

**THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the Financial Services and Markets Act 2000 (“FSMA”) if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.**

If you sell or have sold or otherwise transferred all your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer is or was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale was effected.

Lazard & Co., Limited (“Lazard”), which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting for Fiberweb plc (“Fiberweb” or the “Company”) and no one else in connection with the Joint Venture Transaction and will not be responsible to anyone other than Fiberweb for providing the protections afforded to clients of Lazard or for providing advice in relation to the Joint Venture Transaction referred to in this document.



## **FIBERWEB PLC**

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 5683352)*

### **PROPOSED 50/50 JOINT VENTURE WITH PETROPAR S.A.**

**AND**

### **NOTICE OF GENERAL MEETING**

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This document should be read as a whole. Nevertheless, your attention is drawn to the letter from your Chairman which is set out on Part I (*Letter from the Chairman*) of this document which contains a recommendation from your Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of Fiberweb to be held at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA at 10.00 a.m. on 15 July 2009 is set out in Part IX (*Notice of General Meeting*) at the end of this document. A Form of Proxy for use at the General Meeting is enclosed. Whether or not you intend to be present at the General Meeting in person, you are asked to complete, sign and return the accompanying Form of Proxy in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received by Fiberweb’s Registrar, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.00 a.m. on 13 July 2009. You may also submit your proxy electronically at [www.capitaregistrars.com](http://www.capitaregistrars.com) using your unique investor code on the Form of Proxy. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 10.00 a.m. on 13 July 2009.

**Your attention is drawn to Part II (*Risk Factors*) of this document which sets out and describes certain risks that Fiberweb Shareholders should consider carefully when deciding whether or not to vote in favour of the Resolution to be proposed at the General Meeting.**

A summary of the action to be taken by Fiberweb Shareholders is set out on page 11 of this document and in the accompanying Notice of General Meeting. The completion and return of the completed Form of Proxy or submission of your proxy electronically or completing and transmitting a CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person (in substitution for your proxy vote) if you wish (and are so entitled).

**THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

This document contains forward-looking statements which are subject to assumptions, risk and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. As these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. Each forward-looking statement is correct only at the date of the particular statement. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules, the rules of the London Stock Exchange or by law.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy from Fiberweb Shareholders	10.00 a.m. on 13 July 2009
General Meeting	10.00 a.m. on 15 July 2009
Indicative Completion date of the Joint Venture Transaction	31 July 2009

### Notes:

1. References to times and dates in this document are to London times and dates unless otherwise stated.
2. If any of the above times and/or dates change, the revised times and/or dates will be notified to Fiberweb Shareholders by announcement through the Regulatory Information Service of the London Stock Exchange.
3. Unless stated otherwise in this document, the exchange rate of US\$1.00: R\$1.84 and US\$1.00: £0.54 has been used for income statement items and US\$1.00: R\$2.34 for balance sheet items.

## **DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS**

<b>Directors</b>	Malcolm Coster ( <i>Chairman</i> ) Daniel Dayan ( <i>Chief Executive Officer</i> ) Daniel Abrams ( <i>Chief Financial Officer</i> ) Stephen Dryden ( <i>Non-executive Director</i> ) Richard Stillwell ( <i>Non-executive Director</i> ) Brian Taylorson ( <i>Non-executive Director</i> )
<b>Secretary</b>	Anthony Holland
<b>Registered Office</b>	1 Victoria Villas Richmond on Thames London TW9 2GW
<b>Sponsor, Financial Adviser</b>	Lazard & Co., Limited 50 Stratton Street London W1J 8LL
<b>Broker</b>	Panmure Gordon & Co 155 Moorgate London EC2M 6XB
<b>Solicitors</b>	Baker & McKenzie LLP 100 New Bridge Street London EC4V 6JA
<b>Reporting Accountants and Auditors to the Fiberweb Group</b>	Deloitte LLP 2 New Street Square London EC4A 3BZ
<b>Reporting Accountants on Fitesa Brazil</b>	KPMG Auditores Independentes Sao Paulo Brazil
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## PART I

### LETTER FROM THE CHAIRMAN



#### **Fiberweb plc**

*(incorporated and registered in England and Wales  
under the Companies Act 1985 with registered number 5683352)*

#### **Directors:**

Malcolm Coster (*Chairman*)  
Daniel Dayan (*Chief Executive Officer*)  
Daniel Abrams (*Chief Financial Officer*)  
Stephen Dryden (*Non-executive Director*)  
Richard Stillwell (*Non-executive Director*)  
Brian Taylorson (*Non-executive Director*)

#### **Registered Office:**

1 Victoria Villas  
Richmond on Thames  
London  
TW9 2GW

26 June 2009

**To: Fiberweb Shareholders and, for information only, to participants in the Fiberweb Option Schemes**

Dear Shareholder,

#### **PROPOSED 50/50 JOINT VENTURE WITH PETROPAR S.A. AND NOTICE OF GENERAL MEETING**

#### **1. INTRODUCTION**

On 26 June 2009, Fiberweb announced that it had conditionally entered into an agreement with, among others, Petropar to establish a 50/50 joint venture intended to create the second largest producer of spunbond nonwoven fabrics in the Americas. The Joint Venture will be named FitesaFiberweb and will focus on the large and growing markets for lightweight nonwoven fabrics, serving producers of disposable hygiene products such as baby and adult diapers and feminine care products. The Joint Venture will initially comprise the American Consumer Fabrics Business, the Simpsonville Property and Petropar's existing nonwoven business consisting of Fitesa. There are advanced plans for the JV Entities to invest in a new production line in the US in the near term.

In accordance with the Listing Rules, due to the fact that the default and exit provisions in the Joint Venture Agreement mean that in certain circumstances and, in the case of the exit provisions, only after the second anniversary of Completion, Fiberweb may be required to choose to either sell all of its shares in the JV Entities or buy all of Petropar's shares in the JV Entities without obtaining further approval of Fiberweb Shareholders, the Joint Venture Transaction is conditional, *inter alia*, upon Fiberweb Shareholder approval. By approving the Resolution set out in Part IX (*Notice of General Meeting*) of this document, Fiberweb Shareholders are therefore approving these default and exit provisions. Further information regarding the default and exit provisions in the Joint Venture Agreement is set out in paragraph 5 below and in Part VI (*Further Information on the Principal Transaction Documents*) of this document.

The purpose of this letter is to outline the background to and the reasons for the Joint Venture Transaction and explain why your Board unanimously considers that the Joint Venture Transaction is in the best interests of Fiberweb and Fiberweb Shareholders as a whole and recommends that you vote in favour of the Resolution to be proposed at the General Meeting.

Your approval will be sought at a General Meeting to be held at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA at 10.00 a.m. on 15 July 2009. A notice convening the General Meeting at which a resolution will be proposed to approve the Joint Venture Transaction is set out in Part IX (*Notice of General Meeting*) of this document.

## **2. BACKGROUND TO AND REASONS FOR THE JOINT VENTURE**

Fiberweb currently services its North American hygiene customers with spunbond and spinnmelt fabrics from its two sites in Washougal, US, and Queretaro, Mexico. The two sites together have an installed capacity of 38,000 metric tonnes per year and generated revenues and EBITDA in 2008 of US\$96.1 million and US\$14.7 million, respectively. Fitesa Brazil has a total installed capacity of 45,000 metric tonnes per year at its site in Gravatai, Brazil, employing spunbond, meltblown, SMS and composite technologies. Fitesa Brazil is the second largest nonwovens producer in Brazil with revenues and EBITDA in 2008 of R\$175.7 million (approximately US\$95.6 million) and R\$15.1 million (approximately US\$8.2 million), respectively. Fitesa Brazil also exports to markets across the Americas.

The combination of the American Consumer Fabrics Business with Fitesa will create a leading producer of spunbond nonwovens in the Americas, with the potential to serve regional and global customers more effectively from its leading asset and technology base. For the year ended 31 December 2008, the JV Entities would have had pro forma combined sales of US\$191.7 million, EBITDA of US\$22.9 million and 345 employees<sup>1</sup>. From the outset, the JV Entities will:

- combine manufacturing capabilities in the US, Mexico and Brazil with the geographic reach to supply major hygiene consumer products manufacturers across the Americas;
- facilitate the construction of a new manufacturing facility in the US to meet growing demand for sophisticated and ultra-lightweight fabrics;
- expand Fiberweb's geographical footprint into large and growing markets in South and Central America, enhancing Fiberweb's customer base;
- allow Fiberweb to access low cost manufacturing at state-of-the-art production facilities of Fitesa in Brazil;
- expand Fitesa's geographical footprint into North America; and
- provide Fitesa with access to Fiberweb's global customer base and leading technology capabilities.

The nonwovens market has been characterised by rapid technological development, as new generations of production equipment have allowed the production of a wider range of lighter-weight fabrics at significantly higher speeds. As a result, customers are increasingly looking for suppliers to invest in the latest equipment in order to secure supplies of these more advanced fabrics. In recent years, Fiberweb has not been able to finance significant investment in this part of its North American business as it has focused its resources on the significant turnaround necessary in the Fiberweb Group as a whole, which is now producing improved financial results. As a consequence, while the American Consumer Fabrics Business has some unique strengths and capabilities, it does not enjoy the benefits of the most modern technology. However, Fiberweb's management believes that the Joint Venture Transaction will not only bring forward but also reduce the financial risk of the significant investment required to maintain and expand Fiberweb's competitive position in North America.

The JV Entities propose to expand their operations in the US by investing in a new spunbond line to service anticipated demand for new, advanced products that Fiberweb is currently developing. It is estimated that this investment would involve expenditure of approximately US\$65 million, inclusive of infrastructure costs and building costs. Fiberweb would be unlikely to be in a position to finance this investment by itself at the same pace as is contemplated following Completion.

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<sup>1</sup> Sum of the individual figures for Fiberweb and Fitesa for the year ended 31 December 2008. Fiberweb had sales of US\$96.1 million, EBITDA of US\$14.7 million and 135 employees. Fitesa had sales of US\$95.6 million, EBITDA of US\$8.2 million and 210 employees.

The JV Entities will give Fiberweb much improved access to the attractive South American market. This region offers significant growth opportunities because the market penetration rates of disposable hygiene products remain significantly lower in South America compared to North America. In addition, important customers of Fiberweb have continued to invest in the region and require the same types of advanced products and production technology that exist in North America and Western Europe, where Fiberweb is a major supplier.

Fitesa's advanced production technology in Brazil provides an ideal production platform to service the South American operations of Fiberweb's global customers, utilising in part technology developed by Fiberweb in conjunction with its customers in Europe and North America. In addition, Fiberweb's current operations that will form part of the business of the JV Entities will benefit from Fitesa's in-depth knowledge of emerging markets in South America. Both Fiberweb and Fitesa will be able to offer more efficient supply patterns to customers as a consequence of the wider geographic presence.

### **3. INFORMATION ON FIBERWEB CONTRIBUTED ASSETS**

Fiberweb will contribute its spunbond and spinnelt facilities based in Queretaro, Mexico, and Washougal, US, to the JV Entities. The two sites currently form part of Fiberweb's North American Hygiene business and service the US hygiene market. The sites' three Reicofil 3 lines offer both spunbond and, in Mexico, spinnelt technologies, with a total installed capacity of 38,000 metric tonnes per year. Fiberweb will also contribute the Simpsonville Property, plus an estimated US\$10 million of cash (representing the cash generated by the American Consumer Fabrics Business between 31 December 2008 and Completion).

For the year ended 31 December 2008, these Mexican and US businesses generated sales of US\$96.1 million, EBITDA of US\$14.7 million and profit before tax of US\$5.5 million. Currently, the vast majority of these sales are destined for the US hygiene market. Gross assets as at 31 December 2008 were US\$81.1 million.

### **4. INFORMATION ON PETROPAR CONTRIBUTED ASSETS**

Petropar will contribute Fitesa US and Fitesa Brazil. Fitesa US is a holding company that was incorporated in South Carolina, US on 1 October 2008, with the intention of conducting the proposed expansion of Fitesa's business into the US. Fitesa US did not trade prior to April 2009 and since that date trading activities have been immaterial. It does not have any material assets or liabilities. Fitesa Brazil is the second largest nonwovens producer in Brazil and the third largest in South America with advanced production technology and well-established brands, serving the hygiene, medical and filtration, and industrial markets. Fitesa Brazil is a wholly-owned subsidiary of Fitesa S.A., which in turn is a wholly-owned subsidiary of Petropar, a Brazilian holding company with interests in packaging and nonwovens, which is headquartered in Porto Alegre, Rio Grande do Sul and listed on the Sao Paulo Stock Exchange. There is significant overlap between the technology and products of the American Consumer Fabrics Business and Fitesa Brazil, with complementary customers.

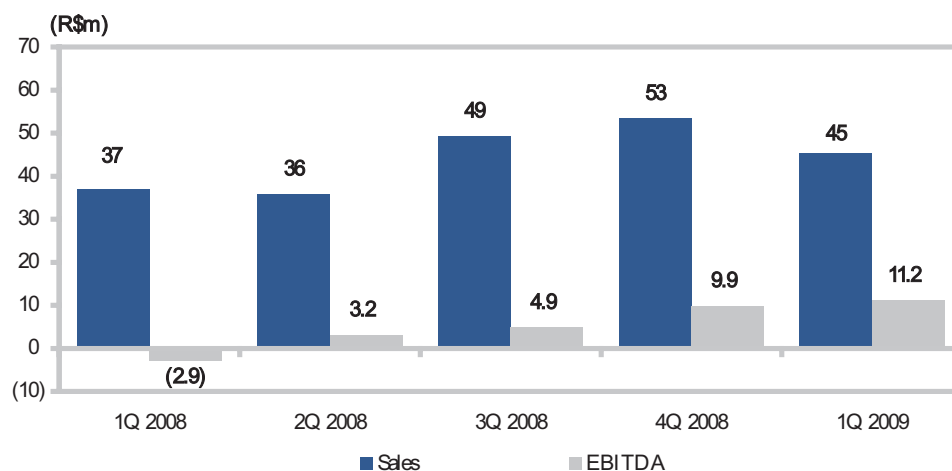
As a result of a significant operational restructuring and investment programme initiated in 2004, Fitesa Brazil's operations are now extremely well placed to benefit from the significant growth potential of the Latin American market.

At the onset of the restructuring programme, which is now complete, Fitesa Brazil was focused on the industrial nonwovens market. The company operated two sites in Gravatai and Horizonte with a wide range of differing equipment and technologies, a total of nine lines and four different technologies; six of the lines were older than ten years. The large number of differing technologies, equipment and markets added significant complexity and overheads to the business, impacting profitability.

