplier, partner or financial institution) is duly monitored within the Group by means of various policies and risk limits which establish requirements relating to:

- Suitable contracts in the transaction carried out.
- Proper internal or external credit rating for the counterpart.
- Additional guarantees in the necessary cases (letters of credit, guarantees...)
- Limitation of the costs for bankruptcy and the financial cost deriving from bad debts. The guarantees maintained by the Group to insure payment by customers is mainly based on the coverage of credit insurance held by the majority of companies in the group which guarantee sales to a maximum of 440 million euros. The creation of an international credit insurance programme for the whole Group is currently being studied in order to change from the present individualised credit insurance policy per country to a connected system which will allow the Management to manage the granting of credit to major customers operating in different countries in a centralised and efficient manner.

The maximum exposure to credit risk from trade debts and accounts receivable is the amount shown in Note 12. The maximum exposure to the credit risk of the Group's other financial assets is equivalent to the book value of these assets at the close of the 2007 financial year.

32.2 Interest rate risk.

External financing is mainly based on the syndicated loan mentioned in Note 18 as well as, to a lesser extent, bank discount, credit policies with financial institutions and financial leases. It can therefore be seen that most of the financing obtained matures in the long term.

The variable interest rate for the syndicated loan and its risk has been hedged by derivatives which are mainly hedging operations with interest rates which ensure that the existing debt has a fixed interest rate. For bookkeeping purposes these derivatives are generally treated as cash flows in so far as they correspond to cash flow that is attributable to a specific risk linked to a previously recognised liability, which is the syndicated loan. For these hedging instruments the appropriate analysis of sensitivity to possible interest rate changes has been carried out, keeping the other variables constant (see Note 33).

32.3 Exchange rate risk

The exchange risk basically arises from trade transactions in foreign currency - mainly the American dollar. However, less than 10% of the volume of the sales and purchases by the Group are in foreign currency, making a specific risk management unnecessary.

Nevertheless, in order to mitigate the exchange rate risk in some of the Group's companies with specific individual risks, the strategy of contracting exchange rate hedging to cover possible fluctuations arising from normal sale and purchase transactions referenced in dollars has been followed. The appropriate analysis of sensitivity to possible exchange rate changes for the dollar has been carried out for the hedging instruments arranged, keeping the other variables constant (see Note 33).

32.4 Liquidity risk

The Group manages its liquidity risk using financial planning techniques. These techniques take the cash flow of income and expenses from ordinary activities, investments and financing into consideration. The Group's objective is to maintain a balance between the flexibility, term and conditions of the financing sources arranged depending on the foreseeable short, medium and long term needs in order not to have to resort to external financing under costly conditions (see maturity of financial debt in Note 18).

Note 33. Financial hedging instruments.

During the 2007 financial year, the Seda Group completed operations with derivative financial instruments for the hedging of cash flow. Additionally, the Seda Group completed other operations in 2007 with derivative instruments which are not classified as accounting hedging.

The reasonable values of the derivative financial instruments at the close of the financial year is as follows:

	(Thousands of euros)			
	31.12.2007		31.12.2006	
	Assets	Liabilities	Assets	Liabilities
Hedging derivative financial instruments				
Cash flow hedging - Interest rate	3,468	-	-	4,785
Other financial instruments not classified as hedging				
Interest rate	-	1,606	-	-
Non-current derivative financial instruments	3,468	1,606	-	4,785
Hedging derivative financial instruments				
Cash flow hedging - Exchange rate	-	4,966	-	-
Current derivative financial instruments	-	4,966	-	-
Total	3,468	6,572	-	4,785

33.1 Hedging for interest rate cash flow

The financial instruments for cash flow hedging of interest rates as of December 31, 2007 and 2006, their reasonable value and breakdown by maturity of the notional values is as follows:

	Cash flow hedging - Interest rate (31.12.2007)								
	Notional value	(Thousands of euros)						Reasonable value	Average interest rate
		2008	2009	2010	2011	2012	2013 and subsequent		
1) Variable to Fixed									
Contract/notional amount	361,750	2,600	7,800	11,050	23,320	24,620	292,360	3,459	Payable: 3.99% - 4.46% Receivable:Euribor 6 m
Contract/notional amount	5,000	-	-	-	5,000	-	-	84	Payable: 3.99% Receivable:Euribor 12 m
2) Collar									
Contract/notional amount	5,000	-	-	5,000	-	-	-	130	Payable: 3.35% Receivable:Euribor 12 m
Cap purchase									Payable: 2.99% Receivable:Euribor 12 m
Floor sale									
Contract/notional amount	50,000	-	-	-	-	-	50,000	(205)	Payable: 5.25% Receivable:Euribor 6 m
Cap purchase									Payable: 3.95% Receivable:Euribor 6 m
Floor sale									
3) Interest rate swaps not classified as hedging									
Contract/notional amount	361,750	-	-	-	-	-	363,750	(1,606)	Payable: 0.75% Receivable:2.25 x Index performance Capped 3.00%

Cash flow hedging - Interest rate (31.12.2006)

	Notional value	(Thousands of euros)						Reasonable value	Average interest rate
		2007	2008	2009	2010	2011	2012 and subsequent		
1) Variable to Fixed									
Contract/notional amount	290,000	28,250	2,600	7,800	11,050	15,020	225,280	(6,078)	Payable: 3.99% - 4.34% Receivable: Euribor 6 m
Contract/notional amount	5,000	-	-	-	-	-	5,000	-	(26) Payable: 3.99% Receivable: Euribor 12 m
2) Collar									
Contract/notional amount	5,000	-	-	-	-	5,000	-	-	140
Cap purchase									Payable: 3.35% Receivable: Euribor 12 m
Floor sale									Payable: 2.99% Receivable: Euribor 12 m
3) Collar with barriers									
Contract/notional amount	94,574	6,317	19,724	23,383	16,783	7,407	20,960	1,179	Payable: 3.15% Receivable: Euribor 6 m
Cap purchase									Payable: 2.14% Receivable: Euribor 6 m
Floor sale									

The Group has contracted derivative products (swaps) to hedge the interest rate risk inherent in the syndicated loan of 603 million euros (see Note 18) which the Group has arranged with a Euribor index-linked referenced interest rate. It is therefore a cash flow hedging operation (of interest rates) which essentially consists of exchanging the variable interest rate which the Group will pay for the loan for another fixed and therefore constant interest rate. The items to be hedged are therefore the interest on the loan and the hedging instrument will be financial derivatives. The items covered are as follows:

Items covered				
Bands	(Thousands of euros)			
	Loan amount	Amount drawn down 31.12.07	Maturity	Amortisation
Band A	163,375	159,209	31.12.07-30.06.13	Six-monthly
Band B	265,000	265,000	30.06.14	On maturity
Band C (Rotating)	75,000	75,000	30.06.13	On maturity
Band D (Capex)	100,000	100,000	31.12.10-30.06.13	Six-monthly
	603,375	599,209		

The interests generated by these loans are the Euribor 3-month rate plus a margin, which varies between 1.75% and 2.5%. This margin may vary according to the net total consolidated Debt/consolidated EBITDA ratio.

The Group's objective when arranging these financial hedging instruments was to hedge at least 65% of the outstanding debt and this has been comfortably achieved (more than 70%). The efficiency has been measured by the compensation method between the results of the items included in the hedging, as measured by the quotient between both results. The efficiency test carried out shows that the instruments are efficient (100%).

As a consequence of the increase of the syndicated loan of 198 million euros (see Note 18), the Group has increased the Swaps contracts for the hedging of interest rates for a notional amount of 150 million euros.

In addition, during the current year the Group has cancelled a financial swap contract for interest rate hedging with a collar with barriers, arranged in the 2005 financial year, with a notional value of 88 million euros, recognising the profit of 0.1 million euros in the profit and loss account.

The effect on the profit and loss account with regard to the hedging instruments, as well as the item hedged during the 2007 and 2006 financial years, amounted to 1,264 thousand euros and 1,963 thousand euros respectively, which was recorded under the heading "Financial expenses" and 2,178 thousand euros recorded under the heading "Financial income" during the 2007 financial year (see Note 26).

Interest rate swaps not classified as hedging

The Group arranged several contracts with financial derivatives named Smart Swaps with a financing institution on November 23. These cannot be deemed interest rate hedging operations, because they are not formulated to hedge interest rate variations but are instead to partly cover the additional cost of the spreads of the loans according to the net consolidated debt/consolidated EBITDA ratio. The index to which they are linked is the DBSMARTI Index.

When calculating the reasonable value of the derivative instruments, the generally accepted Black-Scholes valuation model has been used. The market information which has been used are the average prices on the interest curve of the euro with a volatility factor. The reasonable value of the smart-swaps amounts to 1,606 thousand euros and has been recorded in the profit and loss account under the heading "Results due to variations in the value of financial instruments at reasonable value" (see Note 28).

33.2 Hedging for exchange rate cash flow

The list of the financial instruments for cash flow hedging for exchange rates as of December 31, 2007 and their reasonable value and breakdown by maturity of the notional values, is as follows:

Exchange rate coverage	Classification of coverage	Rate	(thousands of euros)	Expiry	Reasonable value
Forward premium on curr Cash flows (*)	USD purchase (**)		23,500	2008	(724)
Forward premium on curr Cash flows (*)	USD purchase (***)		20,000	2008	(4,242)
			43,500		(4,966)

(*) From raw material purchase operations

(**) USD - Euros

(***) USD - TRY

As of December 31, 2006 the Group had not arranged financial instruments for interest rate cash flow hedging.

The Group operates transnationally and is exposed to interest rate risks in operations with foreign currencies, especially with the US Dollar. The interest rate risk arises mainly from future trade transactions related to the purchase of raw materials.

As of December 31, 2007, La Seda de Barcelona, S.A. had a forward contract in order to hedge exposure to the exchange rate risk of the Turkish lira (TRY) against the US dollar, for a notional sum of 20 million dollars. The exchange rates contracted vary between 1.6380 and 1.2750 dollar/TRY.

At the close of the year it was clear that the coverage is not efficient and therefore the Group has directly recorded a loss of 4,242 thousand euros under the heading "Results due to variations in value of financial instruments at reasonable value" with a balancing entry in "Other financial liabilities" for the payments of January and February 2008 due the hedging contract expiring on the date of formulation of these consolidated annual accounts. If the resulting amount of the valuation of the hedging instrument had been entered into the books at the close of the financial year as established by IAS 39, the amounts recorded would not have varied significantly.