As part of its operational restructuring and investment programme, Fitesa Brazil closed its Horizonte plant and exited the production of staple fiber and carded nonwovens. The company took the decision to enter the hygiene market, which represents approximately 60 per cent. of the total South American market for spunbond, spinnelt and meltblown nonwovens and offers more stable demand. To underpin its new strategy, Fitesa Brazil made a total investment of US\$110 million to install two Reicofil 4 lines in 2006 and 2008,

with capacity of 34,000 metric tonnes per year, capable of producing the wide range of advanced lighter-weight fabrics demanded by customers.

### Fitesa quarterly financial information<sup>1</sup>



Today, Fitesa Brazil has streamlined its operations and is now clearly focused on the production of spunbond, spunmelt and composites for the hygiene, industrial and medical markets from one production site, strategically located to serve its main customers. Fitesa Brazil's installed manufacturing base, with six lines at its site in Gravatai, Rio Grande do Sul, represents approximately 24 per cent. of the total installed capacity in South America.

As a result of the restructuring and investment in new lines mentioned above, the company's financial results have shown significant improvement. The second Reicofil 4 line was brought on stream in July 2008, and revenues have risen from R\$37.1 million (approximately US\$21.2 million) in the first quarter of 2008 to R\$45.5 million (approximately US\$19.7 million) in the first quarter of 2009. Over the same time period, EBITDA increased from R\$(2.9) million (approximately US\$(1.6) million) to R\$11.2 million (approximately US\$4.8 million).<sup>1,2</sup>

For the year ended 31 December 2008, Fitesa Brazil generated sales of R\$175.7 million (approximately US\$95.6 million), EBITDA of R\$15.1 million (approximately US\$8.2 million) and a loss before tax of R\$(67.5) million (approximately US\$(36.8) million), including, a one-off net currency exchange loss of R\$(43.5) million (approximately US\$(23.7) million), with a sales breakdown between hygiene, industrial, medical and filtration of 47, 41, 6 and 6 per cent., respectively (as set out in further detail in Part IV (*Financial Information on Fitesa Brazil*) of this document). Gross assets as at 31 December 2008 were R\$416.2 million (approximately US\$178.1 million).

## 5. PRINCIPAL TERMS AND CONDITIONS OF THE JOINT VENTURE

Pursuant to the terms of the Principal Joint Venture Transaction Documents:

- Fiberweb will procure the transfer of the American Consumer Fabrics Business and the Simpsonville Property into a corporate structure, the holding company for which will be JV Holdco. Upon Completion, JV Holdco will be owned 50 per cent. by the Fiberweb Group and 50 per cent. by Fitesa S.A. Also upon Completion, Fitesa, which operates Petropar's existing nonwoven business, will be owned 50 per cent. by the Fiberweb Group and 50 per cent. by Fitesa S.A, a wholly-owned subsidiary of Petropar.
- Fiberweb and Petropar will have equal board representation and voting rights in the JV Entities.
- After Completion, there will be no adjustments based on the economic values of the contributions to the Joint Venture. Fiberweb and Petropar are warranting the financial position of their respective

<sup>1</sup> Quarterly financial information is unaudited. Q1 2009 sales were impacted by the reduced cost of raw materials following a fall in oil prices in Q4 2008.

<sup>2</sup> Using a US\$1.00 : R\$1.75 exchange rate for Q1 2008 and US\$1.00 : R\$2.32 for Q1 2009.

contributions as at 31 December 2008, which will be, in the case of Fiberweb, on a debt free and cash free basis and, in the case of Petropar, on the basis of net debt no greater than US\$95 million, and covenanting that there has been no extraction of economic value therefrom since that date. Fitesa is forecast to generate US\$11 million of cash between 31 December 2008 and Completion, which will be left in Fitesa on Completion. Petropar has made a down-payment of approximately €5.8 million in relation to the construction of a new Reicofil line. This down-payment will also be contributed to the JV Entities. The Fiberweb Group will contribute an estimated US\$10 million of cash (representing the cash generated by the Fiberweb Contributed Business between 31 December 2008 and Completion). Apart from this payment, neither Fiberweb nor Petropar will be obliged to provide any further finance to the JV Entities after Completion and the JV Entities will be operated on a stand-alone basis, with their own working capital facilities independent of and without recourse to the Fiberweb Group.

- Completion is conditional upon, *inter alia*, the approval of both Fiberweb Shareholders and Petropar shareholders and the receipt of certain material third party consents.
- Pending the Joint Venture becoming operational, Fiberweb and Petropar intend to run their respective businesses to be contributed to the Joint Venture in the ordinary course, consistent with their current respective strategic plans.
- There are certain circumstances where, if Fiberweb or Petropar (or any of their respective affiliates) materially defaults on its obligations under the Joint Venture Agreement, suffers a change of control or an insolvency event or becomes subject to a merger or a consolidation, default provisions will be triggered that could result in Fiberweb being required to either sell all of its shares in the JV Entities or buy all of Petropar's shares in the JV Entities.
- There are also certain circumstances where, if Fiberweb and Petropar are unable to unanimously agree on a position with respect to certain customary "reserved matters" (which comprise decisions deemed of key importance to the operation of the JV Entities) or where the boards of directors of the JV Entities are unable to agree on certain material management matters and such circumstances persist or arise after the second anniversary of Completion, exit provisions will be triggered that could result in Fiberweb being required to choose to either sell all of its shares in the JV Entities or buy all of Petropar's shares in the JV Entities.
- Due to the operation of the above default and exit provisions, Fiberweb may not retain sole discretion over the outcome of the process and where it is required to choose to either sell its shares in the JV Entities or buy Petropar's shares in the JV Entities, such disposal or acquisition, irrespective of its size, will not be subject to further Fiberweb Shareholder approval. By approving the Resolution set out in Part IX (*Notice of General Meeting*) of this document, Fiberweb Shareholders are therefore approving these default and exit provisions.

## **6. FINANCIAL EFFECTS OF THE JOINT VENTURE**

The Joint Venture Transaction is expected to modestly enhance underlying<sup>3</sup> earnings for Fiberweb in the first full year and to be materially earnings enhancing in 2011. This statement should not be interpreted to mean that Fiberweb's earnings per share for the current or future financial years will necessarily match or exceed the historical published earnings per share.

Pursuant to the Joint Venture Transaction, Fiberweb will exchange 100 per cent. of the assets and liabilities of the Fiberweb Contributed Business for a 50 per cent. equity interest in the JV Entities.

An unaudited pro forma statement of net assets for the Fiberweb Group is set out, for illustrative purposes only, in Part V (*Unaudited Pro Forma Statement of Net Assets of the Continuing Fiberweb Business*) of this document.

In the event that the default or exit provisions set out in paragraph 5 above result in Fiberweb selling all of its shares in the JV Entities, the interests in the JV Entities' net assets would be removed from the Fiberweb

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<sup>3</sup> Underlying earnings are before restructuring charges and other non-recurring items.

Group balance sheet and the earnings contribution would also be removed from the income statement from the date of the disposal. In the event that the default and exit provisions result in Fiberweb acquiring all of Petropar's shares in the JV Entities, there would be no change in the net assets of Fiberweb at the date of the acquisition, however, the assets and liabilities of the JV Entities would be fully consolidated into the Fiberweb Group's balance sheet. Similarly, the results of the JV Entities from the date of the acquisition would be fully consolidated in the income statement.

## **7. MANAGEMENT OF THE JOINT VENTURE**

The board of directors of each JV Entity will comprise four non-executive directors, two nominated by each of Fiberweb (through its subsidiaries) and Petropar (through Fitesa S.A.). The board of directors of each JV Entity will meet as often as determined by the relevant directors, but in the case of JV Holdco and Fitesa Brazil at least once per calendar quarter. Save for those matters reserved to the shareholders of the JV Entities (including the reserved matters described in paragraph 5 above), the board of directors of each JV Entity will have responsibility for the overall direction, supervision and management of that JV Entity. All JV Entities will have the same CEO and CFO. The initial CEO for all JV Entities will be an appointee of Petropar and the initial CFO for all JV Entities will be an appointee of Fiberweb. The appointment or removal of any subsequent CEO or CFO of the JV Entities will require the joint written agreement of Fiberweb and Petropar, provided that the initial CEO may be removed unilaterally by Petropar and the initial CFO may be removed unilaterally by Fiberweb, in each case on no less than 12 months' written notice to the other.

Fiberweb will contribute several key commercial and technical personnel who currently work predominantly or exclusively in the American Consumer Fabrics Business. The management of key global customers, that Fiberweb services across several continents and product areas, will remain under the control of Fiberweb, which will provide sales and technical support functions to the JV Entities.

## **8. CURRENT TRADING AND PROSPECTS OF THE CONTINUING FIBERWEB BUSINESS**

At the Fiberweb Annual General Meeting on 30 April 2009, the Board made the following comments, which constitute the Company's Interim Management Statement, covering the period from 1 January 2009 to 30 April 2009, as required by the UK Listing Authority's Disclosure and Transparency Rules.

"Fiberweb has seen a solid start to trading in 2009. Reported sales are in-line with prior year, while underlying<sup>4</sup> operating profit and margins continued to improve in line with our expectations.

As anticipated, volumes in the first quarter declined by 13 per cent., primarily reflecting challenging conditions in Industrial markets that were noted at the time of our Preliminary Results in February, especially in housing-related segments. In the Hygiene business, volumes in consumer fabrics remained relatively stable, testifying to its defensive characteristics, while airlaid volumes suffered due to weak demand in Eastern Europe and Asia.

Underlying<sup>4</sup> gross margins strengthened due to the ongoing benefit of cost reduction programmes and improvements in operating efficiencies, as well as lower raw material prices. The cost reduction programme in European Consumer Fabrics, announced in January 2009, proceeded as planned in the period, as did the commissioning of the new Italian spunbond line.

Positive cash flow in the first quarter, coupled with small improvements in working capital, brought net debt at the end of March 2009 down slightly to £144 million, slightly better than expected."

## **9. RISK FACTORS**

The Joint Venture Transaction may give rise to certain risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations or prospects of the Fiberweb Group. Accordingly, the risk factors set out in Part II (*Risk Factors*) of this document should be given careful consideration in deciding whether to approve the Joint Venture Transaction. There may be other risks of which the Board is not aware, or which it believes to be immaterial, which may, in the future, be connected

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<sup>4</sup> Underlying profit measures are before restructuring costs and other non-recurring items.

to the Joint Venture Transaction and have an adverse effect on the business, financial condition, results of operations or prospects of the Fiberweb Group.

#### **10. GENERAL MEETING**

Set out in Part IX (*Notice of General Meeting*) of this document is a notice convening a General Meeting to be held at 10.00 a.m. on 15 July 2009 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA at which the Resolution will be proposed. The Resolution is set out in full in the notice of General Meeting.

#### **11. ACTION TO BE TAKEN**

You will find enclosed with this document a Form of Proxy for use at the General Meeting. **Whether or not you intend to attend the General Meeting in person, it is important that you complete and sign the Form of Proxy in accordance with the instructions printed thereon and return it to the Company's Registrar, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to arrive no later than 10.00 a.m. on 13 July 2009.** Completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person if you so wish and are so entitled.

Alternatively, you may appoint a proxy or proxies and record your vote electronically either by utilising the web-based voting facility or the CREST electronic appointment service. If you would like to submit your Form of Proxy using the web-based voting facility, go to [www.capitaregistrars.com](http://www.capitaregistrars.com) and select the "shareholders" hyperlink. You will be asked to enter your unique investor code from the proxy card sent to you before you can lodge your vote. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to ID RA10 so that it is received by no later than 10.00 a.m. on 13 July 2009.

#### **12. FURTHER INFORMATION**

Your attention is drawn to the further information set out in Parts II to VIII of this document. You should read the whole of this document and not just rely on the information provided in this letter.

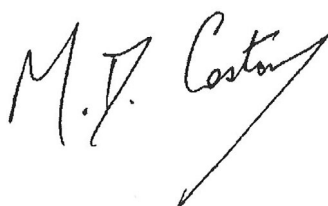
#### **13. RECOMMENDATION**

**The Board has received financial advice from Lazard in the context of the Joint Venture Transaction. In providing its advice to the Board, Lazard has relied upon the Board's commercial assessment of the Joint Venture Transaction.**

**The Board considers the terms of the Joint Venture Transaction to be in the best interests of Fiberweb and the Fiberweb Shareholders as a whole.**

**Accordingly, the Board unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting, as each of the Directors intend to do in respect of their own beneficial holdings which amount, in aggregate, to 2,374,098 Ordinary Shares, representing approximately 1.94 per cent. of the current issued ordinary share capital of Fiberweb at the date of this document.**

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. J. Coster', with a long, sweeping horizontal stroke extending to the right.

Malcolm Coster  
*Chairman*

## PART II

### RISK FACTORS

*This Part II addresses certain risks to which the Continuing Fiberweb Business and the JV Entities (as they will be constituted post-Completion) are exposed, which could adversely affect the business, financial condition, results of operations or prospects of the Continuing Fiberweb Business or the JV Entities, as appropriate. In addition, details of risks associated with the Joint Venture Transaction have been included. The following risk factors should be considered carefully by Fiberweb Shareholders when deciding what action to take in connection with the General Meeting. The risk factors should be read in conjunction with all other information contained in this document.*

*The following is not exhaustive and does not purport to be a complete explanation of all the risks involved. Additional risks and uncertainties currently unknown to Fiberweb, or which Fiberweb currently deems immaterial, may also have an adverse effect on the business, financial condition, results of operations or prospects of the Continuing Fiberweb Business and the JV Entities. All information set out in this document should be carefully considered. The Board is committed to ensuring that risk management systems are in place across the JV Entities to identify and assess the impact of risks to its businesses. However, if any of the following risks, or a combination, actually materialise, the trading price of the Ordinary Shares could decline as a result and Fiberweb Shareholders may lose all or part of their investment.*

#### **1. RISKS ASSOCIATED WITH THE CONTINUING FIBERWEB BUSINESS AND THE JV ENTITIES**

- **Dependence on the recruitment, retention and development of key personnel**

The success of the Continuing Fiberweb Business and the JV Entities' business is dependent on recruiting, retaining and developing highly skilled, competent people at all levels of their respective organisations. There can be no assurance that key personnel will continue to be employed by the Continuing Fiberweb Business or the JV Entities and that they will be able to attract and retain qualified personnel in the future or meet their remuneration requirements. Furthermore, the cost base associated with the remuneration of key personnel may increase significantly. The failure to attract and retain key personnel, or the cost of doing so, could materially adversely affect the Continuing Fiberweb Business or the JV Entities, as the case may be, and their respective businesses, financial conditions, operating results or prospects.

- **Exposure to environmental and health and safety liabilities**

The Continuing Fiberweb Business and the JV Entities are exposed to risks associated with the contamination of their sites and former sites, non-compliance with environmental, health and safety laws and personal injury claims resulting from injuries sustained at work. Any of these risks could lead to the Continuing Fiberweb Business or the JV Entities, as the case may be, being subject to regulatory enforcement action, fines or penalties or being required to compensate employees or other third parties, or pay for clean-up together with any loss of reputation that may follow this.

- **Need to comply with numerous laws and regulations and exposure to consequences of changes in such laws and regulations**

The Continuing Fiberweb Business and the JV Entities are subject to various laws and regulations in different jurisdictions, including procurement, export control, taxation and environmental and health and safety laws and regulations. These laws and regulations are complex, are subject to change, and can vary from country to country. Any breach of these obligations, or changes to them, may have an adverse effect on the business, financial condition, results of operations or prospects of the Continuing Fiberweb Business or the JV Entities, as the case may be.

- **Changes in technology**

Technological development, especially production technology, is a key driver of growth and of profitability in the nonwovens market. The growth of the Continuing Fiberweb Business and the JV Entities is dependent on, among other things, their ability to renew their respective pipelines of new products and processes and to bring those products and processes to market. This ability may be adversely affected by difficulties or delays in product development such as the inability to: identify viable new products; successfully complete research and development; obtain relevant regulatory approvals; secure adequate intellectual property protection; or gain market acceptance of the new products and processes. The competitors of the Continuing Fiberweb Business and the JV Entities may also develop new products and processes which may prevent the Continuing Fiberweb Business or the JV Entities from developing or using that particular product or process. Although the Continuing Fiberweb Business and the JV Entities have access to a worldwide research and development group with state-of-the-art equipment which has generated a number of new products and processes, failure to develop a steady stream of successful new products and processes could result in reduced competitiveness.

- **Competition**

The Continuing Fiberweb Business and the JV Entities face competition from global competitors that provide similar products to those offered by them. Competition in the industry is based upon: range and quality of products offered; the ability to deliver new products; geographical reach; reputation; price; and client relationships. The hygiene market is characterised by large customers and some production over-capacity. While these risks have not changed in nature over recent periods, prices and demand in the markets of the Continuing Fiberweb Business or the JV Entities could be negatively affected if supply increases significantly or if important customers reduce demand or request significantly reduced prices. In response to a changing competitive environment, the Continuing Fiberweb Business or the JV Entities may elect from time to time to make certain pricing, service or marketing decisions that could have an adverse effect on their respective sales, results of operations, financial conditions or prospects.

- **Impact of Current Economic Environment**

The disposable hygiene product industry is stable in character, relative to most production businesses, as demand for diapers in particular tends not to change with the state of the economy. However, demand for the products manufactured by the Continuing Fiberweb Business and JV Entities may be adversely affected by recessionary conditions: firstly, the consumer penetration rate of disposable products compared to traditional products may be reduced; secondly, consumers may buy fewer premium branded products, turning instead to cheaper, and, sometimes, less sophisticated products. In addition, Fiberweb's other hygiene and industrial products not brought into the business of the JV Entities may be adversely affected by lower consumer demand or reduced rates of industrial activity.

Lower demand and lower sales may lead to lower levels of profitability and cashflow, adversely affecting the financial position of the Continuing Fiberweb Business or the JV Entities. The ability of the management of the Continuing Fiberweb Business and the JV Entities to mitigate any such situation might be limited due to the speed of any sales decline and the high level of fixed cost within the respective businesses.

The current recessionary economic environment may cause financial difficulties for some or all of the Continuing Fiberweb Business' or the JV Entities' customers. While the management of the Continuing Fiberweb Business and the JV Entities will continue to pursue a policy of managing credit risk closely, using credit insurance where available, significant losses from customer default may occur. As there is typically a high degree of dependency on a relatively small number of customers in the disposable hygiene product market, any such loss may be substantial.

## 2. RISKS ASSOCIATED WITH THE CONTINUING FIBERWEB BUSINESS

- **Raw material costs**

Raw materials represent the single most important input for Fiberweb's production, representing approximately 55 per cent. of sales revenues. Although there are a variety of raw materials used by Fiberweb, the key raw materials are polypropylene and polyester. The prices of polypropylene and polyester are a function of, among other things, the price of crude oil and monomer and polymer manufacturing capacity and demand.

Fiberweb's business has been affected by significant increases in raw material prices over the last three years and the high prices of raw materials, especially polypropylene, have put pressure on Fiberweb's margins. However, more recently, in the fourth quarter of 2008, raw material prices fell significantly in the wake of a weakening of oil prices and this enabled Fiberweb to benefit from increased gross margins. In relation to approximately 65 per cent. of revenues, Fiberweb has contractual arrangements whereby it is able to pass on to its customers polypropylene price increases or decreases. These arrangements are generally subject to a time lag of several months. There is therefore a material exposure to movements in raw material prices. Significant increases in raw material prices that cannot be passed on to customers could have a material adverse effect on Fiberweb's results and financial condition.

- **Customer dependency**

Across certain markets in which Fiberweb operates, there is a high degree of dependency on maintaining good relationships with a relatively small number of key customers. The failure of Fiberweb and its key customers to renew contracts could result in a significant reduction in the demand for its products. This is particularly the case for Procter & Gamble which, through a large number of different contracts and purchasing arrangements of varying durations, accounted for approximately 27 per cent. of Fiberweb's sales in 2008.

Fiberweb has procedures in place to monitor and mitigate this risk and, historically, has been generally successful in agreeing new, or extending existing, contracts with key customers. Fiberweb continues to manage the Procter & Gamble relationship very closely.

- **Supplier dependency**

Supplier dependency arises in respect of maintaining regular supplies of polypropylene and other resins and fibres. Within the global market, there are a small number of suppliers of certain materials which are critical to Fiberweb's production process and several of these have been adversely affected by a combination of rapidly falling demand for, and prices of, raw materials as well as the incidence of increased production capacity in the European markets. In the event that a supplier is unable to supply Fiberweb this could have a material adverse effect on Fiberweb's business, financial condition, results of operations or prospects.

- **Economics, market and trading conditions**

Fiberweb's sales, expenses and operating results could vary significantly from period to period as a result of a variety of factors, some of which are outside its control. These factors include general economic conditions, conditions specific to the market and conditions specific to Fiberweb. A negative change in economic conditions in Fiberweb's customer markets (including, for example, a further decline in the US, or a downturn in the Canadian housing market, deterioration in consumer confidence or new materials entering Fiberweb's market place) could adversely impact Fiberweb's business, financial condition, results of operations or prospects.

- **Other cost inflation**

Significant increases in energy costs, the cost of transport and distribution and employment costs in the locations where Fiberweb's manufacturing sites are based could adversely impact the profitability of Fiberweb.

- **Financial covenants**

Fiberweb has financial covenants relating to its main source of long-term funding and expects to comply with these covenants. In the event that forecast profitability is not achieved, these covenants could restrict the operational flexibility and management decisions of the Fiberweb Group. There is also a risk that Fiberweb's long-term funding would need to be renegotiated with Fiberweb's debt providers to ensure the continued operations of the Group.

Fiberweb manages compliance with its covenants through careful monitoring of operating performance and cash flows, regular forecasts of future performance and tight management of capital expenditure.

- **Foreign currency risk**

Fiberweb operates globally, with the majority of its profits earned outside the UK. The Group has significant investments around the world, with the largest proportion in the United States. As a result the Group is subject to translation risk due to movements between various currencies (mainly the Dollar and the Euro) and its reporting currency, Sterling. In order to reduce the effect of foreign exchange movements on its reported earnings, the Group borrows in the currencies of its operations, thus creating a natural hedge for a proportion of its balance sheet. Significant fluctuations in the exchange cross rates can have a material impact on the Group's trading results.

The consolidated balance sheet of the Group is inherently at risk from movements in the Sterling value of its net investments in foreign businesses and the Sterling value of its consolidated net debt. Fiberweb seeks to minimise foreign currency risk in general by combining financial liabilities and derivatives in currencies that partially hedge the net investment values. At 31 December 2008, Fiberweb had gross borrowings amounting to a total of £176.3 million, comprising: €73.5 million, US\$101.1 million, SEK255.8 million, £2.8 million and RMB93.2 million. Any significant adverse fluctuations in currency rates could have a material adverse effect on the Group's overall financial condition and may impact on the Group's ability to comply with its financials covenants.

- **Interest rate fluctuations**

Fiberweb is predominantly exposed to interest rate fluctuations on the portion of its revolving credit facility that is not covered by hedging arrangements. The Group's policy is to use a combination of debt and derivative instruments to hedge portions of its interest rate exposure for varying periods, up to the maturity of its underlying borrowing facilities. Interest rate swaps are entered into after due consideration by the Group's treasury function of actual base interest rates and financial market projections for future changes to those rates based on economic conditions, and such swaps must be approved by the Board in line with Group policy.

The Group has entered into a series of interest swaps whereby it pays a fixed rate and receives a floating rate. These interest hedges account for more than 80 per cent. of the debt under the revolving credit facility.

- **Credit risk**

The Group has a limited history of bad debts and the Board believes its major customers are of good credit quality. Credit insurance is used by the Group in most markets. However, the inevitable consequence of a severe recessionary environment, with rapidly deteriorating conditions for the availability of credit, means that the Group will increasingly assume balance sheet risk for some trading customers for whom credit insurance is either restricted or unavailable.

- **Possible volatility of the price of Fiberweb's shares**

The market price of the Ordinary Shares may be affected by a variety of factors including, but not limited to, changes in sentiment regarding the Ordinary Shares, variations in the Fiberweb Group's operating results compared with the expectations of market analysts and investors, its business developments or those of its competitors, the operating performance of its competitors, speculation about the Fiberweb Group's business, or regulatory changes affecting the Fiberweb Group's operations. Fiberweb Shareholders should be aware that the value of the Ordinary Shares can go down as well as up and may not always reflect the underlying asset value or prospects of the Fiberweb Group.

### **3. RISKS ASSOCIATED WITH THE JV ENTITIES**

- **Impact of uncertainty and the Joint Venture Transaction**

It is possible that the JV Entities' customers, suppliers, employees or others may react negatively to the uncertainty which inevitably precedes the entering into of transactions such as the Joint Venture Transaction or to the consequences of the Joint Venture Transaction, which may adversely affect the JV Entities.

- **Need for agreement with Petropar**

The success of the JV Entities will, in part, be dependent upon the maintenance of a good working relationship between Fiberweb and Petropar. This is particularly true given that the parties' voting rights will be equal and many matters will require the consent of both parties. Deadlock may result if Fiberweb and Petropar are unable to resolve issues and Fiberweb may not be able to secure Petropar's consent to pursue the activities or strategic objectives that, in Fiberweb's opinion, are beneficial to the JV Entities and hence the Fiberweb Group.

- **Dependence on a small number of large contracts**

The business of the JV Entities relies on a small number of high value contracts. The cancellation, termination or expiration of any of these contracts may have a material adverse affect on the business, financial condition, results of operations or prospects of the JV Entities.

- **Reliance on a number of specialist suppliers**

The JV Entities rely on one specialist supplier, Reifenhäuser Reicofil GmbH & Co. KG, for their manufacturing lines. The manufacturing lines are typically made to order and components would not be easily replaced should the supplier fail to deliver the products. The bankruptcy of, or a dispute with, Reifenhäuser Reicofil GmbH & Co. KG could therefore lead to a significant disruption to the business of the JV Entities.

- **Exposure to changes in the price of raw materials**

The manufacture of nonwovens requires large quantities of raw materials, especially polypropylene, which is a petrochemical produced predominantly from the processing of crude oil or ethane gas. Markets for polypropylene are typically regional in nature, though the material is also traded globally to some extent. As the price of the ultimate raw material, oil or ethane, has been, and is expected to continue to be, highly volatile and as events such as hurricanes can suddenly and significantly affect the quantity of available supply, the cost of polypropylene can, and is expected to, vary dramatically and unpredictably over time. The profitability of the JV Entities is affected by the prices of such materials, and may therefore vary significantly and unpredictably.

- **Exposure to costs associated with employees represented by trade unions**

A significant proportion of the employees of the JV Entities are members of trade unions. The activities of these trade unions may prevent the JV Entities from operating a fully flexible policy

towards its workforce. In the event of a material dispute with a trade union, the JV Entities could face increased costs.

- **Exposure to the possibility of an event causing closure of, or disruption at, the JV Entities' facilities**

The JV Entities will have facilities at Gravatai, Brazil, Queretaro, Mexico, and Washougal, US. Any event which causes the closure of, or disruption at, all or a significant part of the facilities for a significant period of time would have a material adverse effect on the JV Entities' business and its ability to meet its contractual obligations.

- **Exposure to Brazilian currency exchange rate**

The majority of Fitesa's revenues are in BRL. The Real has displayed significant and increasing volatility against both the Dollar and Sterling. As a result, Fiberweb is subject to translation risk due to movements between the Brazilian Real and its reporting currency, Sterling.

The functional currency of Fitesa Brazil is BRL. Approximately 40 per cent. of the company's revenues are generated from export sales in USD, whilst the majority of expenses are incurred in BRL. Fitesa's operating profit is therefore exposed to fluctuations in the BRL/USD exchange rate. In addition, Fitesa has USD denominated debt, which on retranslation results in exchange differences reported through finance costs. USD cash flows are naturally matched with export sales providing cash for the USD debt service. The table below shows BRL/USD exchange rate movements since December 2007.

<i>Foreign Exchange Rates – BRL/USD</i>	
<i>Quarter</i>	<i>BRL/USD</i>
Dec-07	1.7713
Mar-08	1.7491
Jun-08	1.5919
Sep-08	1.9143
Dec-08	2.3370
Mar-09	2.3152

- **Financing risk for the proposed expansion in US operations**

The proposed expansion of the JV Entities' operations in the US through an investment in new spunbond capacity is subject, among other things, to the JV Entities securing sufficient financing from its lenders. In the current economic environment, bank lending has reduced significantly and the JV Entities may be unable to obtain the required financing. This may have a material adverse effect on the business, financial condition, results of operations or prospects of the JV Entities.

- **Potential integration issues and problems regarding compatibility of process and IT systems**

There may be issues with the integration of the processes and IT systems of Fiberweb and Fitesa during the implementation of services for the JV Entities. These integration issues may lead to significant costs and disruption to the operation of the JV Entities resulting in a material adverse effect on the businesses, financial conditions, results of operations or prospects of the JV Entities.