Additionally, the Group subsidiary Artenius Italia, S.p.A. has forward contracts to hedge the exchange rate risk in future purchase transactions in US dollars. Their notional value is 23.5 million dollars. The exchange rates contracted vary between 1.375 and 1.451 dollar/euro.

The reasonable value of these forwards is 724 thousand euros and it has been recorded under the heading "Other financial liabilities". The company has considered the derivatives to be efficient and has recorded the future loss in net worth, except for the item for the negative valuation of the forwards maturing in January and February 2008, which amount to 262 thousand euros and which have been considered as realised and their impact recorded under the heading "Result of changes in the value of financial instruments at reasonable value".

33.3 Sensitivity analysis

The sensitivity of the result and the net worth to the change in the interest rates and the exchange rate is as follows:

	Increase / (decrease) in the interest rate		
		Effect on pre-tax result	Effect on pre-tax worth
Cash flow coverage - Interest rate	+100 points	-	22,545
	-100 points	-	(12,037)
Interest rate swaps not classified as coverage	+100 points	545	-
	-100 points	(618)	-
Increase / (decrease) in the USD / EUR exchange rate			
Cash flow coverage - Exchange rate	+10%	419	1,306
	-10%	(354)	(1,080)

The generally accepted Heath-Jarrow-Morton valuation model based on the Monte Carlo simulation has been used for analysis of the sensitivity of interest rate swaps not classified as hedging. The market information which has been used is the average price of the twelve-month interest curve of the euro and from month twelve onwards, the euro interest rate curve with a volatility factor.

Note 34. Leasing

34.1 Financial Leasing

The financial lease contracts at the close of 2007 were as follows:

Item	(Thousands of euros)											
	Contract date		Net accounting value	Purchase value (*)	Financial expenses (**)	Total	Pending maturity on 31.12.2007			Payments made in 2007		
	Start	Expiry					Financial expenses	Current	Non-current	Capital	Interest	Total
Granule post-condensation plant	10-06-05	10-06-09	4,088	4,773	488	5,261	87	1,341	694	1,282	124	1,406
Buildings	26-07-07	26-06-11	171	192	50	242	44	13	135	14	7	21
Buildings	28-03-02	28-03-17	5,172	7,300	4,891	12,191	2,428	322	5,481	77	95	172
Office building	29-04-04	29-04-16	2,038	3,533	1,466	4,999	186	233	1,569	56	14	70
Machinery	06-04-06	06-04-11	196	237	28	265	13	46	115	28	6	34
Machinery	15-02-07	15-02-12	174	186	24	210	17	35	120	35	6	41
Machinery	22-07-04	22-07-04	16	27	3	30	-	6	-	5	-	5
Machinery	03-01-07	03-01-11	34	48	5	53	1	13	6	10	1	11
Machinery	31-03-96	31-03-14	128	130	15	145	12	30	86	12	2	14
Machinery	02-03-05	02-06-09	295	1,117	146	1,263	1	304	-	54	4	58
Transport equipment	28-04-05	28-04-10	20	27	3	30	1	6	7	4	1	5
Transport equipment	01-10-03	01-10-08	43	46	5	51	3	13	25	7	2	9
			12,375	17,616	7,124	24,740	2,793	2,362	8,238	1,584	262	1,846

(*) Includes residual value.

(**) Financial expenses according to original financial lease contract.

The total of the future minimum payments (including purchase options) of the financial lease contracts and their current value at the close of the year 2007 and 2006 are listed below:

	(Thousands of euros)						
	2008	2009	2010	2011	2012	2013 and subsequent	Total
2007 financial year							
Minimum future payments	2,882	1,871	1,161	1,112	1,050	5,317	13,393
Financial expenses	(520)	(430)	(374)	(333)	(295)	(841)	(2,793)
Current value	2,362	1,441	787	779	755	4,476	10,600

	(Thousands of euros)						
	2007	2008	2009	2010	2011	2012 and subsequent	Total
2006 financial year							
Minimum future payments	1,406	1,416	708	-	-	-	3,530
Financial expenses	(124)	(75)	(13)	-	-	-	(212)
Current value	1,282	1,341	695	-	-	-	3,318

Lease-back

The principal characteristics of the lease-back contract at the close of the year are as follows:

Item	(Thousands of euros)						
	Contract date		Net book value disposal date	Disposal value (*)	Pending maturity on 31.12.2007		Non-current
	Start	Expiry			Current	Non-current	
Granule post-condensation plant	10-06-05	10-06-09	4,773 4,773	5,292 5,292	1,341 1,341	694 694	

(*) Includes residual value.

The financing for the purchase of the granule post-condensation plant was orchestrated by means of a lease-back contract maturing in the 2009 financial year upon payment of the last purchase option sum.

The surplus of the sales amount over the book value of the disposed asset was 519 thousand euros. The net effect of the said lease-back operation on the profit and loss account of the 2006 and 2007 financial years amounts to 78.76 and 126 thousand euros, respectively.

The deferred income corresponding to the lease-back operation transferred to results throughout the term of the lease, amounted to 201 thousand euros at the close of the 2007 financial year, and are recorded under the heading "Other non-current liabilities".

34.2 Operating leases.

The expenses for operating leases borne by the Group during the 2007 financial year were 7,699 thousand euros (2,052 thousand euros as of December 31st, 2006)

The Group has arranged operating leases for buildings, technical installations, warehouses and vehicles. The leasing contracts have a term of between 1 and 48 years. The lease payments are updated periodically according to an index of prices set forth in each contract.

The minimum future payments to be made for non-cancellable operating leases are listed by company as of December 31, 2007 and are as follows:

Company	(Thousands of euros)						
	Maturity			Effect on 2007 profit/loss			
	Up to 1 year	Between 1 and 5 years	Over 5 years	Subleasing future	Minimum payments	Contingency amounts	Subleasing amounts
La Seda de Barcelona, S.A.	(3,600)	(3,600)	-	-	(3,600)	-	-
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	(212)	(857)	(10,788)	-	(179)	-	-
Artenius PET Packaging Belgium, NV	(606)	(357)	-	-	(237)	-	-
Artenius PET Packaging Deutschland, GmbH	(558)	(2,234)	(558)	-	(128)	-	-
Artenius PET Packaging Europe, Limited	(249)	(704)	-	1,072	(60)	-	77
Artenius PET Packaging France, SAS	(208)	(173)	-	-	(37)	-	-
Artenius PET Packaging Uk, Limited	(5,032)	(6,050)	(9,503)	3,977	(1,094)	-	819
					(5,335)	-	896

The minimum future payments to be made for non-cancellable operating leases are listed by company as of December 31st, 2006 and are as follows:

Company	(Thousands of euros)						
	Maturity			Effect on 2006 profit/loss			
	Up to 1 year	Between 1 and 5 years	Over 5 years	Subleasing future	Minimum payments	Subleasing amounts	Subleasing amounts
La Seda de Barcelona, S.A.	(3,600)	(7,200)	-	-	(600)	-	-
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi	(179)	(841)	(11,016)	-	(38)	-	-

Note 35. Transactions in currencies other than the euro

The volume of transactions in currencies other than the euro, basically for sales and purchases, amounts to 102,945 thousand euros and 119,898 thousand euros, respectively, and are broken down as follows:

	(Thousands of euros)	
	Sales	Purchases
Swiss Franc	-	55
Pound sterling	698	1,488
US Dollar	102,247	118,096
Swedish Kronor	-	157
Japanese Yen	-	77
Australian Dollar	-	25
	102,945	119,898

In the past year, the volume of transactions in currencies other than the euro, basically for sales and purchases, amounts to 29,993 thousand euros and 33,616 thousand euros, respectively, and are broken down as follows:

	(Thousands of euros)	
	Sales	Purchases
Swiss Franc	-	17
Pound sterling	797	487
US Dollar	<u>29,196</u>	<u>33,112</u>
	<u><u>29,993</u></u>	<u><u>33,616</u></u>

In this item, the trade payables and receivables in currencies other than the euro at December 31, 2007 amounted to 10,004 thousand euros and 14,185 thousand euros, and their breakdown into currencies was as follows:

	(Thousands of euros)	
	Accounts receivable	Accounts payable
Swiss Franc	-	502
Pound sterling	171	817
US Dollar	9,833	12,786
Japanese Yen	-	30
Australian Dollar	-	50
	<u>10,004</u>	<u>14,185</u>

The accounts receivable and payable in a currency other than the euro as of December 31, 2006 amounted to:

	(Thousands of euros)	
	Accounts receivable	Accounts payable
Swiss Franc	-	49
Pound sterling	160	-
US Dollar	<u>8,167</u>	<u>16,015</u>
	<u><u>8,327</u></u>	<u><u>16,064</u></u>

Note 36. Per-share profit

Basic per-share profit is calculated by dividing the net profit (attributable to the Group) by the average weighted number of shares in circulation during the period, excluding the average number of common shares purchased and kept by the Group.

The calculation of the diluted per-share profit for the 2007 and 2006 financial years is as follows:

Basic per-share profit	Financial year	
	2007	2006
• Net profit, in thousands of euros	14,954	2,623
• Weighted average number of shares outstanding	498,515,747	259,348,915
• Per-share profit	0.03	0.01

The diluted per-share profit is calculated by taking the total of financial instruments that grant access to the share capital of the parent company, whether they were issued by the company itself or by any of its subsidiaries. The dilution is calculated on an instrument by instrument basis, bearing in mind the conditions existing on the date of the balance sheet, excluding anti-dilution instruments.

The diluted per-share profit for the 2007 and 2006 financial years calculated as follows:

Diluted per-share profit		Financial year	
		2007	2006
• Net profit, in thousands of euros		15,009	2,856
• Weighted average number of shares outstanding		499,884,110	265,377,211
• Per-share profit		0.03	0.01

The calculation of the basic and diluted per-share profit for discontinued operations in the 2006 financial year is shown below.