#### **4. RISKS ASSOCIATED WITH THE TRANSACTION**

- **Contractual risk**

The Principal Joint Venture Transaction Documents contain certain representations, warranties and indemnities in favour of Petropar and set out a number of covenants given to Petropar in connection with the future conduct of aspects of the Continuing Fiberweb Business. Whether the Continuing Fiberweb Business will incur any liability under any of those representations, warranties, indemnities and covenants and the extent of any such liability is not known and, if the Continuing Fiberweb

Business should incur such liability it could have an adverse effect on its business, financial condition and results of operations. Further details of the Principal Joint Venture Transaction Documents are set out in Part VI (*Further Information on the Principal Transaction Documents*) of this document.

- **Risks associated with the Joint Venture Transaction not proceeding**

Completion of the Joint Venture Transaction is subject to the satisfaction of certain conditions precedent contained in the Master Transaction Agreement as described in Part VI (*Further Information on the Principal Transaction Documents*) of this document. If Completion does not occur in part or in whole, then Fiberweb may, *inter alia*, experience a delay in the execution of, or be unable to execute, its growth strategy. Further, in this event, Fiberweb may experience a delay in the realisation of, or be unable to realize, its investment in the Fiberweb Contributed Business. In addition, the Fiberweb Contributed Business may suffer as a result of the failure to complete the Joint Venture Transaction owing to the reaction to this failure on the part of customers, suppliers, employees and others.

## PART III

### FINANCIAL INFORMATION RELATING TO THE FIBERWEB CONTRIBUTED BUSINESS

#### 1. Nature of the Financial Information

The following financial information relating to the Fiberweb Contributed Business has been extracted without material adjustment from the consolidation schedules which support the audited financial statements of Fiberweb Group for the years ended 31 December 2006, 31 December 2007 and 31 December 2008. Investors should read the whole document and not just rely on the information contained in this part.

The financial information contained in paragraphs 2 and 3 of this Part III does not constitute statutory accounts for any company within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the Fiberweb Group in respect of each of the last three financial years have been delivered to the registrar of Companies. The auditors' reports in respect of those statutory accounts for the three years were unqualified and did not contain statements under section 498 of the Companies Act 2006. Deloitte LLP (formerly Deloitte & Touche LLP) were the auditors of the Fiberweb Group in respect of the three years ended 31 December 2008.

The financial information contained in paragraphs 2 and 3 of this Part III sets out the financial information for the Fiberweb Contributed Business for the periods indicated. The financial information for the Fiberweb Contributed Business for the years ended 31 December 2006, 2007 and 2008 has been prepared using the accounting policies set out in the Annual Report in accordance with IFRS.

#### 2. Income Statements

	2008		2007		2006	
	US\$m	£m	US\$m	£m	US\$m	£m
Revenue – sales to third parties	96.1	51.8	86.7	43.4	73.7	40.2
Revenue – intercompany sales	–	–	0.9	0.4	3.1	1.7
Total revenue	96.1	51.8	87.6	43.8	76.8	41.9
Cost of sales	(83.2)	(44.8)	(74.0)	(37.0)	(69.7)	(38.0)
Gross profit	12.9	7.0	13.6	6.8	7.1	3.9
Distribution costs	(2.6)	(1.4)	(5.3)	(2.7)	(3.2)	(1.8)
Administrative expenses	(4.6)	(2.5)	(4.5)	(2.2)	(3.2)	(1.7)
Underlying operating profit	5.7	3.1	3.8	1.9	0.7	0.4
Restructuring costs and asset impairments	–	–	(3.5)	(1.8)	(10.8)	(5.9)
Operating profit	5.7	3.1	0.3	0.1	(10.1)	(5.5)
Net finance costs	(0.2)	(0.1)	(0.2)	(0.1)	(0.3)	(0.2)
Profit before tax	5.5	3.0	0.1	–	(10.4)	(5.7)
Taxation	–	–	0.1	0.1	(1.2)	(0.6)
Profit for the year	5.5	3.0	0.2	0.1	(11.6)	(6.3)
Cumulative average US\$/£		1.8549		1.9987		1.8349

#### Notes:

- The income statement information has been prepared under IFRS. It includes underlying operating profit before restructuring costs and other non-recurring items.
- Taxation is calculated on a statutory basis.
- The information shows the operations' results on a standalone basis; Group allocations for global research and development costs and Fiberweb management charges have been excluded and will remain costs of the Fiberweb Continuing Group.
- The earnings before restructuring costs and asset impairments, interest, tax, depreciation and amortisation ("EBITDA") for the years ended 31 December 2008, 2007 and 2006 were \$14.7 million (£7.9 million), \$13.3 million (£6.7 million) and \$7.4 million (£4.0 million), respectively.

### 3. Balance Sheet

	2008		2007		2006	
	US\$m	£m	US\$m	£m	US\$m	£m
<b>Non-current assets</b>						
Property, plant and equipment	60.9	42.4	68.4	34.3	77.7	39.7
<b>Current assets</b>						
Inventories	6.5	4.5	9.3	4.7	9.2	4.7
Trade and other receivables	11.4	8.0	14.6	7.3	14.7	7.5
Cash and cash equivalents	2.3	1.6	1.2	0.6	0.6	0.3
	20.2	14.1	25.1	12.6	24.5	12.5
<b>Total assets</b>	81.1	56.5	93.5	46.9	102.2	52.2
<b>Current liabilities</b>						
Trade and other payables	(9.4)	(6.6)	(11.6)	(5.9)	(12.4)	(6.3)
Taxation	–	–	0.1	0.1	0.2	0.1
	(9.4)	(6.6)	(11.5)	(5.8)	(12.2)	(6.2)
<b>Net current assets</b>	10.8	7.5	13.6	6.8	12.3	6.3
<b>Non-current liabilities</b>						
Retirement benefit obligations	(7.2)	(5.0)	(4.9)	(2.5)	(5.8)	(3.0)
Deferred taxation	(3.3)	(2.3)	(4.3)	(2.1)	(4.6)	(2.3)
	(10.5)	(7.3)	(9.2)	(4.6)	(10.4)	(5.3)
<b>Total liabilities</b>	(19.9)	(13.9)	(20.7)	(10.4)	(22.6)	(11.5)
<b>Net assets</b>	61.2	42.6	72.8	36.5	79.6	40.7
Closing US\$/£		1.4354		1.9929		1.9572

#### Notes:

1. The balance sheet has been prepared under IFRS.
2. Taxation has been included where it relates to the assets.
3. Intercompany debt has been excluded on the basis that it will not be transferred to the JV Entities.

## PART IV

### FINANCIAL INFORMATION ON FITESA BRAZIL

The Directors  
Fiberweb plc  
1 Victoria Villas  
Richmond on Thames  
Surrey  
TW9 2GW

26 June 2009

Dear Sirs,

We report on the combined financial information of the Nonwovens business of Petropar S.A. (“the **Business**”) set out in Part IV “Financial Information on Fitesa Brazil” of the Circular to Fiberweb plc shareholders about the proposed 50-50 Joint-Venture with Petropar S.A. (“the **Circular**”). This combined financial information has been prepared for inclusion in the Circular dated 26 June 2009 on the basis of the accounting policies set out in notes 1 and 2. This report is required by paragraph 13.5.21R of the Listing Rules of the Financial Services Authority and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The Directors of Fiberweb plc are responsible for preparing the combined financial information on the basis of preparation set out in notes 1 and 2 to the combined financial information.

It is our responsibility to form an opinion on the combined financial information as to whether the combined financial information gives a true and fair view, for the purposes of the Circular, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the combined financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the combined financial information and whether the accounting policies are appropriate to the Business’ circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the combined financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### **Opinion**

In our opinion, the combined financial information gives, for the purposes of the Circular dated 26 June 2009, a true and fair view of the state of affairs of the Business as at the dates stated and of its results, changes in invested capital and cash flows for the periods then ended in accordance with the basis of preparation set out in notes 1 and 2 and has been prepared in a form that is consistent with the accounting policies adopted in Fiberweb plc’s latest annual accounts.

Yours faithfully

**KPMG Auditores Independentes**

## 1. Income Statements

	<i>Note</i>	<i>2008</i> <i>R\$000</i>	<i>2007</i> <i>R\$000</i>	<i>2006</i> <i>R\$000</i>
<b>Continuing operations</b>				
Revenue		175,724	144,394	129,446
Cost of Sales		<u>(145,823)</u>	<u>(139,386)</u>	<u>(116,241)</u>
<b>Gross profit</b>		29,901	5,008	13,205
Other income	6	3,747	1,132	2,365
Distribution expenses		(20,535)	(18,521)	(16,317)
Administrative expenses		(9,793)	(5,596)	(6,133)
Other expenses	7	<u>(6,383)</u>	<u>(4,482)</u>	<u>(881)</u>
<b>Results from operating activities</b>		(3,063)	(22,459)	(7,761)
Finance income	9	32,543	37,437	13,723
Finance expenses	9	<u>(97,026)</u>	<u>(25,688)</u>	<u>(16,250)</u>
<b>Net finance (expense) income</b>		(64,483)	11,749	(2,527)
<b>Loss before income tax</b>		(67,546)	(10,710)	(10,288)
Income tax benefit (expense)	10	<u>11,573</u>	<u>(77)</u>	<u>522</u>
<b>Loss from continuing operations</b>		<u>(55,973)</u>	<u>(10,787)</u>	<u>(9,766)</u>
<b>Discontinued operation</b>				
Loss from discontinued operation (net of income tax)	5	<u>–</u>	<u>(1,200)</u>	<u>(839)</u>
<b>Loss for the year</b>		<u>(55,973)</u>	<u>(11,987)</u>	<u>(10,605)</u>

The notes on pages 26 to 61 are an integral part of the combined financial information.

## 2. Balance Sheet

	<i>Note</i>	<i>2008</i> <i>R\$000</i>	<i>2007</i> <i>R\$000</i>	<i>2006</i> <i>R\$000</i>
<b>Assets</b>				
Property, plant and equipment	11	239,934	184,041	189,332
Derivative financial instruments	19	18,724	3,103	195
Restricted cash	17	23,659	3,933	4,315
Recoverable taxes	15	27,022	18,569	12,602
Other non-current assets		243	176	715
Deferred tax assets	12	12,322	2,784	3,278
<b>Total non-current assets</b>		<u>321,904</u>	<u>212,606</u>	<u>210,437</u>
Inventories	13	12,017	9,703	7,997
Recoverable taxes	15	3,011	3,884	5,034
Trade and other receivables	14	43,414	35,974	28,629
Derivative financial instruments	19	–	214	19
Other current assets		749	229	207
Cash and cash equivalents	16	35,065	45,160	9,359
<b>Total current assets</b>		<u>94,256</u>	<u>95,164</u>	<u>51,245</u>
<b>Total assets</b>		<u>416,160</u>	<u>307,770</u>	<u>261,682</u>
<b>Invested capital</b>		85,334	113,006	110,390
<b>Liabilities</b>				
Loans and borrowings	17	233,114	123,027	101,017
Derivative financial instruments	19	–	–	2,767
Other non-current liabilities		6,642	249	426
Deferred tax liabilities	12	1,238	5,331	6,983
<b>Total non-current liabilities</b>		<u>240,994</u>	<u>128,607</u>	<u>111,193</u>
Loans and borrowings	17	50,077	41,824	23,793
Trade and other payables	18	28,294	24,333	16,306
Derivative financial instruments	19	11,461	–	–
<b>Total current liabilities</b>		<u>89,832</u>	<u>66,157</u>	<u>40,099</u>
<b>Total liabilities</b>		<u>330,826</u>	<u>194,764</u>	<u>151,292</u>
<b>Total invested capital and liabilities</b>		<u>416,160</u>	<u>307,770</u>	<u>261,682</u>

The notes on pages 26 to 61 are an integral part of the combined financial information.

### 3. Cashflow Statement

	<i>Note</i>	<i>2008</i> <i>R\$000</i>	<i>2007</i> <i>R\$000</i>	<i>2006</i> <i>R\$000</i>
<b>Cash flows from operating activities</b>				
Loss for the year		(55,973)	(11,987)	(10,605)
<b>Adjustments to reconcile net loss to net cash from operating activities</b>				
Depreciation	11	18,151	17,629	13,433
Loss (gain) on sale of assets	7	4,650	3,760	141
Deferred income taxes	12	(13,631)	(1,158)	590
Interest expense		13,649	9,227	5,771
Foreign exchange (gain)/loss		59,070	(18,937)	(6,079)
<b>Changes in assets and liabilities</b>				
Trade and other receivables	14	(7,440)	(7,345)	2,385
Inventories	13	(2,314)	(1,706)	(2,768)
Restricted cash	17	(19,726)	382	914
Recoverable taxes	15	(7,580)	(4,817)	(3,919)
Other assets		(587)	517	395
Trade and other accounts payable	18	3,961	8,027	(4,751)
Other liabilities		6,393	(177)	(1,971)
Interest paid on loans and financing		(14,757)	(7,386)	(6,330)
Changes in fair value of derivatives		(3,946)	(5,844)	2,527
Net cash flows used by operating activities		(20,080)	(19,815)	(10,267)
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	11	(91,695)	(19,301)	(16,840)
Proceeds from disposal of property and equipment		13,001	3,203	742
Net cash flows used in investing activities		(78,694)	(16,098)	(16,098)
<b>Cash flows from financing activities</b>				
Net distributions to Owner		–	–	(120)
Borrowings		141,615	78,937	39,162
Repayments of borrowings		(81,238)	(21,826)	(12,178)
Capital increase		28,301	14,603	4,337
Net cash flows from financing activities		88,678	71,714	31,201
(Decrease) Increase in cash and cash equivalents		(10,096)	35,801	4,836
Cash and cash equivalents, beginning of period		45,160	9,359	4,523
Cash and cash equivalents, end of period		35,065	45,160	9,359

The notes on pages 26 to 61 are an integral part of the combined financial information.

#### 4. Changes in Equity

	<i>Invested capital R\$000</i>
<b>Invested capital – 1 January 2006</b>	116,778
Dividends	(120)
Capital increase	4,337
Loss for the year	(10,605)
<b>Invested capital – 31 December 2006</b>	<u>110,390</u>
Capital increase	14,603
Loss for the year	(11,987)
<b>Invested capital – 31 December 2007</b>	113,006
Capital increase	28,301
Loss for the year	(55,973)
<b>Invested capital – 31 December 2008</b>	<u>85,334</u>

The notes on pages 26 to 61 are an integral part of the combined financial information.