2006 financial year	Basic per-share profit	Diluted per-share profit
Net Profit / Loss, in thousands of Euros	(29,565)	(29,565)
Weighted average number of shares outstanding	259,348,915	265,377,211
Per-share profit / loss	(0.11)	(0.11)

Note 37. Transactions carried out with associated companies

At December 31, 2007, the Group had trade payables and trade receivables with **Petrolest, S.L** of 2 and 3,571 thousand euros, respectively. The income received by the Group of this company amounts to 2,367 thousand euros and the logistic operator services rendered by this company to the Group amounted to 10,555 thousand euros. Additionally, the financial expense with this company was 3 thousand euros.

As regards the consolidated subgroup **Begreen SGPS, S.A. and dependent** companies, the Group has trade payables amounting to 3,153 thousand euros. These have been generated mainly by the sales of PET taking place during the year to a value of 2,663 thousand euros.

The total amount of assets, liabilities, income, expenses and the result of the period (and the previous period) of the associated organisations is as follows:

	(Thousands of euros)			
	Petrolest	Begreen	Simpe	31.12.2006
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Total assets	9,117	7,982	46,777	85,649
Total liabilities, net equity	5,639	4,533	32,603	61,264
Total income	14,528	11,771	29,778	-
Total expenditure	14,502	11,680	31,181	-
Result for the period	26	91	(1,403)	-

Note 38. Balances and transactions with affiliated companies

At 31 December 2007, the Group had trade payables and trade receivables with companies of the **Imatos Group** of 15,263 and 1.011 thousand euros, respectively. In this regard, the transactions carried out for purchases, sales, and services rendered and received totalled 597, 3,167, 1,187 and 3,796 thousand euros, respectively.

During the 2007 financial year, the Group arranged insurance policies with FIATC, Mutua de Seguro y Reaseguros a Prima Fija (a shareholder of 2.049% of the La Seda de Barcelona, S.A. shares) with a value of 37 thousand euros. These transactions have generated a trade payable as of December 31st, 2007 of 3 thousand euros.

Additionally, Caixa General de Depositos, S.A., a shareholder with 6.002% of the share capital of La Seda de Barcelona, S.A is in turn one of the 52 participants in the syndicated loan granted to the Company. The shareholder's participation amounts to 80 million of a total principal of 603 million euros (see Note 18.1).

Note 39. Guarantees arranged with third parties

As regards this point and in addition to that already stated in Notes 5.5 and 9.4, at 31 December 2007 the Parent Company had guarantees arranged with third parties and Group companies amounting to 3.13 and 15.17 million euros, respectively. Furthermore, the Parent Company has received bonds 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 an amount of 599.21 million euros and has received guarantees from financial institutions for an amount of 13.41 million euros.

The guarantees arranged with third parties involving the remaining Group companies are listed below:

Company	(Thousands of euros)
Artenius Italia, SpA	1,500
Artenius Portugal, Industria de Polímeros, S.A.	1,619
Artenius UK, Limited	1,759
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim	5,268
Artenius San Roque, S.A.	3,420
Artenius Sines, S.A.	476
Artenius PET Packaging Belgium, NV	47
Artenius PET Packaging Uk, Limited	273
	<u>14,362</u>

Most of these guarantees are guarantees deposited in the customs of each country. However, the most significant guarantee is the one that the Turkish company has had to establish against a supplier to the value of 4,016 thousand euros.

Note 40. Financial information by segment

For the purposes of the information required by the International Financial Reporting Standards, where it is stated that the criteria for segmentation by identifiable concepts of the Group must be identified and specified, the methodology followed is that of determining the geographical segments and activity segments, with priority given to the first, which is a change compared to the information presented in the previous year, when the financial information per segment provided defined the activity segments as a priority, in accordance with the industrial organisation established at that time by the Group's Management. As a consequence, the geographic segments have been considered as principal segments in the 2007 financial year, while the activity segments have been considered as being secondary.

This change in the criteria for classification of segments in terms of their consideration as primary or secondary is a consequence of the completion of the industrial and commercial integration process of the different companies purchased during the 2006 and 2007 financial years, and as of October 2007, with the incorporation of APP (previously Group AMCOR), the priority objective is assumed to be industrial organisation with a focus on the end client, with direct and intense contact with the client by means of co-operation of packaging solutions for each local market. This has involved a restructuring at industrial, operational and functional level which has led to an organisation defined by geographical area which has enabled the merger of the MEG-PTA-PET units under one single production Manager responsible for the geographical area and who is directly linked to the local PREFORMS production unit. This has been possible because previously significant resources have been assigned to the unification of the various types of PET resins produced in the different plants of the Group, with the product characteristics and specifications and the recipes and additives standardised, using simplified compositions and applying components fully approved by European food legislation and the bottlers.

In addition, and as part of the decision to prioritise the geographical segments, each plant has been allocated a production back-up in another different plant of the Group, thereby ensuring a continuous service to clients, who have been redistributed to every plant in the Group by the parent Company, using their geographical area as the predominant criteria and using a radius of 600/700 Km between plant and customer as a benchmark parameter. These measures, together with commercial standards for each geographical area, are those that currently govern the industrial, commercial and sales policy of the Group.

This planning has led to the definition of four major Business Units by geographical area and market, according to the origin and predominant nature of the risks, profitability, opportunities for growth and expectations of the Group:

- United Kingdom (*Artenius UK, APP UK*)
- Western Europe (Spain and Portugal, *Artenius Portugal, Artenius San Roque, La Seda de Barcelona, APP Iberia, IQA, Selenis Servicos, Biocombustibles, RPB, Inmoseda*)
- Central Europe (Belgium, Germany, France and Italy, *APP Belgium, APP Germany, APP France, APP Recycling, Artenius Italia, SIMPE*)
- Eastern Europe (Greece, Turkey and Romania, *Artenius Turkpet, Artenius Romania, Artenius Hellas*)
- Others (*APP Morocco*)

Additionally, information on the Group's preforms plant in Morocco has been included under the heading "Others", because it is considered in commercial terms as supplying the North African and Near East markets, despite currently depending industrially upon the Western European zone,

Basis and methodology for information concerning geographical zone segments

The information by segments shown below is based on the reports produced regularly by the Seda group, which give details of the transactions by geographical zone and by business line, and which are the source of information used by the Group's Directors for its management.

As the Group's company organisation is basically the same as that of the geographical zones and therefore that of the segments, the distributions stipulated in the information by segment shown below are based on the financial information for the companies included in each segment.

The income from each segment corresponds to the ordinary income directly attributable to it and does not include financial income or exchange rate differences.

The result of each segment is presented up to the profit from operations.

The assets and the liabilities in each segment are directly related to its operation and include the proportional part of the joint businesses.

In the accompanying information, the operations with companies of the group have been included for each segment, with inter-segment figures eliminated by the appropriate adjustments and reclassifications so that the total figures for the respective year will reflect the group's business with third parties.

The operations between segments take place at market prices.

The most significant information from these segments for the 2007 and 2006 financial years is as follows:

40.1 Information from the main segments

2007 financial year	(Thousands of euros)						
	Eastern Europe	Central Europe	Western Europe	United Kingdom	Other	Adjustments and Deductions	2007 Total
PROFIT AND LOSS ACCOUNT							
Net turnover	249,004	224,406	424,240	447,413	2,672	(148)	1,347,587
Net turnover - intersegment	8,205	15,032	133,420	44,271	115	(201,043)	-
Other income	874	3,769	14,987	2,077	-	32,198	53,905
Total Income	258,083	243,207	572,647	493,761	2,787	(168,993)	1,401,492
Expenditure due to ongoing operations	(260,885)	(244,990)	(508,441)	(525,194)	(2,530)	195,057	(1,346,983)
Result from ongoing operations	(2,802)	(1,783)	64,206	(31,433)	257	26,064	54,509
Financial revenues	-	-	-	-	-	-	9,953
Financial expenses	-	-	-	-	-	-	(45,938)
Exchange rate differences (net)	-	-	-	-	-	-	(11,460)
Results due to variations in value of financial instruments at a reasonable value (net)	-	-	-	-	-	-	-
Results due to variations in value of non-financial assets at a reasonable value (net)	-	-	-	-	-	-	(6,110)
Results due to damage/reversion of damage to assets	-	-	-	-	-	-	12,550
Share in the result for the financial year of joint businesses entered using the equity method	-	-	-	(126)	-	-	(126)
Result of disposal of non-current assets or valuation of non-current assets classified as maintained for sale not included as discontinued activities	-	-	-	-	-	-	1,620
Other profits or losses	-	-	-	-	-	-	-
Profit (Loss) before tax from ongoing activities	-	-	-	-	-	-	14,998
Tax expenses on profits	-	-	-	-	-	-	(1,078)
Profit (Loss) from ongoing activities in the financial year	-	-	-	-	-	-	13,920
Result after tax from discontinued operations (net)	-	-	-	-	-	-	-
Profit (Loss) for the financial year	-	-	-	-	-	-	13,920
Minority interests	-	-	-	-	-	-	1,034
Profit/(Loss) att. to parent company's shareholders	-	-	-	-	-	-	14,954
OTHER INFORMATION							
Total assets assignable	194,648	565,700	1,056,061	587,174	17,363	(88,715)	2,332,231
Investments accounted for using the equity method	-	-	10,143	-	-	(30)	10,113
Total liabilities assignable	52,511	121,334	264,308	174,472	3,763	594,249	1,210,637
Allocation to depreciation	(8,687)	(11,152)	(28,623)	(16,575)	(77)	(4,847)	(69,961)
Results due to damage/reversion of damage to assets	-	-	-	12,550	-	-	12,550
Other non-monetary income / (expenditure)	(222)	(1,052)	(692)	(824)	20	35,873	33,103
Investments	2,719	175,855	149,161	52,912	794	(2,584)	378,857
Perimeter Additions	-	158,184	94,382	36,824	783	-	290,173
Additions	2,719	17,671	54,779	16,088	11	(2,584)	88,684