## Notes to the Financial Statements

### 1. Basis of preparation

#### (a) Introduction

Petropar S.A. (the “**Company**”) is a company domiciled in Brazil. The address of the Company’s registered office is Rua Siqueira Campos, 1163, 7th floor, Porto Alegre, Brazil.

The nonwovens business of Petropar S.A. (the “**Business**”) which has operated since 1981 is engaged in the manufacture and sale, including exports, of nonwovens resulting from the transformation of polypropylene, primarily in Brazil. The Business has been conducted by the wholly owned subsidiaries of Petropar S.A., Fitesa S.A. and Fitesa Industrial Ltda. Petropar S.A. is a holding company which has been a Brazilian publicly traded entity since 1988 whose shares are listed on the São Paulo Stock Exchange – Bovespa.

#### (b) Development of the operations included in the group

In 2006, Petropar concluded a US\$60 million project aimed at duplicating the production and sales of nonwovens by investing in a new production line for the subsidiary Fitesa Fibras e Filamentos Ltda. (former denomination of Fitesa Industrial Ltda.).

During 2007 the production lines for polypropylene and carded fibers were closed down, with Fitesa then concentrating its activities exclusively on the production and sale of nonwovens.

In the first quarter of 2008 the industrial plant in the city of Horizonte, State of Ceará, was closed. The production and sales operations were transferred to the Gravataí plant, in the State of Rio Grande do Sul, which now is the Business’ sole production site.

In June 2008 the nonwovens activities of Fitesa S.A. were transferred to Fitesa Industrial Ltda. and since that date Fitesa S.A. has been a non-operating holding company. Henceforth, all the operational activities of the Business are under the entity Fitesa Industrial Ltda.

In July 2008, construction of the second Reicofil production line was completed under the US\$45 million investment plan approved by the Board of Directors in 2007. The new production line has increased the Business’ production capacity by 65 per cent.

In a proposed Joint-Venture (“**JV**”) between Petropar S.A. and Fiberweb plc, Petropar S.A. will contribute 50 per cent. of its interest in Fitesa Industrial Ltda., the entity that currently operates the business and 50 per cent. of Fitesa Inc., and Fiberweb plc will contribute 50 per cent. of the continuing business of Fiberweb Washougal Inc., Fiberweb Nonwovens Mexico S.A. de CV, both subsidiaries of Fiberweb plc and the real estate property in Simpsonville, South Carolina, owned by a subsidiary of Fiberweb plc (“the **transaction**”). In connection with the transaction, Fiberweb plc is required to present certain historical financial information in its Circular in respect to the Business during a three year track record period on a basis consistent with the accounting policies to be adopted in the JV’s financial statements for its next financial period. This is because the Business has formed part of a larger group (“**overall group**”) during the three year period, but has not been accounted for separately. Thus, presenting a separate track record (“**a carve out**”) for that Business, derived from the accounting records of the overall group provides useful information on the track record period.

#### (c) Combined financial information

In order to establish a three year track record period, this special purpose financial information has been prepared in respect of the Business. The combined financial information as at and for the years ended 31 December 2008, 2007 and 2006 (together the “**track record period**”) present the combined financial position results of operations, cash flows and changes in invested capital of the nonwovens operations of Petropar S.A. and has been prepared in connection with the proposed JV between Petropar S.A. and Fiberweb plc.

The combined financial information has been prepared in accordance with the requirements of the Listing Rules, and in accordance with this basis of preparation, including the significant accounting policies, described below. The basis of preparation describes how the combined financial information

has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) (“**Adopted IFRS**”) and interpretations as laid down by the International Financial Reporting Interpretations Committee (“**IFRIC**”) except as described below:

Adopted IFRS do not provide for the preparation of “carve-out” and combined financial information. Accordingly, in preparing the combined historical financial information for the Business (which did not constitute a legal entity as at the reporting dates), *Standards for Investment Reporting (“SIR”) 2000* issued by the United Kingdom Auditing Practices Board, has been applied, as described below. The application of these conventions results in the following material departures from IFRS. In other respects IFRS have been applied:

- The carve-out and combined historical financial information does not constitute a set of general purpose financial statements under paragraph 3 of *IAS 1: Presentation of Financial Statements*. Consequently the Business does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. An entity is only permitted to apply the first-time adoption rules of *IFRS 1: First-time Adoption of International Financial Reporting Standards* in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made in the case of the Business, the combined historical financial information has been prepared as if the date of transition to IFRS was 1 January 2006, the beginning of the first period presented, and the requirements of IFRS 1 have been applied since that date.
- The carve-out and combined financial statements of the Business present a statement of changes in net invested capital instead of a statement of changes in equity as required under IAS 1, since the Business is not a stand-alone company.
- Earnings per share (“EPS”) has not been presented in accordance with *IAS 33: Earnings per share* as the EPS presented on a combined basis would not be a meaningful number as the combined business does not have share capital.

This combined financial information reflects the combined financial position and the related combined results of operations, cash flows, and changes in invested capital as though the Business had been a stand-alone company for the respective periods presented. The combined financial information of the Business derives from the historical financial information of Fitesa S.A. and Fitesa Industrial Ltda. prepared in accordance with Adopted IFRS and have been prepared based on the separate accounting records maintained by the management of Fitesa S.A. and Fitesa Industrial Ltda. and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Business had been operated as a stand-alone entity. All significant intercompany transactions and accounting balances within the Business have been eliminated in preparing the combined financial information. Fitesa S.A. and Fitesa Industrial Ltda. were under common control and management throughout all periods presented.

Because of the fact that the operations related to the Business were excluded for purposes of preparation of this combined financial information, Petropar S.A.’s net investment in the Business is shown as invested capital in lieu of owner’s equity in the combined financial information. Transactions and balances between the Business and other divisions or entities under direct or indirect control of Petropar S.A., not included in the combined financial information, have been identified as related party transactions and balances. It is possible that the terms of the transactions with other divisions or entities under the control of Petropar S.A. may not be the same as those that would have resulted from transactions among unrelated parties. The following main adjustments were made on the combined financial information to better reflect the assets, liabilities and results from operations of the Business in connection with the proposed transaction:

- The assets, liabilities, results and cash flows of the subsidiaries of Fitesa S.A., Mantar Mercedes S.A., located in Argentina, and Petropar Agroflorestral Ltda., engaged in the agribusiness segment, were eliminated from the combined financial information, as they do not related to the Business;

- Accounts receivable and subsequent cash inflows relating to the sale of land of the agribusiness segment of Fitesa S.A. in 2005 were also eliminated from the combined financial information as they do not relate to the Business;
- Land and building located in the city of Horizonte, State of Ceará, and the related effects on depreciation charges through the presented periods were excluded from the combined financial information as they do not relate to the Business and will not be part to the transaction.

In the opinion of management, all adjustments have been reflected that are necessary for a true and fair presentation for the purposes of the Circular of the combined financial information of the Business in connection with the proposed transaction.

(d) ***Statement of compliance with Adopted IFRS***

As a result of the above matters, no statement of compliance with Adopted IFRS is included in respect of the track record period.

The combined financial information was authorised for issue by a committee of the board of directors of Fiberweb plc on 9 June 2009.

## **2. Significant accounting policies**

The accounting policies set out below are those that will be adopted prospectively by the JV and have been applied consistently to all periods presented in this combined financial information and in preparing an opening Adopted IFRS balance sheet and have been applied consistently by entities within the Business.

The combined income statement for the year ended 31 December 2006 has been presented as if an operation discontinued in 2007 had been discontinued from the beginning of that year (see note 5).

### ***Adopted IFRS transition date***

The Business is preparing its combined financial information in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRS has affected the combined financial position, financial performance and cash flows of the Business is provided in note 23.

IFRS is applicable for accounting periods starting on or after 1 January 2005 and grants certain exemptions from the full requirements of IFRS in the transition period. Exemptions are set out in note 23 to the combined financial information:

- Cumulative translation differences – Cumulative translation differences for all foreign operations have been set to zero at 1 January 2006.

The reconciliation and description of the effects of transition from Accounting Practices adopted in Brazil (“BRGAAP”) to Adopted IFRS, relating to invested capital, net income and cash flows, are presented in note 23.

### ***Basis of measurement***

The combined financial information has been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are further discussed in note 3.

### ***Functional and presentation currency***

This combined financial information is presented in Brazilian Reais, which is the Business’ functional currency. All financial information presented in Brazilian Reais has been rounded to the nearest thousand.

### *Use of estimates and judgements*

The preparation of financial information in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the combined financial information is included in the following notes:

- Note 12 – utilisation of tax losses
- Note 20 – provisions and contingencies
- Note 19 – valuation of financial instruments

The accounting policies set out below have been applied consistently to all periods presented in this combined financial information and have been applied consistently by entities within the Business.

#### (a) *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Business at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation of monetary items are recognised in profit or loss.

#### (b) *Financial instruments*

##### (i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Business' cash management are included as a component of cash and cash equivalents for the purpose of the combined statement of cash flows.

Accounting for finance income and expenses is discussed in note 2(k).

##### (A) Held-to-maturity investments

If the Business has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

##### (B) Available-for-sale financial assets

The Business' investments in certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. When

an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(C) **Financial assets at fair value through profit or loss**

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Business manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Business' documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and subsequent changes therein are recognised in profit or loss.

(D) **Other**

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) *Derivative financial instruments*

The Business holds derivative financial instruments to mitigate its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(A) **Separable embedded derivatives**

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(B) **Other non-trading derivatives**

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(c) ***Property, plant and equipment***

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The deemed cost of property (except land), plant and equipment at 1 January 2006, the Business' date of transition to adopted IFRS, was determined based on previous revaluation performed by external advisors during the year ended 31 December 2004. The previous revaluation, depreciated up to 1 January 2006, was broadly similar to fair value at the Business' transition date to Adopted IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised

as part of that equipment. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalized.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other income, expenses” in profit or loss.

(ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Business and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 18–25 years
- Plant and equipment 5–17 years
- Fixtures and fittings 5–15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) *Impairment*

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset such that the fair value of that asset is less than its carrying value.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and

available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

(ii) *Non-financial assets*

The carrying amounts of the Business' non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "**cash-generating unit**").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) *Non-current assets held for sale*

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Business' accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(g) *Employee benefits*

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) *Termination benefits*

Termination benefits are recognised as an expense when the Business is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Business has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Business has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Holiday pay and 13th salary provision are recorded for employees that have the entitlement to vacation and 13th salary payment calculated from the date they are granted (the past event) through each balance sheet date.

(iv) *Other long-term employee benefits*

The Business' net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Business' obligations.

(h) **Provisions**

A provision is recognised if, as a result of a past event, the Business has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) *Restructuring*

A provision for restructuring is recognised when the Business has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(ii) *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Business from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Business recognises any impairment loss on the assets associated with that contract.

(i) **Revenue**

(i) *Goods sold*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For Cost, Insurance and Freight (CIF), transfer usually occurs when the product is received at the customer's warehouse; however, for some Free on Board (FOB) shipments, transfer occurs upon loading the goods onto the relevant carrier.

(j) **Government grants**

Government grants are recognised when there is reasonable assurance that they will be received and the Business will comply with the conditions associated with the grant. Grants that compensate the Business for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(k) **Finance income and expenses**

Finance income substantially comprises interest income on funds invested, inflation adjustments on assets and liabilities and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses substantially comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and inflation adjustments on assets and liabilities. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) **Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Income taxes in Brazil comprise federal income tax and social contribution tax and are based on the Company's statutory accounting records. There are no state or local income taxes in Brazil.

The current rates are as follows:

- Income tax – Computed at the rate of 25 per cent. of taxable income.
- Social contribution tax – Computed at the rate of 9 per cent. of adjusted taxable income.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax losses can be carried forward indefinitely against the profits of future periods; however the offset is limited to 30 per cent. of current year taxable income.

(m) ***Dividend payment***

Profits distribution is recognized as liabilities at the time it is approved by the Board of Directors of the Business. Therefore, the Business records a provision at the closing of the fiscal year for the profits distribution amount that has been approved.

(n) ***Related party transactions***

Intercompany sales and purchases of inputs and products are made under terms and conditions similar to those for transactions with unrelated parties.

(o) ***Discontinued operations***

A discontinued operation is a component of the Business' that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement of prior years is re-presented as if the operation had been discontinued from the start of the earliest comparative period(s).

(p) ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing this combined financial information:

- IFRS 8 – *Operating Segments* – introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for 2009 financial statements of publicly traded companies, and will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Business operates as a single segment and is not publicly traded. Therefore there will be no impact on the Business' financial information.
- Revised IAS 23 – *Borrowing Costs* – removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the 2009 combined financial information. The Business' accounting policy is to capitalise borrowing costs therefore, this change will not constitute a change in accounting policy and there will be no impact on prior periods in the Business' in 2009.
- IFRIC 13 – *Customer Loyalty Programmes* – addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory in 2009, is not expected to have any impact on the Business' 2009 financial information.
- Revised IAS 1 – *Presentation of Financial Information (2007)* – introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the 2009 combined financial information, is expected to impact the presentation of the Business' 2009 financial information. The Business plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 combined financial information.

- Amendments to IAS 32 – *Financial Instruments – Presentation* and IAS 1 *Presentation of Financial Information – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory in 2009, with retrospective application required, are not expected to have any impact on the Business’ 2009 financial information.
- Revised IFRS 3 – *Business Combinations (2008)* – incorporates the following changes that may impact the Business’ operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory in 2010, will be applied prospectively and therefore there will be no impact on prior periods in the Business’ 2010 financial information.

- Amended IAS 27 – *Combined and Separate Financial Information (2008)* – requires accounting for changes in ownership interests by the Business in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Business loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory in 2010, are not expected to have a significant impact on the Business’ 2010 financial information.
- Amendment to IFRS 2 – *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory in 2009, with retrospective application, but are not expected to have any impact on the Business’ 2009 financial information.

### **3. Determination of fair values**

A number of the Business’ accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) ***Investments in equity and debt securities***

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing bid price at the reporting date.

(b) ***Trade and other receivables***

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) ***Derivatives***

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(d) ***Non-derivative financial liabilities***

The fair value of non-derivative financial instruments at fair value through profit or loss are measured at fair value based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

For other non-derivative financial liabilities, fair value, which is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

#### **4. Financial risk management**

(a) ***Overview***

The Business has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- foreign currency risk
- interest rate risk

This note presents information about the Business' exposure to each of the above risks, the Business' objectives, policies and processes for measuring and managing risk, and the Business' management of capital. Further quantitative disclosures are included throughout this combined financial information.

The Board of Directors has overall responsibility for the establishment and oversight of the Business' risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Business' risk management policies. The committee reports regularly to the Board of Directors on its activities.