2006 financial year	(Thousands of euros)						
	Eastern Europe	Central Europe	Western Europe	United Kingdom	Other	Adjustments and Deductions	2006 Total
PROFIT AND LOSS ACCOUNT							
Net turnover	27,674	165,546	351,629	116,087	-	68	661,004
Net turnover - intersegment	1,932	1,016	38,035	19,909	-	(60,892)	-
Other income	385	946	37,547	5,074	-	(23,408)	20,544
Total Income	29,991	167,508	427,211	141,070	-	(84,232)	681,548
Expenditure due to ongoing operations	(32,902)	(170,733)	(375,537)	(141,649)	-	78,951	(641,870)
Result from ongoing operations	(2,911)	(3,225)	51,674	(579)	-	(5,281)	39,678
Financial revenues	-	-	-	-	-	-	2,786
Financial expenses	-	-	-	-	-	-	(20,196)
Exchange rate differences (net)	-	-	-	-	-	-	(793)
Results due to variations in value of financial instruments at a reasonable value (net)	-	-	-	-	-	-	35
Results due to variations in value of non-financial assets at a reasonable value (net)	-	-	-	-	-	-	-
Results due to damage/reversion of damage to assets	-	-	-	-	-	-	(1,928)
Share in the result for the financial year of joint businesses entered using the equity method	-	-	-	45	-	-	45
Result of disposal of non-current assets or valuation of non-current assets classified as maintained for sale not included as discontinued activities	-	-	-	-	-	-	12,649
Other profits or losses	-	-	-	-	-	-	-
Profit (Loss) before tax from ongoing activities	-	-	-	-	-	-	32,276
Tax expenses on profits	-	-	-	-	-	-	(86)
Profit (Loss) from ongoing activities in the financial year	-	-	-	-	-	-	32,190
Result after tax from discontinued operations (net)	-	-	(29,565)	-	-	-	(29,565)
Profit (Loss) for the financial year	-	-	-	-	-	-	2,625
Minority interests	-	-	-	-	-	-	(2)
Profit/(Loss) att. to parent company's shareholders	-	-	-	-	-	-	2,623
OTHER INFORMATION							
Total assets assignable	179,053	182,743	723,882	379,329	-	(3,923)	1,461,084
Investments accounted for using the equity method	-	-	9,773	-	-	96	9,869
Total liabilities assignable	44,033	50,752	193,429	115,669	-	375,209	779,092
Allocation to depreciation	(1,391)	(6,715)	(2,807)	(3,709)	-	(11,092)	(25,714)
Results due to damage/reversion of damage to assets	-	(16)	(44)	-	-	-	(1,868)
Other non-monetary income / (expenditure)	96	-	(579)	12,019	-	-	11,536
Investments	85,405	93,932	123,946	159,379	-	(19,419)	443,243
Perimeter Additions	84,099	88,258	32,383	154,883	-	-	359,623
Additions	1,306	5,674	91,563	4,496	-	(19,419)	83,620

40.2 Information from the secondary segments

In addition to the management by the Seda Group based upon its geographical areas, monitoring of businesses by business line took place during the 2007 financial year in order to optimise the efficiency of the various businesses in every region.

The main figures by business lined for the 2007 and 2006 financial years are as follows:

2007 financial year	(Thousands of euros)							
	Polymers	Preforms	PTA	Chemicals	Technology	Other	Adjustments and Write-offs	2007 Total
PROFIT AND LOSS ACCOUNT								
Net turnover	692,238	177,871	275,405	77,364	104,351	20,506	(148)	1,347,587
Net turnover - intersegment	89,280	3,938	97,408	31,608	13,477	60,416	(296,127)	-
Net turnover	781,518	181,809	372,813	108,972	117,828	80,922	(296,275)	1,347,587
OTHER INFORMATION								
Total assets assignable	1,007,311	640,786	292,082	143,395	145,023	79,393	24,241	2,332,231
Investments	169,580	133,307	30,880	8,414	-	33,945	-	378,857
Perimeter Additions	141,578	129,523	-	-	-	19,072	-	290,173
Additions	28,002	3,784	30,880	8,414	-	14,873	-	88,684

2006 financial year	(Thousands of euros)							
	Polymers	Preforms	PTA	Chemicals	Technology	Other	Adjustments and Write-offs	2006 Total
PROFIT AND LOSS ACCOUNT								
Net turnover	483,755	9,879	80,695	65,369	16,440	4,866	-	661,004
Net turnover - intersegment	12,386	169	40,078	28,423	20,000	-	(101,056)	-
Net turnover	496,141	10,048	120,773	93,792	36,440	4,866	(101,056)	661,004
OTHER INFORMATION								
Total assets assignable	956,964	46,069	250,345	125,361	64,250	40,833	(22,738)	1,461,084
Investments	227,406	30,326	149,524	8,357	45,000	2,049	(19,419)	443,243
Perimeter Additions	205,074	29,270	125,276	-	-	3	-	359,623
Additions	22,332	1,056	24,248	8,357	45,000	2,046	(19,419)	83,620

Note 41. Environment

During the 2007 financial year, while applying the long-term strategy defined by the Group, it continued to make investments earmarked for protecting the environment, the sum total of which amount to 1,465 thousand euros. These are basically investments associated with the "mother liquor filter" project that is being undertaken in Artenius UK, Limited to improve the efficiency of the installations and to reduce the discharge of chemical effluents from the plant and as a consequence, the impact on the environment. Industrias Químicas Asociadas LSB, S.L. (Single-member Company) has continued to make a significant effort in improving the operation of its wastewater treatment plant, and once again exceeded the best output of the installation since it became operational.

The current expenses borne by the Company during the present fiscal year amount to 9,708 thousand euros. The transport and external waste management expenses are included as well as those associated with the removal of chemical effluents generated by the production of PTA (for this reason the most significant expenditure takes place in Artenius UK, Limited). Furthermore, Artenius UK, Limited has also included the cost for removal of the radioactive materials generated in the demolition of the T7 PTA plant.

Industrias Químicas Asociadas LSB, S.L. (Single-member Company) has completed the studies begun in previous years on the situation of polluted land. The Company is also committed to the Framework Co-operation Agreement with the Department of the Environment of the Generalitat, which aims to improve the environment in the Camp de Tarragona area. In this context, during 2007 work was done in very important areas such as the increase in the parameters monitored in the dumping of wastewater, the development of protocols to reduce emissions of volatile organic compounds, the development of waste minimisation programmes, the improvement of polluted land management and the use of the wastewaters from urban wastewater treatment plants, a project in which the Company has requested to participate, as it has a consumption of around 200,000 t which would no longer be taken from the waters of the Ebro.

The distribution of investments made and the current expenses paid by the various Group companies this year and the previous year is as follows:

	(Thousands of euros)			
	31.12.2007		31.12.2006	
	Expenses	Investments	Expenses	Investments
La Seda de Barcelona, S.A.	218	99	196	1
Industrias Químicas Asociadas LSB, S.L. (Single-member Company)	703	425	352	111
Artenius San Roque, S.A.	251	42	-	-
Artenius Italia, SpA	469	-	611	-
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat				
MalzemeleriSanayi Anonim Sirketi	123	-	-	-
Artenius Romania, SRL	-	-	6	-
Artenius Uk, Limited	7,694	899	2,344	3,592
Artenius PET Packaging Belgium, NV	6	-	-	-
Artenius PET Packaging Deutschland, GmbH	3	-	-	-
Artenius PET Packaging France, SAS	12	-	-	-
Artenius PET Packaging Uk, Limited	28	-	-	-
Artenius PET Recycling France, SAS	201	-	-	-
	9,708	1,465	3,509	3,704

During the 2007 financial year, La Seda de Barcelona, S.A has purchased and installed the equipment that will be the new polygeneration plant. This consists of a 7.5 MW gas turbine for the production of electric energy, with a heat recovery mill for heating the thermic oil of the PET production installations, as well as generating the steam and cold water needed in the installations. In addition, the OSBL project has been modified to be more ambitious and include the complete renovation of practically all the factory tools, including the high voltage connection, new high, medium and low voltage systems, the transfer of compressors, the reorganisation of the cooling system and the creation of a single control room which will be operational upon completion of the project. With this new power station the overall energy costs of the Company's activities will be reduced by at least 30%, but it will also reduce the emission of CO₂ greenhouse gases into the atmosphere. The Management is considering implementing this model in the Group's other plants.

Information on greenhouse gas emission rights.

The amounts of rights assigned during the current National Assignment Plan and their annual distribution are as follows:

Tonnes		
2005	2006	2007
78,717	216,444	216,444

The assignment of said rights was free of charge.

a) *Gas emission rights 2007*

The operations in intangible assets due to greenhouse gas emission rights in the 2007 financial year are as follows:

	(Thousands of euros)			
	Balance at 31.12.2006	Additions	Withdrawals	Balance at 31.12.2007
Greenhouse gas emission rights	1,592	1,266	(842)	2,016
	<u>1,592</u>	<u>1,266</u>	<u>(842)</u>	<u>2,016</u>

The expenses during the financial years arising from the emission of greenhouse gases were 842 thousand euros. These expenses have been calculated based on the real gas emissions in the financial year multiplied by the valuation of the rights according to the average listed price at the time of delivery.

The capital subsidies corresponding to gas emission rights and pending transfer to results amounted to 2,016 thousand euros at the end of the 2007 financial year and were recorded under the heading "Other non-current liabilities" on the consolidated Balance sheet (see Note 22). The subsidies transferred to results as income from the 2007 financial year amount to 842 thousand euros.

The Group has no future contracts related to greenhouse gas emission rights.

b) *Gas emission rights 2006*

The operations in intangible assets due to greenhouse gas emission rights in the 2006 financial year are as follows:

	(Thousands of euros)			
	Balance at 31.12.2005	Additions	Withdrawals	Balance at 31.12.2006
Greenhouse gas emission rights	-	6,597	(5,005)	1,592
	<u>-</u>	<u>6,597</u>	<u>(5,005)</u>	<u>1,592</u>

The expenses and income recorded in the consolidated profit and loss account for the 2006 financial year for the consumption of greenhouse gas emission rights was 3.24 million euros.

In the 2006 financial year the Company disposed of 20,124 greenhouse gas emission rights, obtaining a profit of 574 thousand euros, and recorded this sum under the heading "Results of disposal of non-current assets or valuation of non-current assets classified as maintained for sale not included as discontinued activities" in the consolidated profit and loss account.

The capital subsidies corresponding to gas emission rights and pending transfer to results amounted to 1,592 thousand euros on December 31, 2006 and were recorded under the heading "Other non-current liabilities" on the consolidated Balance sheet.

Note 42. Payments and other benefits made to the Administrators.

During the financial year ending on December 31, 2007, the payments received by the members of the Parent Company's Board of Directors were as follows:

	(Thousands of euros)
Wages and salaries	460
Expense allowances for attending board meetings	352
Provision of shares in the Parent Company.	<u>12</u>
	<u>824</u>

The contributions made to pension plans amount to 11 thousand euros. No credits, advances nor loans have been granted to the members of the Board of Directors.

In relation to the information required by Article 127, section 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 as the Company's corporate purpose are the following:

- Mr. Rafael Español Navarro holds the posts of Chairman of the Board of Directors in the Group Companies Artenius Turkpet, Artenius San Roque, S.A.U, Industrias Químicas Asociadas LSB, S.L.U., Artenius Hells Holding, S.A. Artenius Sines PTA, S.A. and Artenius PET Packaging UK, Limited, and is the sole administrator of Artenius Italia S.p.A., the sole administrator in representation of 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. and the joint administrator of Carb-IQA de Tarragona, S.L.U.
- Mr. Ramón Pascual Fontana holds the post of Chairman of the Board of Directors in the company Petrolest, S.L.

During the fiscal year to which the annual accounts relate, the Management of the Company, or people acting on its behalf, with the Controlling Company or other companies of the Group, have not realised operations outside of the ordinary work of the Company or beyond the market conditions.

Note 43. Auditors' fee

In the year 2007 the fees invoiced by Horwath Auditores España, S.L. and other companies using the trade name Horwath, for the audit of the annual accounts of the Group companies were 546 and 574 thousand euros respectively (219 and 179 thousand euros in 2006).

Furthermore, the fees received for other services rendered by other companies which use the name Horwath were 1,026 thousand euros (150 thousand euros in 2006).

In addition, the fees invoiced during the 2007 financial year by other auditors relating to the audit of the annual accounts of the Group companies have amounted to 31 thousand euros, and this is the sole reason for which they have been paid (67 thousand euros in 2006).

Note 44. Subsequent occurrences

During the month of January 2008, *La Seda de Barcelona, S.A.*, interrupted production activities in its subsidiary **Artenius Romania, SRL**. This subsidiary had signed an exclusive trade distribution agreement with **INTERNOVA Serv. Com. Import-Export SRL**, as well as the services rendered relating to the activities of the company, which have been rescinded in an amicable manner by both parties. The agreement signed states that the total outstanding debt pending payment to **INTERNOVA** as of December 31, 2007 of 2.3 million euros will be paid in its entirety in the 2008 financial year, and a real estate guarantee has been received for an sum of 1.44 million euros.

As of December 31st, 2007, **Artenius Romania SRL** had no significant liabilities. During the first quarter of 2008, the Seda Group relocated the preform machines with a productive capacity of 10,000 tons/year to other sites within the Group.

Note 45. Other information

On October 21st, 1996 the Seda Group purchased all the shares in Märkische Viskose GmbH (a company located in ex-East Germany) The objective of this purchase, in view of the difficulties in the European textile market, was to eliminate competition as well as diversifying production, expanding market possibilities and consequently diminishing business risk (Märkische Viskose GmbH specialised in manufacturing thick rayon thread and Viscoseda Barcelona, S.L. in thin rayon thread).

At the end of the 1999 financial year it became clear that the strategy adopted by La Seda de Barcelona, S.A. was not providing the expected results, and in view of this at that point the Group decided to leave the textile market and consequently carried out the ordered restructuring of Viscoseda Barcelona, S.L. and Märkische Viskose GmbH. Along these lines, on November 19th, 1999, 75% of the share capital of Märkische Viskose GmbH was sold to a third party outside the Group, beginning the final restructuring process which ended with the presentation made on November 8th, 2000 of an initial application for bankruptcy proceedings in the Court of First Instance in Potsdam (Germany)

Within the framework agreement reached with the different trade creditors of Märkische Viskose GmbH, Viscoseda Barcelona, S.L. and subsidiarily, La Seda de Barcelona, S.A assumes the commitment to meet certain obligations to two financial institutions, West-LB and Unicrédito, with the final instalment of the obligations undertaken under the said agreement being paid on January 23, 2006, with no additional commitment to these institutions or to any other supplier or creditor, as the remainder of the financial commitments were assumed by the majority shareholder of the Company. The Management of La Seda de Barcelona, S.A. therefore considered that the dissolution and liquidation process of the Märkische Viskose GmbH to be resolved without further incidents.

Later, on March 10th, 2007 a communication was received from FINOVA Luzern AG (a Company with its registered office in Lucerne, Switzerland) requiring an amount of 8.1 million euros for accrued interest from the cancelled debt in the said framework agreement from La Seda de Barcelona, S.A. This request did not refer to the part of the debt assumed by La Seda de Barcelona, S.A, the last instalment of which was paid in January 2006. Subsequently, in the analysis of the facts carried out by the Company, it was confirmed that FINOVA Luzern AG purchased the financial institution West-LB and thus West-LB's right to receive the corresponding interests on the cancelled debt.

When the summons referred to in the previous paragraph was received, the Legal Department of La Seda de Barcelona S.A. analysed the procedure and concluded that there is a gap in the treatment of the accrued interest on the cancelled debt, because it is not mentioned in the agreement reached.

This situation has been transferred to our legal counsel in Germany (Wolfgang Leiss), who says that no payment of any amount should be made, and in July 2007 presented the corresponding brief of declarations and set a date for the hearing (conciliation agreement) by the Court in Potsdam for September 10th, 2007. The institution FINOVA Luzern AG failed to appear at this hearing, whereupon the Court set a second and final hearing date for December 2007. Finally, the Company assumed the total amount claimed of 8.1 million euros, while reserving the right to take legal against the company making the claim, something that is currently being analysed by the Company's Legal Advisors.

To that end, and considering that there is no additional information regarding this matter, the Administrators of the Company consider that no additional accounting record should be kept on this subject.

1. Business developments in the 2007 financial year

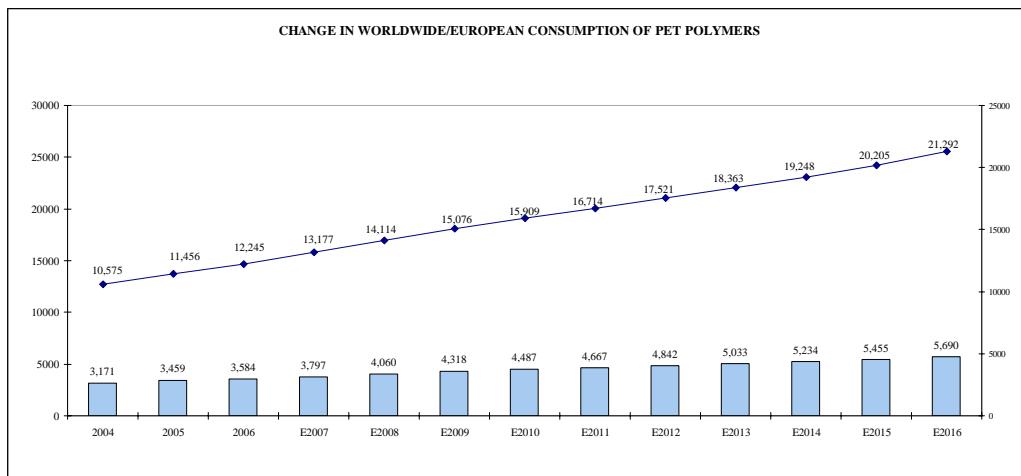
The Group's activities during the 2007 financial year was as follows:

- One of the objectives of La Seda de Barcelona, S.A, during the 2007 financial year was to complete the Acquisitions Programme which began in the 2006 financial year, making the Group the first vertically integrated producer of MEG-PET-PTA-PREFORM to finish with RECYCLING and this achieve geographical distribution throughout Europe.
- The completion of this strategy has been reinforced by the purchase of another PET plant in Western Europe (San Roque) and the downstream integration in the preform sector (Pet-Packaging) and PET recycling with geographical coverage throughout Europe (West, Central and East).

After the completion of the reorientation process in the chemical sector, excluding its previous textile business, the Seda Group focused industrially on PET, a product with a strong cumulative growth and with a tendency towards high potential in the packaging sector due to its technical characteristics, including its clarity, transparency, lightness, strength and easy recycling.

During the 2007 financial year, the PET market continued to present the trend of recent years, with an increase in its average yearly rate of 10%, a percentage that may increase significantly in the short term with the final implementation of PET containers in the juice, milk and beer market.

The expectations for the coming years indicate that PET will continue its process of expansion due to its exceptional characteristics and properties which have made this polymer into one of the most versatile plastics on the market with multiple uses, both in its innovative aspect and in the replacement of existing materials: This is mainly due to the innovative technology implemented in the production processes and the materials used, mainly in the packing and packaging sector, in which the PET is becoming the essential raw material. The information attached shows this situation.



Source: PCI 2007

Consequently, the use of PET has been consolidated in the mineral water, carbonated drinks, and oils market compared to other alternative options and is rapidly being implemented in new applications in the food, cleaning products, cosmetic and pharmaceutical sector, as well as in alternative uses and/or substitutes in industry and engineering.

To that end, the Group, and its parent Company, consider it a priority objective to promote the organisation, adapting it to the new challenges and commitments involved in the process of internationalisation in which the Group is involved as a result of its Policy of purchases, which entails restructuring at industrial, operational and functional levels. The new organisation defined by geographical area has enabled the merging of the MEG-PTA-PET business units, which now have one Manager, and the appointment of managers in geographical areas that correspond to the location of the production plants.

In this context, the Parent Company is continuing to reinforce its headquarters in Barcelona, centralising the various aspects of management common to the Group there, focusing its attention on the industrial reorganisation plan and the reduction-relocation by geographical area of personnel belonging to the various subsidiaries, thereby reinforcing the synergies in two of its most strategic realms - its industrial and human resources policies. Furthermore, the expansion process through purchases is considered to be complete, and one of the priority objectives is now the intensification of the integration processes of the different business units. To that end, the potential synergies in the areas of supply, optimisation of production processes, distribution logistics and general expenses have been specified in a new Internal Business Plan.

At present, due to the geographical coverage in all of Western Europe (Artenius Portugal, San Roque, Prat, APP¹ Iberia, IQA, Selenis Servicos, Biocombustibles, RPB, Inmoseda), the presence in the United Kingdom (Artenius UK, APP UK) and Central Europe (APP Belgium, Germany, France, Artenius Italy) and Eastern Europe (Artenius Turkpet, Romania, Hellas) and the fact that it is the sole producer of PET with more than one plant on the market (except for Indorama which has two plants), the Group can concentrate entirely on the quality of the product and service to the end user. During the 2007 financial year, significant recourses were assigned to the unification of the various types of PET resins produced in the different plants of the Group, standardising the product characteristics and specifications as well as the recipes and additives used, using simplified compounds and applying components fully approved by European food legislation and the bottlers.