(b) ***Credit risk***

Credit risk is the risk of financial loss to the Business if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Business' receivables from customers and investment securities.

(i) ***Trade and other receivables***

The Business' exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Business' customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. No single customer exceeds 10 per cent. of the Business' revenue attributable to sales transactions. Geographically, approximately 68 per cent. of the Business' revenue is attributable to sales in Brazil.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Business' standard payment and delivery terms and conditions are offered. The Business' review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Business' benchmark creditworthiness may transact with the Business only on a prepayment basis.

More than 73 per cent. of the Business' customers have been transacting with the Business for over three years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Business' industrial customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Risk Management Committee, and future sales are made on a prepayment basis.

The Business establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individual customer exposures.

(ii) *Investments*

The Business limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a high credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(c) *Liquidity risk*

Liquidity risk is the risk that the Business will not be able to meet its financial obligations as they fall due. The Business' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Business' reputation.

Typically the Business ensures that it has sufficient cash on demand to meet expected operational expenses for a period of a year, revised monthly, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Business maintains the following lines of credit:

- R\$500,000 overdraft facility that is unsecured. Interest would be payable at the rate of CDI plus 0.20 per cent. per month.

(d) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Business' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Business buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. The Business does not apply hedge accounting and is subject to volatility in profit or loss.

(e) *Foreign currency risk*

The Business is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than its functional currency, primarily the Brazilian Real ("BRL"). The currencies in which these transactions primarily are denominated are Pesos, USD and EUR.

The Business uses forward exchange contracts to mitigate its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled

over at maturity and swaps are used to mitigate risks from financing transaction. The Business does not apply hedge accounting.

The principal amounts of the Business' JPY bank loans have been protected using swap contracts to USD that mature on the same dates that the loans are due for repayment. This instrument creates an exposure in USD to the Business which is considered naturally covered by the Business purchase and sales transactions. However, the Business does not apply hedge accounting. In order to mitigate volatility in profit and loss and accounting mismatch, the Business has designated some of its financial obligations as fair value through profit and loss.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Business, primarily Reais, but also EUR and USD. This provides an economic "hedge" without entering into derivatives and therefore no application of hedge accounting is necessary.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Business ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(f) ***Interest rate risk***

The Business does not have a policy of effectively fixing its interest rates through the use of derivative instruments. Since its purchase and sales are also subject to variable rates, the Business usually prefers to hold financial instruments indexed to an inflation factor, such as the Long Term Interest Rate ("TJLP"), Retail Price Index ("IPCA") or long-term international interest rates, such as LIBOR and EURIBOR.

**5. Discontinued operation**

During the year ended 31 December 2007 the Business divested its nonwovens fibre segment to place greater focus on the Group's key competencies, being the manufacture of nonwovens. The 31 December 2006 comparative combined income statement has been retrospectively adjusted to show the discontinued operation separately from continuing operations.

	<i>2007</i>	<i>2006</i>
	<i>R\$000</i>	<i>R\$000</i>
<b>Results of discontinued operation</b>		
Revenue	10,388	19,957
Costs and expenses	(11,132)	(20,796)
Results from operating activities	(744)	(839)
Income tax	253	-
Results from operating activities, net of income tax	(491)	(839)
Loss on sale of discontinued operation	(1,074)	-
Income tax on loss on sale of discontinued operation	365	-
Loss for the period	(1,200)	(839)
<b>Cash flows from (used in) discontinued operation</b>		
Net cash (used in) operating activities	(126)	(839)
Net cash from investing activities	2,458	-
Net cash from (used in) discontinued operation	2,332	(839)
<b>Effect of disposal on the financial position of the Group</b>		
Property, plant and equipment	(3,532)	
Consideration received	2,458	
Net cash outflow	(1,074)	

**6. Other income**

	2008 R\$000	2007 R\$000	2006 R\$000
VAT tax incentive program (FUNDOPEM)	2,586	165	2,313
Other	1,161	967	52
	<u>3,747</u>	<u>1,132</u>	<u>2,365</u>

**7. Other expenses**

	2008 R\$000	2007 R\$000	2006 R\$000
Loss on sale of property, plant and equipment	4,650	3,760	141
Other	1,733	722	740
	<u>6,383</u>	<u>4,482</u>	<u>881</u>

**8. Personnel expenses**

	2008 R\$000	2007 R\$000	2006 R\$000
Wages and salaries	10,705	12,904	12,918
Compulsory social security contributions	3,825	4,805	4,722
Contributions to defined contribution plans	211	447	516
Bonuses, medical plan, training, transportation and workers' meal program	4,472	4,666	4,118
<b>Total</b>	<u>19,213</u>	<u>22,822</u>	<u>22,274</u>
Average number of employees, full-time equivalent (FTE).	236	286	331

**9. Finance income and expense**

	2008 R\$000	2007 R\$000	2006 R\$000
<b>Recognised in profit and loss</b>			
Interest income on bank deposits	3,068	970	722
Net gains from foreign exchange variation and monetary inflation adjustments	27,963	34,316	8,638
Net income from derivative financial instruments	–	1,022	2,063
Other	1,512	1,129	2,300
<b>Total Finance income</b>	<u>32,543</u>	<u>37,437</u>	<u>13,723</u>
Interest on loans and borrowings	(10,804)	(9,593)	(5,922)
Net losses from foreign exchange variation and monetary inflation corrections	(71,420)	(12,895)	(8,510)
Net losses from derivative financial instruments	(13,492)	–	–
Other	(1,310)	(3,200)	(1,818)
<b>Total Finance expense</b>	<u>(97,026)</u>	<u>(25,688)</u>	<u>(16,250)</u>

## 10. Income tax benefit/(expense) in the income statement

	2008 R\$000	2007 R\$000	2006 R\$000
<b>Current tax expense</b>			
Current period	(1,066)	(1)	(45)
Adjustment for prior periods	(770)	–	–
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences	13,409	76	567
Income tax benefit/(expense) excluding discontinued operation	11,573	(77)	522
Income tax benefit/(expense) from continuing operations	11,573	(77)	522
Income tax from discontinued operation (excluding gain on sale)	–	253	
Income tax on loss on sale of discontinued operation	–	365	–
<b>Total income tax benefit/(expense)</b>	<b>11,573</b>	<b>541</b>	<b>522</b>

	<i>Reconciliation of effective tax rate</i>					
	2008	2008 R\$000	2007	2007 R\$000	2006	2006 R\$000
(Loss) for the year	–	(55,973)	–	(11,987)	–	(10,605)
Total income tax benefit (expense)	–	11,573	–	541	–	522
(Loss) excluding income tax	–	(67,546)	–	(12,528)	–	(11,127)
Income tax using the Company's domestic tax rate	34.00%	22,966	34.00%	4,260	34.00%	3,783
Unrealised loss on derivative financial instruments	(5.77%)	(3,897)	–	–	–	–
Non-deductible expenses	(0.80%)	(543)	(2.59%)	(312)	(0.72%)	(80)
Tax exempt income	1.11%	750	2.04%	246	7.93%	882
Recognition of previously unrecognised tax losses	–	–	–	–	0.99%	110
Current year tax losses and temporary differences for which no deferred tax asset was recognized	(11.63%)	(7,857)	(33.66%)	4,259	(40.11%)	(4,463)
Income tax from discounted operations			5.12%	618	2.56%	285
Other	0.23%	154	0.24%	(12)	0.05%	5
	<b>17.3%</b>	<b>11,573</b>	<b>(0.64%)</b>	<b>541</b>	<b>4.69%</b>	<b>522</b>

## 11. Property, plant and equipment

	<i>Buildings</i> R\$000	<i>Plant and equipment</i> R\$000	<i>Fixtures and fittings</i> R\$000	<i>Under construction</i> R\$000	<i>Total</i> R\$000
<b>Balance at 1 January 2006</b>	21,991	103,852	6,000	114,217	246,060
Additions	–	2,074	929	13,837	16,840
Transfers	22,480	105,059	515	(128,054)	–
Disposals	(5)	(607)	(748)	–	(1,360)
<b>Balance at 31 December 2006</b>	44,466	210,378	6,696	–	261,540
Additions	780	6,652	534	11,335	19,301
Transfers	394	332	(719)	(7)	–
Disposals	(40)	(21,315)	(528)	(21)	(21,904)
<b>Balance at 31 December 2007</b>	45,600	196,047	5,983	11,307	258,937
Additions	6,873	5,904	2,436	76,482	91,695
Transfers	15,447	72,307	(24)	(87,730)	–
Disposals	(6,904)	(23,626)	(2,285)	(59)	(32,873)
<b>Balance at 31 December 2008</b>	61,016	250,632	6,110	–	317,758
<i>Carrying amounts</i>	<i>Buildings</i> R\$000	<i>Plant and equipment</i> R\$000	<i>Fixtures and fittings</i> R\$000	<i>Under construction</i> R\$000	<i>Total</i> R\$000
<b>Depreciation and impairment</b>					
<b>Balance at 1 January 2006</b>	(11,155)	(46,100)	(1,998)	–	(59,253)
Disposals	–	471	6	–	477
Depreciation for the year	(1,608)	(11,576)	(249)	–	(13,433)
<b>Balance at 31 December 2006</b>	(12,763)	(57,205)	(2,241)	–	(72,209)
Disposals	7	14,863	71	–	14,941
Depreciation for the year	(2,155)	(14,983)	(491)	–	(17,629)
<b>Balance at 31 December 2007</b>	(14,911)	(57,325)	(2,661)	–	(74,897)
Disposals	104	15,093	27	–	15,224
Depreciation for the year	(2,706)	(14,824)	(621)	–	(18,151)
<b>Balance at 31 December 2008</b>	(17,513)	(57,056)	(3,255)	–	(77,824)
<i>Carrying amounts</i>	<i>Buildings</i> R\$000	<i>Plant and equipment</i> R\$000	<i>Fixtures and fittings</i> R\$000	<i>Under construction</i> R\$000	<i>Total</i> R\$000
At 1 January 2006	10,836	57,752	4,002	114,217	186,807
At 31 December 2006	31,703	153,173	4,455	–	189,331
At 31 December 2007	30,689	138,722	3,322	11,307	184,040
At 31 December 2008	43,503	193,576	2,855	–	239,934

### (a) Security

At 31 December 2008 properties with a carrying amount of R\$177,673,000 (2007: R\$115,633,000; 2006: R\$130,258,000) are used as security on bank loans.

### (b) Property, plant and equipment under construction

The increase in plant and equipment, fixtures and fittings and under construction relates to the acquisition of a new production line that started operations in the second half of 2008.

(c) **Borrowing costs capitalized**

The Business' policy is to capitalize borrowing costs incurred on debt related to the acquisition, construction or production of qualifying assets. Borrowing costs capitalized were R\$2,537 in 2008 (R\$398 and R\$0 in 2007 and 2006 respectively), applying an average interest rate of 6.63 per cent. (7.02 per cent. in 2007).

**12. Deferred tax assets and liabilities**

(a) **Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	<i>Assets</i>			<i>Liabilities</i>			<i>Net</i>		
	2008 R\$000	2007 R\$000	2006 R\$000	2008 R\$000	2007 R\$000	2006 R\$000	2008 R\$000	2007 R\$000	2006 R\$000
Property, plant and equipment	–	–	–	(930)	(1,607)	(5,655)	(930)	(1,607)	(5,655)
Deferred charges	2,561	2,280	2,423	–	–	–	2,561	2,280	2,423
Derivative financial instruments	–	–	85	(308)	(354)	(64)	(308)	(354)	21
Exchange rate fluctuation	9,040	–	99	–	(3,370)	(926)	9,040	(3,370)	(827)
Other items	721	504	671	–	–	(338)	721	504	333
<b>Tax assets (liabilities)</b>	<b>12,322</b>	<b>2,784</b>	<b>3,278</b>	<b>(1,238)</b>	<b>(5,331)</b>	<b>(6,983)</b>	<b>11,084</b>	<b>(2,547)</b>	<b>(3,705)</b>

(b) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	2008 R\$000	2007 R\$000	2006 R\$000
Income tax losses	8,633	13,952	11,118
Negative basis of social contribution	3,064	5,731	4,711
	<b>11,697</b>	<b>19,683</b>	<b>15,829</b>

The tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Business can utilise the benefits there from.

**13. Inventories**

	2008 R\$000	2007 R\$000	2006 R\$000
Raw materials and consumables	1,449	1,731	740
Work in progress	716	467	384
Finished goods	5,757	4,155	3,871
Packing and secondary materials+ Maintenance warehouse	2,037	1,604	1,100
Provision for impairment to net realisable value	1,420	1,158	1,027
Others	(96)	(190)	(276)
	734	778	1,151
	<b>12,017</b>	<b>9,703</b>	<b>7,997</b>

In 2008 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to R\$101,219,000 (2007: R\$95,162,000; 2006: R\$87,911,000).

#### 14. Trade and other receivables

	2008	2007	2006
	R\$000	R\$000	R\$000
Trade receivables	42,218	35,380	29,561
Other receivables	1,488	1,099	400
Provision for impairment of receivables	(292)	(505)	(1,332)
	<u>43,414</u>	<u>35,974</u>	<u>28,629</u>

The Business' exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20.

#### 15. Recoverable taxes

	2008	2007	2006
	R\$000	R\$000	R\$000
ICMS	2,755	3,296	1,087
IPI	2,176	1,744	3,043
Income Tax and Social Contribution	1,474	824	213
COFINS	17,553	11,909	8,941
PIS	3,961	2,866	2,279
Other	2,114	1,814	2,073
<b>Total</b>	<u>30,033</u>	<u>22,453</u>	<u>17,636</u>
Current	3,011	3,884	5,034
Non-current	27,022	18,569	12,602

(a) ***Value-Added Tax on Sales and Services – ICMS***

The balance is originated by tax credits recorded in commercial operations and purchase of fixed assets, generated on productive and commercial units of the Business.

(b) ***Employees' Profit Participation Program (PIS) and Social Contribution on Billings (COFINS)***

The balance is originated by PIS and Cofins non-cumulative taxation, recorded mainly in purchase transactions of fixed assets, which are used to offset monthly payments of federal taxes, as determined by tax legislation.

(c) ***Excise Tax – IPI***

The balance is originated mainly by amounts recorded in commercial operations.

(d) ***Income Tax and Social Contribution***

Correspond to income tax withheld at source in interest earning bank deposits and anticipated payments of Income Tax and Social Contribution realizable by being used to pay federal taxes.

#### 16. Cash and cash equivalents

	2008	2007	2006
	R\$000	R\$000	R\$000
Bank balances	7,327	22,112	4,383
Marketable securities	51,397	26,981	9,291
Restricted cash	(23,659)	(3,933)	(4,315)
Cash and cash equivalents in the statement of cash flows	<u>35,065</u>	<u>45,160</u>	<u>9,359</u>

The Business' exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 19.