In the commercial field, in this 2007 financial year the Group, faced with the market expectations arising from the new company purchases, should first and foremost offer an excellent service to our end user, which involves looking at all the intermediary processes from the generation of the order to the punctual and reliable delivery of the goods. One of the most important activities in industrial policy consisted of allocating a production back-up in a different plant of the Group to each plant, thereby ensuring a continuous service to clients, so that if a mishap should occur in any of the plants, the Group could guarantee the customer that the same product ordered will be delivered to the customer's installations from another production plant in the same geographical area, at no additional cost. In a similar area and as a complement to the above, the parent Company has redistributed the customer portfolio of each plant in the Group, using their geographical area as the predominant criteria and using a radius of 600/700 Km between plant and customer as a benchmark parameter. Based on this criteria and in operational terms, clients can place orders simply and using the same language in any of the eight PET production plants. This process was possible after a prior analysis and subsequent implementation of the standardisation of the same recipes in each client. These changes now allow us to supply the same references under a single brand to a portfolio of more than 1,000 customers. These measures, together with commercial standards for each geographical area, are those that currently govern the industrial, commercial and sales policy of the Group.

¹ Before GRUPO AMCOR

This process of industrial and commercial integration in the various companies purchased during the 2007 and 2006 financial years, was begun with the first of the purchases, but it was from October 2007 onwards, with the incorporation of APP, when a single priority was established, which dedicated all the recourses available to this objective. The main instrument used for this purpose was the creation of several specialised teams working solely in this area, who have been concentrating on integration, cohesion, co-ordination projects and efficiency improvement costs in various areas for months, generating a continuous feedback of information and mutual knowledge in a learning process which moves closer to the market and a consequent knowledge of clients, an intangible asset which is highly appreciated by all those involved in the sector. With the incorporation of APPE into the Group, this situation is more obvious, if possible. Contact with the customers and end consumers is direct and intense, due to the relationship of co-operation in the development of packaging solutions for the local market. The work by the Research Centre in Brecht (Belgium) is vital in this respect, as it is responsible for making the developments that customers demand possible, by searching for the materials that meet the quality and sustainability standards which have been proven to be essential in the sector.

APPE is the absolute European leader in the Research and Development of solutions in PET polymer, in both specific applications and material properties. Among the new developments for the cosmetic and pharmaceutical sector are the higher weight/unit volume ratio compared to traditional applications. Additionally, the visibility of containers for the beer sector poses great coverage possibilities for the coming years.

Another aspect of great interest in the integration process of the Group is the treatment of energy consumption, in which the global nature of the markets gives us significant synergies by means of optimal negotiations of the applicable conditions. In this regard, the energy contracts in Spain have been renegotiated with the incorporation of Artenius San Roque into the Group. The new contract comes into effect in January 2008 and the estimated cost savings are 10%. This process will be applied in other geographical areas which have more than one plant per territory, such as: Italy and the San Giorgio and Acerra plants.

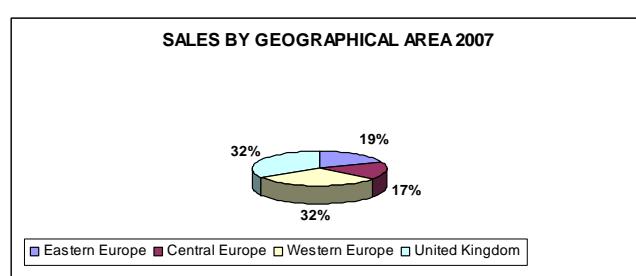
During the 2007 financial year the majority of the plants located in the geographical area of Central, Western and Eastern Europe remained incorporated in the corporate SAP. In the Central Area in particular this year, the stabilisation of the system of the plant in Italy was achieved, while in the Eastern Area the implementation was begun in Greece which ended successfully in the first months of the 2008 financial year and the first half of the same year the implementation in Turkey was finished.

As a result, all the plants in the Eastern Area will be managed in the corporate SAP, and as such the Parent Company will have the online information, which will ensure the control and management of this information.

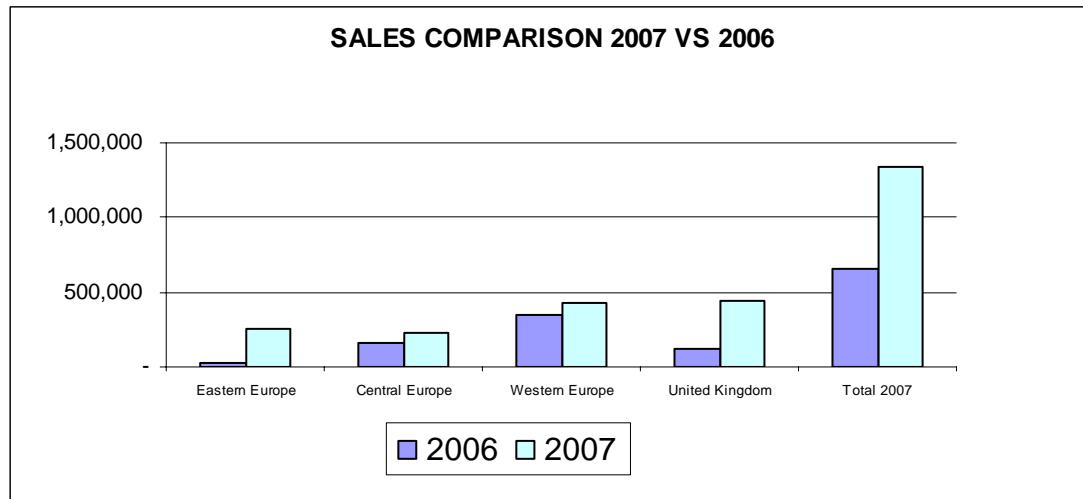
As regards the Western Area, the implementation of San Roque was concluded in June 2007, and the aim is to make progress in implementations in this zone, incorporating APP Iberia, because from 2009 onwards the incorporation in the corporate SAP of all the APP plants (Central Europe Zone) and subsequently Artenius Portugal is projected.

As regards the United Kingdom Area, a GAP analysis is under way and it has been postponed until 2009 due to its complexity, because the Wilton plant produces PTA and PET, which makes the implementation process difficult and slow.

During the 2007 financial year, the consolidated turnover was 1,347,6 million euros, which is double the amount for the previous year (661 million euros) and its geographical distribution is as follows:



The operating result showed a positive trend, as in 2007 it was 54.5 million euros compared to 39.7 million euros in the previous year, a significant increase despite the rise of raw materials prices and the reduction in sales of tons of PET. This effect has been compensated for by the income from sales of technology by the Parent Company, which appears to be a recurrent business line and one that is highly profitable based on the information from the 2006 and 2007 financial years, as well as the operations confirmed for the early months of the 2008 financial year. The consolidated result of the year was 13.9 million euros, significantly higher than that obtained in the 2006 financial year (2.6 million euros). This positive assessment is also evident in the working capital fund which amounted to 319.2 million in the 2007 financial year, an amount very similar to the previous financial year and which has remained stable in line with the trend begun in the previous financial year in terms of debt restructuring and rationalisation of the production processes.



Eastern Europe (includes all the plants located in Greece, Turkey and Romania).

The variation between the two financial years can be justified because in the figures for 2006 only 3 months of the plants in Turkey and, Romania are included and the plant in Greece was not consolidated because it entered the perimeter on 31/12/2006.

The PET production capacity in this area in 2007 increased to 210,000 tons/year and that of preforms to 1,761,000 units per year.

Furthermore, the results in this area have been affected by the conversion of the work in the preforms plant in Romania. As a consequence of the efforts made by the Group in its quest for efficiency, the machinery from the plant in Romania has been relocated to the preforms plants in Greece and Turkey, maintaining the commercial structure of the said area.

No other significant changes which may affect the profit and loss account have been recorded, and operating profit has followed a similar trend to that of the 2008 financial year.

The lower turnover in comparison with the other areas is due to the lower production capacity of the plants in Greece (80,000 tons) and Turkey (130,000 tons).

Western Europe (includes all the plants located in Spain and Portugal)

In this area, the year-on-year variations are due to the consideration in 2007 of the entire work done in the plant in Portugal, as well as the incorporation of APPE Iberia in October of this year and Artenius San Roque (Cadiz) in April 2007.

The results of this area have been positively affected by the increase in 2007 of the PET production capacity to 390,000 tons/year and the preforms to 1.5 billion units/year, as well as the sales of licenses and technology made by the parent Company.

Central Europe (includes all the plants located in Italy, Belgium, France and Germany).

In this area, the results of both years are once again difficult to compare due to the inclusion in the 2007 financial year of all production of the plant in Italy, as well as the incorporation of the APP plants located in Belgium, France and Germany purchased in October 2007.

The PET production capacity in this area in 2007 increased to 200,000 tons/year and that of preforms to 4.5 billion units per year.

Furthermore, the PET recycling plant located in Beaune (France) is in the process of increasing its production capacity. Furthermore, the APP plant in Brecht is currently renowned for its research work and continuous development of multilayer products, used in applications like beer. Finally, as regards the plant in Italy, a conversion process was begun for the fibre production plant in the 2007 financial year in order to use it for PET production.

United Kingdom

As regards Northern Europe, this area would include the Artenius UK and the APP UK plants.

The comparison between the 2006 and 2007 financial years is distorted because of the inclusion in the 2007 financial year of the complete production of the plant Artenius UK, as well as the incorporation of APP UK in October of that year.

The PET production capacity in this area in 2007 is 150,000 tons/year, that of preforms is 5.6 billion units/year and that of PTA fell to 500,000 tons/year, as a consequence of the closure of the T7 PTA production line. In the last quarter of 2007, the Group's management team, after carrying out a study to analyse the competitiveness of costs compared to market prices, decided to close this line.

2. Investment activity

In the 2007 tax year La Seda de Barcelona, S.A. made the following purchases that increased the Group's installed capacity by almost 1,000,000 tonnes / year:

- 100% of the company Eastman Chemical Iberia S.A. later renamed Artenius San Roque, S.A. located in Cadiz with a production capacity of 170,000 tons/year of PET.
- 100% of the Amcor Group European division, consisting of the following companies: Artenius Pet Packaging Europe, Artenius Pet Packaging UK, Limited, Artenius Pet Packaging Belgium, Artenius Pet Packaging Deutschland, GmbH, Artenius Pet Packaging Iberia, S.A. (sub-group which contains: Artenius Pet Packaging Maroc, SARLAU) and Artenius Pet Packaging France, SAS (sub-group which contains Artenius Pet Recycling France, SAS) This incorporation gives access to end customers and with that, to a range of the customer's own contracts and installations, which contribute solidity and stability to the business. The amount paid for the purchase of these shareholdings was 435.7 million euros

Furthermore, the Group made the following investments during the 2007 tax year:

- Continuation of building work on the 7.5 Mwh polygeneration plant in El Prat de Llobregat (Barcelona) which will enable energy savings of around 30%. This installation will start operation in early April 2008 and will represent an investment of 8 million euros, with 5.7 million euros invested in 2007. This plant will receive the usual fiscal advantages for high yield cogeneration plants. The Management is considering implementing this model in the Group's other plants.

- The Company has increased its shareholding in Simpe, SpA, located in Acerra (Italy) to the point where it has obtained control. This company has a plant near Naples and in 2007 the plant was converted from the polyester production to PET production. As a result, the adaptation of the chemical installation to raw PTA material (DMT raw material was previously used) was started, and the construction of the new SSP installation has begun, which will start production in the last quarter of 2008. This project, with the assistance of the Italian government, involves investment of more than 30 million euros, aimed at increasing the production capacity of Artenius PET by 120,000 tons yearly, as well as producing polymers for textile uses up to an additional maximum of 35,000 tons/year.
- The ground preparation work has begun at Artenius Sines, the MegaPTA plant located in Portugal, and contacts have been made for the purchase of the main equipment, as well as the negotiations for the contracts for energy and utility services. The investment, with a value estimated at 400 million euros, is the largest ever made by the Group, in anticipation of the plant being operational by the first quarter of 2010.

3. Integration of the Group and foreseeable developments in the 2008 financial year.

The Group's Management, as mentioned above, considers the period of expansion by purchases over and will focus its resources on continuing to reinforce and intensify the integration process in the various acquired businesses, paying special attention to obtaining the synergies latent in the areas of supply, optimisation of industrial processes, distribution logistics and general expenses.

In the period 2008-2012, there are three stages which must take place consecutively in order to obtain the expected results.

a) Reorganisation: This basically consists of integrating the businesses that have been acquired in the last two years. This stage, which began in 2007 and continues throughout 2008, is characterised by:

- Establishing the basic corporate and business structure.
- Consolidation of the running of the different sites, both organisational and operational.
- Reduction of fixed costs.
- Restructuring and optimisation of production assets, considering the possibility of closing any of them which may not be strategically competitive in the short term.
- Continuing the rationalisation and standardisation of the resin grades.
- Optimisation of the catalogue of products to be traded;

b) Consolidation of the foundations establishing leadership in the market: This is the key stage on which the future of the Group depends. It will last for the next 2-3 years.

c) Profitable growth: This stage is based on innovation, on investment for the development of new products, on the growth in both volume and profitability of the specialities and on the growth in the environmental/ecological aspect of PET recycling.

4. Research and Development activities (R&D)

During the 2007 financial year, analysis continued of the different technologies and production processes to which access was available through the purchases made in 2006 and 2007, with the aim of the know how of each plant being extended to the other production plants and the implementation of the "technical improvements" of each one in the other subsidiaries.

La Seda de Barcelona has a research and development centre with installations with fully equipped testing and development laboratories and a centre exclusively for testing.

La Seda de Barcelona maintains formal links with various research organisations and Universities.

The initiatives of the I+D+I department are:

- Standardisation of resins.
- Improvements in fibre technology
- Commercial and industrial improvements for the other plants

Of particular note is the plant located in the town of Brecht which has housed the R&D Centre for excellence since 2001. It is here where the production of new developments starts, and from here they are initially marketed in Europe until the volumes are large enough to transfer production and the process to other plants with a higher production capacity that are closer to the end customers.

The installation has a team of 20 specialists and a specific budget of 3 million euros per year.

The installations have a fully equipped testing and development laboratory, a preforms pilot plant, a blowing plant, and a bottle testing plant.

The Excellence Centre maintains formal links with various research organisations and Universities.

The initiatives of the Excellence Centre include:

- Study of materials and processes
- The forefront in insulation/barrier technology
- Improvements in fibre technology
- Design and manufacturing of Prototypes
- Commercial and industrial improvements in the other plants

5. Environment

Among the investments made by the Group with the objective of the reducing the impact on the environment of the plants' production processes are the following:

- An investment has been made in a new polygeneration plant in the El Prat plant (this project will be completed during the first quarter of the 2008 financial year). This electricity and heat-generating unit will enable a reduction of 40% in the plant's energy consumption and CO2 emissions.
- A new renovation project of the SSP installation has been started at the PET plant of Artenius UK in Wilton, to increase its productivity, improve quality and significantly reduce the consumption of nitrogen. It is scheduled to be finished by mid-2008.
- In the Artenius UK PTA plant, during the 2007 financial year, the most important part of the key projects were carried out to optimise efficiency in installation costs, recovery of the oxidation catalytic converter and filtering of process liquor. In both cases, the objective is to reduce the consumption of raw materials and by-products, improving the efficiency of the installations and reducing the effluent load of the plant and thus the environmental impact. Both projects were completed during the first quarter of 2008.
- In the 2007 financial year, Industrias Químicas Asociadas, LSB invested in the improvement of its production plants and improvements in environmental protection policies and workplace safety.

6. Risk factors.

In the normal course of operations, the Group is exposed to several financial risks. The main risk factors are credit risk, interest rate risk, exchange rate risk and liquidity risk, market risk and the raw material management risk.

The Company's senior management is responsible for carrying out ongoing monitoring in order to identify, assess and prioritise current and potential risks and take the necessary measures for mitigating as far as possible the threats to the business that might arise from the risks that are identified.

The main financial instruments of the Group, other than those for coverage, are bank loans, credit policies, discounts, financial leases, cash and short-term deposits.

The Group has also arranged derivative products consisting of interest and exchange rate swaps (see Note 33) to manage the exchange rate risks which arise due to commercial operations as well as the risks arising from the syndicated loan.

Credit risk

The Group has established a credit policy and exposure to this risk is managed during the course of normal activities. The credit risk arising from the failure by another party (client, supplier, partner or financial institution) is duly monitored within the Group by means of various policies and risk limits in which establish requirements relating to:

- Suitable contracts in the transaction carried out.
- The internal or external credit rating of the counterpart.
- Additional guarantees in the necessary cases (letters of credit, guarantees...)
- Limitation of bankruptcy costs and the financial costs arising from bad debts. The guarantees maintained by the Group to insure payment by customers is mainly based on credit insurance coverage, which the majority of companies in the group have to guarantee sales up to a maximum of 440 million euros. The creation of an international credit insurance programme for the whole Group is currently being studied in order to change from the present individualised credit insurance policy per country to a connected system which will allow the Management to manage the granting of credit to major customers operating in different countries in a centralised and efficient manner.

Interest rate risk.

External financing is mainly based on the syndicated loan mentioned in Note 18 as well as, to a lesser extent, bank discount, credit policies with financial institutions and financial leases. It can therefore be seen that most of the financing obtained matures in the long term.

The variable interest rate for the syndicated loan and its risk has been covered by derivatives which are mainly hedging operations with interest rates which ensure that the existing debt has a fixed interest rate. For bookkeeping purposes these derivatives are generally treated as cash flows in so far as they correspond to cash flow that is attributable to a specific risk linked to a previously recognised liability, which is the syndicated loan. For these hedging instruments the appropriate analysis of sensitivity to possible interest rate changes has been carried out, keeping the other variables constant (see Note 33 in the report).

Exchange rate risk

The exchange rate risk arises basically from trade transactions in foreign currency, mainly the American Dollar. However, less than 10% of the volume of the sales and purchases by the Group takes place in foreign currency, meaning that specific risk management is not necessary in this area.

Nevertheless, in order to mitigate the exchange rate risk in some of the Group's companies with specific individual risks, the strategy of contracting exchange rate coverage to cover possible fluctuations arising from normal sale and purchase transactions referenced in dollars has been followed. The appropriate analysis of sensitivity to possible exchange rate changes for the dollar has been carried out for the hedging instruments arranged, keeping the other variables constant (see Note 33 in the report).

Liquidity risk

The Group manages its liquidity risk using financial planning techniques. These techniques take the cash flow of income and expenses from ordinary activities, investments and financing into consideration. The group's objective is to maintain a balance between the flexibility, term and conditions of the financing sources arranged depending on the foreseeable short, medium and long term needs in order not to have to resort to external financing under costly conditions.

Market risk

As of the date of the close of the financial year, no project by any possible competitors for building new PET plants was known to be under way.

The risk of new competitors appearing in the next few years is therefore mitigated by the need for a minimum of 2 years and a high financial cost of building new installations for manufacturing PET, as well as obtaining the relevant environmental permits.

It must also be added that this risk is also reduced due to the anticipated increase in demand.

Risk in the management of raw materials

The Group's main risk in the management of raw materials is the change in the price of PX (paraxylene) that comes from Xylene. This product is framed within the aromatic fractions (BTX), and it consists of Benzene, Toluene and Xylene. These three components are also used for manufacturing gasoline by-products for cheapening their cost. Due to the rise in the price of oil, there is a rise in demand for Benzene, Toluene and Xylene from fuel manufacturers.

One of the by-products of Xylene, commonly known as paraxylene, is the base for obtaining PTA and its price varies according to the supply and demand for Xylene on the international market, which is closely linked to the fuel prices. The price of the PTA is therefore dependent on the end use that the producers of aromatic cuts decide for Benzene, Toluene and Xylene. 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 coverage system for this risk. Nevertheless, the Group intends to pass on the cost variations to its products, although this cannot always be achieved entirely and there may also be a time lag in passing on costs.

7. Major occurrences taking place after the close of the financial year.

No other important events have arisen since the close of the fiscal year apart from those already stated in Note 44 of the report.