## 17. Loans and borrowings

This note provides information about the contractual terms of the Business' interest-bearing loans and borrowings, which are measured at amortised cost, except for the loan designated at fair value through profit or loss described in note 19 (caption interest rate risk and fair values). For more information about the Business' exposure to interest rate, foreign currency and liquidity risk, see notes 4 and 19.

	2008 R\$000	2007 R\$000	2006 R\$000
<b>Non-current liabilities</b>			
Secured bank loans	233,114	123,027	101,017
<b>Current liabilities</b>			
Current portion of secured bank loans	50,077	41,824	23,793

At 31 December 2008 the Business was in breach of its financial covenants in two loan agreements amounting to R\$119,425,000 (2007: R\$56,669,000; 2006: R\$74,616,000). One agreement prevents the Business to (i) declare or pay any dividend or make any other distribution in respect of any of its shares other than to the Company unless required by law to do so or (ii) repay or redeem any of its share capital while the financial covenants are breached and not remedied yet. The other agreement was renegotiated and the borrower granted a waiver until 2010 for the Business to comply with the financial covenants provided that payments of four debt services (equivalent to four principal repayments plus the respective interests) be made to a restricted cash account secured by the borrower.

Restricted cash balances at 31 December 2008 were R\$23,659,000 (2007: R\$3,933,000; 2006: R\$4,315,000).

### *Terms and debt repayment schedule*

Terms and conditions of outstanding loans were as follows:

Description	Currency	Nominal p.a. interest rate (p.a.)	Year of maturity	31 December 2008		31 December 2007		31 December 2006	
				Face value R\$000	Carrying amount R\$000	Face value R\$000	Carrying amount R\$000	Face value R\$000	Carrying amount R\$000
Equipment financing	JPY	2.0845%	2005 – 2016	82,634	83,550	57,369	57,694	73,807	72,149
Equipment financing		EURIBOR +0.55%	2008 – 2017	53,106	49,960	–	–	–	–
	BRL	TJLP + 2.65% to 8.5%	2006 – 2017	50,904	51,840	8,127	8,515	8,034	8,160
	USD			1,316	1,323	1,173	1,234	1,396	1,417
		TBV + 2.65%		6,446	6,580	–	–	–	–
	USD			75,489	75,780	62,350	62,806	12,187	12,341
	BRL			3,791	3,803	590	595	386	417
	USD	LIBOR + 1.25% to 1.75% or EURIBOR + 2.18% or 5.21%	2004 – 2009	1,967	1,989	3,439	3,504	7,074	7,234
	USD			584	619	21,220	20,096	7,697	7,884
	USD		2006 – 2010	6,968	7,679	8,602	8,867	12,521	12,768
Other	BRL	Various	2004 – 2009	66	68	1,501	1,540	2,454	2,466
<b>Total interest-bearing liabilities</b>				<b>283,271</b>	<b>283,191</b>	<b>164,371</b>	<b>164,851</b>	<b>125,556</b>	<b>124,836</b>

The bank loans are secured over the following assets (see note 11):

	2008	2007	2006
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
Property, plant and equipment	177,673	115,633	130,258
Trade receivables	7,300	–	–
	<u>184,973</u>	<u>115,633</u>	<u>130,258</u>

#### 18. Trade and other payables

	2008	2007	2006
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
Other trade payables	18,556	17,333	12,078
Payroll related payables	816	1,006	693
Taxes payable	1,058	1,602	735
Other non-trade payables and accrued expenses	7,864	4,392	2,800
	<u>28,294</u>	<u>24,333</u>	<u>16,306</u>

The Business' exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19.

#### 19. Financial instruments

##### (a) Credit risk

##### (i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<i>Carrying amount</i>		
	2008	2007	2006
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
Cash and cash equivalents	35,065	45,160	9,359
Restricted cash	23,659	3,933	4,315
Trade and other receivables	43,414	35,974	28,629
Foreign currency swaps	18,724	2,274	–
Interest rate swaps	–	1,043	214
	<u>120,862</u>	<u>88,384</u>	<u>42,517</u>

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	<i>Carrying amount</i>		
	2008	2007	2006
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
Brazil	26,261	21,281	17,551
Argentina	3,312	3,095	3,623
USA	4,903	2,879	2,391
South Africa	2,359	1,906	1,350
Colombia	1,313	1,093	259
Venezuela	1,189	1,192	970
Mexico	758	2,257	448
Costa Rica	719	–	497
Other Latin America	1,866	909	1,027
Europe	698	1,051	433
Other	36	311	80
	<u>43,414</u>	<u>35,974</u>	<u>28,629</u>

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

	<i>Carrying amount</i>		
	<i>2008</i>	<i>2007</i>	<i>2006</i>
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
Industrial customers	34,350	24,012	19,880
Wholesale customers	7,576	10,864	8,349
Other	1,488	1,098	400
	<u>43,414</u>	<u>35,974</u>	<u>28,629</u>

The Business' most significant customer, a Brazilian industrial customer, accounts for R\$3,182,000 of the trade and receivables carrying amount at 31 December 2008 (2007: R\$1,449,000; 2006: R\$2,236,000).

(ii) *Impairment losses*

The aging of trade and other receivables at the reporting date was:

	<i>2008</i>		<i>2007</i>		<i>2006</i>	
	<i>Gross</i>	<i>Impairment</i>	<i>Gross</i>	<i>Impairment</i>	<i>Gross</i>	<i>Impairment</i>
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
Not past due	35,260	–	30,520	–	25,502	–
Past due						
0-30 days	5,034	–	3,057	–	2,754	–
Past due						
31-180 days	3,167	(47)	2,170	(10)	1,280	(907)
More than						
180 days	245	(245)	733	(496)	425	(425)
	<u>43,706</u>	<u>(292)</u>	<u>36,480</u>	<u>(506)</u>	<u>29,961</u>	<u>(1,332)</u>

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	<i>2008</i>	<i>2007</i>	<i>2006</i>
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
Balance at 1 January	(505)	(1,332)	(1,228)
Impairment loss recognised	–	(369)	(848)
Impairment loss reversed	86	16	576
Write-offs	104	1,214	168
Exchange variations on foreign currency denominated receivables	23	(35)	–
Balance at 31 December	<u>(292)</u>	<u>(506)</u>	<u>(1,332)</u>

(b) **Liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

<i>31 December 2008</i>	<i>Carrying amount R\$000</i>	<i>Contractual cash flows R\$000</i>	<i>6 months or less R\$000</i>	<i>6-12 months R\$000</i>	<i>1-2 years R\$000</i>	<i>2-5 years R\$000</i>	<i>More than 5 years R\$000</i>
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	283,191	359,669	31,642	32,892	114,273	121,508	59,354
Trade and other payables	28,294	28,295	21,225	589	1,178	3,535	1,768
<b>Derivative financial liabilities</b>							
Forward currency swaps	–	–	–	–	–	–	–
Inflow	(18,724)	(90,908)	(5,021)	(5,102)	(10,455)	(33,303)	(37,027)
Outflow		72,176	4,042	4,098	8,352	26,697	28,987
Forward currency derivatives	11,461	11,757	8,881	2,876	–	–	–
<i>31 December 2007</i>	<i>Carrying amount R\$000</i>	<i>Contractual cash flows R\$000</i>	<i>6 months or less R\$000</i>	<i>6-12 months R\$000</i>	<i>1-2 years R\$000</i>	<i>2-5 years R\$000</i>	<i>More than 5 years R\$000</i>
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	164,851	231,040	23,182	27,928	73,405	72,295	34,230
Trade and other payables	24,333	24,527	24,527	–	–	–	–
<b>Derivative financial liabilities</b>							
Forward currency swaps							
Inflow	(996)	(69,603)	(3,113)	(3,206)	(6,652)	(21,943)	(34,689)
Outflow		68,648	3,067	3,105	6,534	21,597	34,345
Interest rate swaps							
Inflow	(2,321)	(11,746)	(1,670)	(1,782)	(3,903)	(4,391)	–
Outflow		7,664	1,055	1,132	2,535	2,942	–
<i>31 December 2006</i>	<i>Carrying amount R\$000</i>	<i>Contractual cash flows R\$000</i>	<i>6 months or less R\$000</i>	<i>6-12 months R\$000</i>	<i>1-2 years R\$000</i>	<i>2-5 years R\$000</i>	<i>More than 5 years R\$000</i>
<b>Non-derivative financial liabilities</b>							
Loans and borrowings	124,810	145,122	13,695	15,447	46,846	35,463	33,671
Trade and other payables	16,306	16,306	16,306	–	–	–	–
<b>Derivative financial liabilities</b>							
Forward currency swaps							
Inflow		(89,531)	–	–	(8,027)	(26,918)	(54,586)
Outflow	2,767	92,528	–	–	8,297	27,707	56,524
Interest rate swaps							
Inflow	(214)	(11,549)	–	(941)	(3,082)	(7,526)	–
Outflow		11,230	–	918	3,006	7,306	–

(c) **Currency risk**

(i) *Exposure to currency risk*

The Business' exposure to foreign currency risk was as follows based on notional amounts:

<i>31 December 2008</i>	<i>€000</i>	<i>¥000</i>	<i>US\$000</i>
Trade receivables	–	–	16,012
Loans and borrowings	(16,581)	(3,238,348)	(36,925)
Trade payables	(519)	–	(614)
Gross balance sheet exposure	(17,100)	(3,238,348)	(21,527)
Estimated forecast sales – 2009	–	–	43,276
Estimated forecast purchases – 2009	–	–	(1,709)
Gross exposure	(17,100)	(3,238,348)	20,040
Derivative contracts	–	3,238,348	(35,751)
Net exposure	(17,100)	–	15,711
<i>31 December 2007</i>	<i>€000</i>	<i>¥000</i>	<i>US\$000</i>
Trade receivables	551	–	11,657
Loans and borrowings	–	(3,637,833)	(53,249)
Trade payables	(57)	–	(164)
Gross balance sheet exposure	494	(3,637,833)	(41,756)
Estimated forecast sales – 2008	–	–	38,640
Estimated forecast purchases – 2008	–	–	(1,768)
Gross exposure	494	(3,637,833)	(4,884)
Derivative contracts	–	3,637,833	(32,532)
Net exposure	494	–	(37,416)
<i>31 December 2006</i>	<i>€000</i>	<i>¥000</i>	<i>US\$000</i>
Trade receivables	–	–	5,851
Loans and borrowings	(226)	(4,018,033)	(19,683)
Trade payables	(70)	–	(189)
Gross balance sheet exposure	(296)	(4,018,033)	(14,021)
Estimated forecast sales – 2007	–	–	31,109
Estimated forecast purchases – 2007	–	–	(1,870)
Gross exposure	(296)	(4,018,033)	15,218
Derivative contracts	–	4,018,033	(33,734)
Net exposure	(296)	–	(18,516)

The following significant exchange rates applied during the year:

<i>Reais</i>	<i>Average rate</i>			<i>Reporting date spot rate</i>		
	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
USD	1.84892	1.94790	2.17670	2.33700	1.77130	2.13800
EUR	2.68166	2.67114	2.74571	3.23815	2.60859	2.82024
JPY	0.01784	0.01655	0.01876	0.02580	0.01584	0.01795

(ii) *Sensitivity analysis*

A 10 per cent. strengthening of the Real against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007 and 2006.

	<i>Equity</i> <i>R\$000</i>	<i>Profit or loss</i> <i>R\$000</i>
<b>31 December 2008</b>		
USD	10,640	10,640
EUR	5,537	5,537
<b>31 December 2007</b>		
USD	7,369	7,369
EUR	(129)	(129)
<b>31 December 2006</b>		
USD	2,998	2,998
EUR	83	83

A 10 per cent. weakening of the Real against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) *Interest rate risk*

(i) *Profile*

At the reporting date the interest rate profile of the Business' interest-bearing financial instruments were:

	<i>Carrying amount</i>		
	<i>2008</i> <i>R\$000</i>	<i>2007</i> <i>R\$000</i>	<i>2006</i> <i>R\$000</i>
<b>Fixed rate instruments</b>			
Financial assets	51,397	26,981	9,291
Financial liabilities	69,232	36,857	29,093
<b>Variable rate instruments</b>			
Financial liabilities	213,959	127,994	95,717

(ii) *Fair value sensitivity analysis for fixed rate instruments*

There is a fixed rate financial liability accounted for as a financial liability at fair value through profit or loss. This designation was performed to reduce the accounting mismatch of a contracted derivative to mitigate the Business exposure to fixed rate JPY to floating rate USD. The Business does not account for any other fixed rate financial assets and liabilities at fair value through profit or loss, and the Business does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

(iii) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007 and 2006.

	<i>Profit or loss</i>		<i>Equity</i>	
	<i>100 bp increase</i>	<i>100 bp decrease</i>	<i>100 bp increase</i>	<i>100 bp Decrease</i>
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
<b>31 December 2008</b>				
Variable rate instruments	2,090	(2,090)	2,090	(2,090)
<b>31 December 2007</b>				
Variable rate instruments	1,247	(1,247)	1,247	(1,247)
<b>31 December 2006</b>				
Variable rate instruments	970	(970)	970	(970)

(e) **Fair values**

(i) *Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	<i>31 December 2008</i>		<i>31 December 2007</i>		<i>31 December 2006</i>	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>	<i>R\$000</i>
Trade and other receivables	43,414	43,414	35,974	35,974	28,629	28,629
Cash and cash equivalents	35,065	35,065	45,160	45,160	9,359	9,359
Restricted cash	23,569	23,569	3,933	3,933	4,315	4,315
Interest rate swaps:						
Assets	–	–	2,374	2,374	214	214
Forward currency swaps:						
Assets	18,724	18,724	943	943	–	–
Liabilities	–	–	–	–	2,767	2,767
Forward currency derivatives:						
Liabilities	11,461	11,461	–	–	–	–
Loans and borrowings	283,191	268,812	164,851	168,248	124,810	127,686
Trade and other payables	28,294	28,294	24,333	24,333	16,306	16,306

The basis for determining fair values is disclosed in note 3.

(ii) *Interest rates used for determining fair value*

The real interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

<i>2008</i>	<i>2007</i>	<i>2006</i>
7.81%	7.71%	8.05%

**20. Provisions and Contingencies**

The Business is party to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, including tax, labour and other proceedings.