8. Significant agreements reached by the Company.

Capital increase

In 2007 La Seda de Barcelona, S.A increased its share capital by the issue and circulation at a face value of 209,297,003 new ordinary shares, with a nominal value of 1 euro, with an issue premium of 1.10 euros per share. This increase was 100% covered in its first band, generating 439.5 million euros.

The pre-emptive subscription right for new shares in the proportion 1 new share for every 2 old shares/convertible bonds has been recognised in this increase for the shareholders and convertible bond owners of the issue "LA SEDA DE BARCELONA, S.A. Issue of Convertible Bonds 2005.

Increase of the syndicated loan

The Group increased the initially granted syndicated loan for 405,000 thousand euros by 198,375 thousand euros during the year. 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, to the financial institution which granted the syndicated loan.

The funds obtained from the increase of this financing line plus the amount of the capital increase completed in July 2007 have allowed the Group to finance the continuation of its Strategic Plan, which is reflected in several initiatives, including the purchase of the Eastman PET production plant in San Roque (Cadiz), the purchase of the European PET container production assets (preforms) from the Group Amcor, the investment in the construction of the new PTA factory in Sines (Portugal) and the investment in the conversion of the Simpe factory in Acerra from polyester production to PET production.

9. Purchases and disposals of own shares.

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

10. Information required by article 116 bis of the Stock Market Law

10.1 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 mentioned in point 8 above, in July 2007 La Seda de Barcelona, S.A increased its share capital by means of the issue and circulation at face value of 209,297,003 new ordinary shares, with a face value of 1 euro each, with an issue premium of 1.10 euros per share. The effective amount of the increase in capital was therefore 439.5 million euros.

Additionally, on August 10, 2007, after the second conversion period of the issuing of convertible bonds agreed upon on June 27, 2005 by the Board of Directors of the Company had been completed, 1,313,054 convertible bonds were converted to 789,000 shares with a face value of 1 euro each plus 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 was 626,873,401 euros, divided into 626,873,401 ordinary shares, fully subscribed and paid for, each with a face value of 1.00 euro, belonging to the same single series and represented by means of book entries. There is no restriction on the transferability of securities.

All the shares of La Seda de Barcelona, S.A are admitted for official trading on the Stock Market as well as in the Spanish Stock Exchange Interconnection System (Continuous Market).

10.2 Any limitations to security transferability.

The Articles of Incorporation of La Seda de Barcelona, S.A. do not stipulate any kind of barrier or voting cap such as a limitation of the transferability of securities or the right to vote, which may prevent or impede a possible public takeover bid and the consequent change of control.

10.3 Significant holdings in the capital, both direct and indirect.

Holdings in the Company share capital equal to or over 3%, excluding treasury stock, are as follows:

Shareholder	% Share
Imatogil Investimentos SPGS, S.A.	15.87
Liquidambar Inversiones Financieras, S.L.	6.13
Caixa Geral de Depositos, S.A.	6.00
Oman Oil Company, S.A.O.C.	5.69
Caixa Capital Sociedade de Capital Risco, S.A.	4.50

10.4 Any restriction to the right to vote

There are no restrictions on the right to vote, as mentioned in section 10.2.

10.5 Shareholder's agreements

The only shareholders' agreement in existence was established on September 20, 2007 and consists of a joint action from the said date onwards, in La Seda de Barcelona, S.A by the companies:

- Imatogil Investimentos SGPS, S.A. and Selenis SGPS, who jointly directly or indirectly hold 15.87% of the share capital (10.89% on the date of the signing of the agreement) and
- Caixa Desenvolvimento SPGS, S.A., Caixa Capital Sociedade de Capital de Risco, S.A. and 'Fundo de Capital de Risco para Investidores Qualificados CGD group - Caixa Capital, represented by Caixa Capital Sociedade de Capital Risco, S.A. which in turn jointly hold in directly or indirectly 4.50% of the share capital (5.02% on the date of signing the agreement)

The joint action consists of a verbal agreement in order to coordinate their votes at both the General Shareholders' Meeting and the meetings of the Board of Directors of La Seda de Barcelona, S.A. and will be in force until further notice.

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

Appointment of directors.

The appointment and replacement of the members of the administration body of the Company is regulated in articles 17 and 18 of the Company Statutes and 6, 7, and 8 of the Rules of the Board of Directors.

The Board of Directors consists of a number of Directors that is not less than five and no more than sixteen, who may or may not be shareholders, appointed in the General Meeting, under the terms stipulated by article 137 of the Public Limited Companies Act, which also determines the number of Administrators, within the said limits.

Each Director, when taking up his post, must deposit fifty euros in company shares in the company's joint cash, as a guarantee of faithful fulfilment of his tasks. This deposit will not be returned to him/her until the General Shareholders' Meeting has approved his/her management and the Accounts for the most recent financial year during which he/she held his/her post.

Persons subject to any of the conflicts of interests foreseen by the legislation in force, particularly Law 25/1983 of December 26, and the Public Limited Companies Act, will not be able to hold the post of administrator of the Company.

The Directors will hold their posts for a period of five years, and half the Board or at least half the Board will be renewed at mid term or failing that after three years, and the other half at most after five, thereby establishing the partial renewal process. Outgoing Directors may be re-elected indefinitely, and may remain in their post until the Ordinary General Assembly after the financial year in which their 75th birthday falls.

The vacancies which arise on the Board of Directors, which are not due to the expiry of the Directors' term, will be covered in the interim by shareholders assigned by the Board, but their appointment must be submitted to the next meeting of the General Shareholders Assembly when the final appointments will be made. The Director appointed to cover a vacancy will only hold his post until the outgoing Director would have completed his mandate.

The proposals for appointments of directors which the Board of Directors submits to the consideration of the General Assembly and the agreements for appointments of administrators which they adopt by cooption must previously have the mandatory Report from the Appointments and Retributions Commission, which, however, is not binding.

All the votes of the Board of Directors concerning appointments, re-election, or dismissal of Directors will be secret, if so requested by any of its members and without prejudice to the right of all Directors to record the outcome of the vote in the minutes.

For the appointment of proprietary Directors, the holders of significant stable holdings which in accordance with the proportional system stipulated in article 137 of the Public Limited Companies Act are entitled to appoint administrators, will do so given written justification to the Board and with reliable proof of their ownership of their shareholding. After their request is examined, it will be sent to the Appointments and Retributions Commission for its prior Report, and the Board will adopt the appropriate proposal according to this Rule, the Company Statutes and the applicable legislation.

The Board of Directors and The Commission for Appointments and Compensation will endeavour, within the realm of their respective powers, that the election of candidates for the posts of administrators of the Company, will fall upon persons with acknowledged competence and professional qualifications and a business reputation, prepared to fulfil the obligation to dedicate, actively and on an ongoing basis, the time and effort necessary for the administration, control and supervision of the Company, in defence of the company's interests, in a regular manner.

Dismissal of Directors.

Directors will leave their post when the period for which they were appointed has elapsed or when this is agreed by the General Assembly, as set out in article 131 of the Public Limited Companies Law.

The Directors must offer their resignation to the Board of Directors and when requested to do so, formally resign in the following circumstances:

- a) Leaving the post to which his/her appointment as Director was linked or the disappearance of the reasons for which he/she was appointed, for whatever reason.
- b) Forfeit the post of Proprietary Director if he/she or his/her client cease to be owners of a significant holding in the share capital of the Company.
- c) Forfeit the post of Independent Director, if he/she is directly or indirectly included in the executive area or management team of the Company or its subsidiary companies.
- d) In the cases of legal prohibitions and the special cases of separation set out in articles 124 and 132 of the Public Limited Companies Act.

- e) Having been penalised as responsible for a serious breach by a final ruling issued by the National Securities Market Commission.
- f) For acting against the interests of the Company.

Statutory amendments

Modification of the Company Statutes is regulated by article 14 of the Company Statutes and by the Rules of the General Shareholders Assembly, article 6, section "d" and article 10, section 2.

According to these Rules, the Shareholders' Meeting is empowered to make any amendment to the Company Statutes including the following: to agree to increase or reduce the capital, issue bonds, transform, merge, split or dissolve the Company.

In order to approve a statutory modification it is necessary to have the approval of two thirds of the shares present at the Meeting, when shareholders who represent less than 50% of the subscribed capital with the right to vote attend on first call. On second call, attendance by 25% percent of the capital will be sufficient.

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

The Board of Directors granted Mr. Rafael Español Navarro, Chairman of the Board of Directors and Executive Director holding the post of General Manager, extensive management powers in accordance with his position as First Executive of La Seda de Barcelona, S.A. on March 21, 1996.

Furthermore, on July 15, 2004, the Board of Directors of the Company, decided to authorise and delegate the Chairman and the Vice-Chairman of the Board of Directors, Mr. Rafael Español Navarro and Mr. Joan Castells Trius, respectively, so that when acting together on behalf of and representing "La Seda de Barcelona, S.A." they may direct all types of trading companies in which the Company has a shareholding of over 25%.

As mentioned in point 9 above, the General Shareholders Assembly of La Seda de Barcelona, S.A. has authorised the Company and its subsidiaries to acquire treasury stock under the conditions stipulated in the said point. However, the directors have no individual powers to issue or buy back Company shares.

10.8 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 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 the Deutsche Bank AG, contains a change in control clause by which the said contract will be automatically terminated in the event of an effective change in the control, direct or indirect, in La Seda de Barcelona, S.A.

There are no other agreements that are affected by changes of control in the Company.

10.9 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 takeover bid.

There is full coverage for approximately 15 directors - mainly those located in the corporate headquarters, with corporate responsibilities, whose compensation in the event of unfair dismissal or a substantial change in working conditions ranges between 1 and 2 years' salary.

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

The Consolidated Annual Accounts and the Consolidated Management Report of the **Seda de Barcelona Group** relating to the financial year 2007 were prepared by the Board of Directors of the Parent 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 Consolidated Annual Accounts, in that, to the best of their knowledge, the Consolidated Annual Accounts prepared in accordance with the applicable accounting principles, offer a true and fair view of the assets, of the financial situation and of the profit and loss of the issuing party and of the companies encompassed in the consolidation, taken as a whole.
- 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 and of the companies encompassed in the consolidation, taken as a whole, together with the description of the main risks and uncertainties facing them.

All the appointments of the directors are in force as of 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