Management recorded the following provisions in amounts considered sufficient to cover probable estimated losses from the current actions based on information from its legal advisors, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed:

<i>Probable losses (Provisions)</i>	<i>2008 R\$000</i>	<i>2007 R\$000</i>	<i>2006 R\$000</i>
Labor claims	274	241	307

Movements in provisions were as follows:

	2008 R\$000	2007 R\$000	2006 R\$000
Balance at 1 January	241	307	373
Provisions made during the period	33	–	–
Provisions reversed during the period	–	(66)	(66)
Balance at 31 December – non-current	<u>274</u>	<u>241</u>	<u>307</u>

(a) **Labour claims**

Labour claims relate principally to alleged overtime salary due from being subjected to additional workspace risks, contracted labour claiming to be legal company employees and vacation pay.

(b) **Possible losses (contingent liabilities)**

Labour claims related to possible losses amount to R\$33,000 (2007: R\$33,000; 2006: R\$33,000). The Business is also defending an alleged tort claimed by the employees union for risks in the amount of R\$920,000 (2007: R\$920,000; 2006: R\$920,000). This legal case is in its initial phase. Management is confident the case will result in favour of the business and this opinion is corroborated by its legal advisors.

**21. Related parties**

(a) **Key management personnel compensation**

Key management personnel comprise the Board of Directors and its management team. In addition to their salaries, the Business also provides non-cash benefits to directors and the management team. Key management personnel compensation comprised:

	2008 R\$000	2007 R\$000	2006 R\$000
Short-term employee benefits	3,979	2,100	1,753
Long-term benefits – bonus	722	–	–
	<u>4,701</u>	<u>2,100</u>	<u>1,753</u>

(b) **Other related party transactions**

	Transaction value year ended 31 December			Balance outstanding as at 31 December		
	2008 R\$000	2007 R\$000	2006 R\$000	2008 R\$000	2007 R\$000	2006 R\$000
<b>Expenses</b>						
Associate – commercial and financial services	–	(392)	–			
<b>Financial instruments</b>						
Parent – receivables	–	–	–	12	37	24
Associate – receivables	–	–	–	2	–	–
Associate – loans and long-term payables	–	–	–	(6)	(2)	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>8</u>	<u>35</u>	<u>24</u>

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured.

## 22. Business entities

Entities	Country of incorporation	Petropar Ownership Interest		
		2008	2007	2006
		R\$000	R\$000	R\$000
Fitesa S.A.	Brazil	100	100	100
Fitesa Industrial Ltda.	Brazil	100	100	100
Fitesa Horizonte Industrial Ltda.	Brazil	–	100	100

This combined financial information represents a combination of the assets, liabilities and results of the operations related to the nonwovens business of the above-mentioned entities, which currently is controlled by Petropar S.A.

## 23. Adopted IFRS Transition Basis

### (a) Application of IFRS No. 1, “First-time Adoption”

The Business’ combined financial information has been prepared under Adopted IFRS for the first time for the year ended 31 December 2006. The Business prepared its opening balance sheet with the transition date as of 1 January 2006. In preparation of the financial information on the transition date according to IFRS No. 1, the Business applied the mandatory exceptions and certain optional exemptions of full retrospective application of the adopted IFRS.

#### (i) Exemptions to the full retrospective application chosen by the Business

The Business adopted the following optional exemptions of full retrospective application:

##### (A) Exemption for business combination

There were no business combinations prior to the IFRS transition date.

##### (B) Exemption for presenting the fair value of tangible and intangible assets as deemed cost

The Business opted to use a previous GAAP valuation performed during the year ended 31 December 2004 for items of property (except land), plant and equipment, depreciated up to 31 December 2006 and considered broadly similar to fair value at the adopted IFRS transition date, as the deemed cost for these items.

##### (C) Exemption for measuring employee’s future benefits

The Business does not have a defined benefit pension plan on the adopted IFRS transition date.

##### (D) Exemption related to cumulative translation differences

The Business opted to deem the cumulative translation differences to be zero at the transition date. No reclassifications have been made to retained earnings as at the transition date. BRGAAP had no equivalent standard to IAS 21 and all foreign currency translations were taken directly to profit and loss in the previous GAAP.

##### (E) Exemption related to measuring the compound financial instruments

The Business did not have compound financial instruments on the adopted IFRS transition date.

##### (F) Exemption related to the recognition of holdings in subsidiaries

The Business’ subsidiaries on the transition date do not have financial information under adopted IFRS, and, for this reason, the Business opted to adopt the same adopted IFRS transition date for all its subsidiaries.

(G) Exemption related to the classification of financial instruments

The Business opted to classify and assess its financial instruments according to IAS No. 32 and IAS No. 39 on the adopted IFRS transition date, and retrospective analysis to the inception date of the financial instruments was not performed on the adopted IFRS transition date. All financial instruments contracted after the transition date were analyzed and classified on the inception date of the operations according to adopted IFRS.

(H) Exemption related to the initial measuring of payment of share-based benefits

The Business does not have any instrument and/or agreement for the payment of share-based benefits on the adopted IFRS transition date.

(ii) *Exceptions for full retrospective application allowed by the Business*

The Business adopted the following mandatory exemptions from retrospective application:

(A) Exemption from not recognizing financial assets and liabilities

The Business concluded that there were no non-derivative financial assets and liabilities that should be excluded from its accounting records on the adopted IFRS transition date.

(B) Exemption from accounting hedge operations

The Business did not have any transaction classified as hedge for adopted IFRS purposes on the adopted IFRS transition date, and, for this reason, no adjustments were made to its accounting records.

(C) Exemption from estimates

The Business did not make any adjustments to the estimates recorded under BR GAAP, since it understood that the estimates were in accordance with adopted IFRS on the adopted IFRS transition date.

(D) Exemption of assets classified as available for sale and discontinued operations

The Business had no assets classified as available for sale and reported no discontinued operation on the IFRS transition date.

(b) ***Reconciliation between adopted IFRS and BR GAAP***

The following is a description of the main differences between adopted IFRS and BR GAAP that affect the Business' combined financial information.

(i) *Deferred expenses*

In accordance with adopted IFRS, pre-operating costs do not fall into the definition of an intangible asset and should be recorded as expenses.

According to BR GAAP, deferred charges that refer to pre-operating costs and projects are recorded at cost. Amortizations are calculated under the straight-line method at rates that should not exceed 10 years.

(ii) *Income and social contribution taxes*

According to adopted IFRS, deferred tax assets should always be classified as noncurrent and should not be discounted.

According to BR GAAP, deferred tax assets should be classified as current or noncurrent based on their realisability.

In addition, adjustments related to the first-time adoption of IFRS that resulted in temporary differences between tax and book values of assets and liabilities also generated deferred income and social contribution taxes.

(iii) *Transaction costs*

Under adopted IFRS, transaction costs are included in the initial measurement of financial assets and liabilities, except for those classified as at fair value through profit or loss. These costs may be incurred when an entity enters into a contractual arrangement. Transaction costs include only those costs that are directly attributable to the acquisition of a financial asset or issue of a financial liability.

To the year ended 31 December 2007, BR GAAP did not detail the treatment of transaction costs. The Business has adopted the accounting policy of recording these costs as prepaid expenses. An amendment to the Brazilian corporate law eliminated such difference as from 1 January 2008.

(iv) *Derivative financial instruments*

Until the year ended 31 December 2007, BR GAAP did not detail the treatment of derivative financial instruments. The Business has adopted the accounting policy of recording these financial instruments at the amortized cost through profit and loss. BR GAAP has also no defined treatment for embedded derivatives. Derivative financial instruments were valued at fair value under adopted IFRS, as detailed in note 19.

(v) *Information of cash flows and information of changes in financial position*

Under IFRS, cash flows information is required from all entities, and adopted IFRS has no concept equivalent to the statement of changes in financial position or the statement of value added.

To the year ended 31 December 2007, the statement of cash flows was not obligatory under BR GAAP but could be presented as additional information. However, the presentation of the statement of changes in financial position was mandatory, so as to show changes in working capital. Effective as from 1 January 2008, an amendment to the Brazilian corporate law rendered mandatory the presentation of the statement of cash flows and waived the presentation of the statement of changes in financial position.

There have been no material adjustments to the combined statements of cash flows as a result of the adopted IFRS adjustments.

(vi) *Reclassifications*

The main reclassifications made in the financial information in compliance with adopted IFRS are as follows:

- (a) Nonoperating income (expenses) was reclassified as other operating income (expenses).
- (b) Revaluation reserve was reclassified to retained earnings due to the adoption of the deemed cost exemption option. However, for the purpose of this combined financial information, breakdown of the stockholders equity is not being shown.
- (c) Discontinued operations as described in note 5.

(vii) *Borrowing costs*

Under adopted IFRS interest costs on borrowings directly related to the acquisition or construction of a particular asset or over the total borrowings contracted can be capitalized to assets in progress.

Under BR GAAP only interest costs on borrowings directly related to the acquisition or construction of a particular asset can be capitalized.

*Invested capital reconciliation – BR GAAP x adopted IFRS as of 1 January 2006*

	<i>Reconciling item</i>	<i>R\$000</i>
<b>BR GAAP invested capital</b>		122,511
Adopted IFRS adjustments:		
Deferred expenses	(i)	(4,700)
Deferred taxes	(ii)	2,953
Derivative financial instruments	(iv)	(2,124)
Transaction costs	(iii)	(1,862)
<b>Adopted IFRS invested capital</b>		<u>116,778</u>

*Reconciliation of the BR GAAP combined financial information – 31 December 2006*

	<i>BR GAAP</i>	<i>Adopted IFRS</i>	<i>Note</i>	<i>IFRS</i>
	<i>R\$000</i>	<i>adjustments</i>		<i>R\$000</i>
		<i>R\$000</i>		
<b>Assets</b>				
Property, Plant & Equipment	189,332			189,332
Deferred charges	7,126	(7,126)	(i)	–
Derivative financial instruments	26	169	(iv)	195
Restricted cash	4,315			4,315
Recoverable Taxes	12,602			12,602
Other non-current assets	2,199	(1,484)	(iii)	715
Deferred Tax Assets	202	3,076	(ii)	3,278
<b>Total non-current assets</b>	<u>215,802</u>	<u>(5,365)</u>		<u>210,437</u>
Inventories	7,997			7,997
Recoverable taxes	5,034			5,034
Trade and other receivables	28,229			28,229
Derivative financial instruments	–	19	(iv)	19
Other current assets	796	(189)	(iii)	607
Cash and cash equivalents	9,359	–		9,359
<b>Total current assets</b>	<u>51,415</u>	<u>(170)</u>		<u>51,245</u>
<b>Total assets</b>	<u>267,217</u>	<u>(5,535)</u>		<u>261,682</u>
<b>Invested capital</b>	116,238	(5,848)		10,390
<b>Liabilities</b>				
Loans and borrowings	101,017			101,017
Derivative financial instruments	2,518	249	(iv)	2,767
Other non-current liabilities	426			426
Deferred Tax Liabilities	6,919	64	(ii)	6,983
<b>Total non-current liabilities</b>	<u>110,880</u>	<u>313</u>		<u>111,193</u>
Loans and borrowings	23,793			23,793
Trade and other payables	16,306	–		16,306
<b>Total current liabilities</b>	<u>40,099</u>	<u>–</u>		<u>40,099</u>
<b>Total liabilities</b>	<u>150,979</u>	<u>313</u>		<u>151,292</u>
<b>Total invested capital and liabilities</b>	<u>267,217</u>	<u>(5,535)</u>		<u>261,682</u>

Reconciliation of the BR GAAP combined financial information – 31 December 2006

	<i>BR GAAP</i>	<i>Adopted IFRS adjustments</i>	<i>Note</i>	<i>IFRS</i>
	<i>R\$000</i>	<i>R\$000</i>		<i>R\$000</i>
<b>Statements of operations</b>				
Revenue	149,403	(19,957)	(vi)(c)	129,446
Cost of sales	(134,145)	17,904	(i),(vi)(c)	(116,241)
<b>Gross profit</b>	<u>15,258</u>	<u>(2,053)</u>		<u>13,205</u>
<b>Operating income (expenses)</b>				
Selling expenses	(17,740)	1,423	(vi)(c)	(16,317)
General and administrative expenses	(5,511)	(622)	(i),(vi)(c)	(6,133)
Financial expenses	(15,895)	(355)	(i)	(16,250)
Financial income	11,660	2,063	(iv)	13,723
Other operating income	2,084	281	(vi)(a)	2,365
Other operating expense	(720)	(161)	(vi)(a)	(881)
Non-operating income (expenses), net	(89)	89	(vi)(a)	–
<b>Loss before income tax</b>	<u>(10,953)</u>	<u>665</u>		<u>(10,288)</u>
Income and social contribution taxes	463	59	(ii)	522
<b>Loss from continuing operations</b>				
Loss from discontinued operations (net of tax)	–	(839)	(vi)(c)	(839)
<b>Loss for the year</b>	<u>(10,490)</u>	<u>(115)</u>		<u>(10,605)</u>

Invested capital reconciliation – BR GAAP x IFRS as of 31 December 2006

	<i>Reconciling item</i>	<i>R\$000</i>
<b>BR GAAP invested capital</b>		116,238
IFRS adjustments:		
Deferred charges	(i)	(7,126)
Deferred taxes	(ii)	3,012
Derivative financial instruments	(iv)	(61)
Transactions cost	(iii)	(1,673)
<b>IFRS invested capital</b>		<u>(110,390)</u>

Net income reconciliation – BR GAAP x IFRS as of 31 December 2006

<b>BR GAAP loss for the year</b>		(10,490)
IFRS adjustments:		
Deferred charges	(i)	(2,426)
Deferred taxes	(ii)	57
Derivative financial instruments	(iv)	2,064
Transaction cost	(iii)	188
<b>IFRS net loss</b>		<u>(10,605)</u>

Reconciliation of the BR GAAP combined financial information – 31 December 2007

	<i>BR GAAP</i>	<i>Adopted IFRS</i>		<i>IFRS</i>
	<i>R\$000</i>	<i>adjustments</i>	<i>Note</i>	<i>R\$000</i>
		<i>R\$000</i>		
<b>Assets</b>				
Property, plant & equipment	183,651	390	(vii)	184,041
Deferred charges	6,705	(6,705)	(i)	–
Derivative financial instruments	2,356	747	(iv)	3,103
Restricted cash	3,933	–		3,933
Recoverable taxes	18,569	–		18,569
Others	1,471	(1,295)	(iii)	176
Deferred tax assets	–	2,784	(ii)	2,784
<b>Total non-current assets</b>	<u>216,685</u>	<u>(4,079)</u>		<u>212,606</u>
Inventories	9,703	–		9,703
Recoverable taxes	3,884	–		3,884
Trade and other receivables	35,974	–		35,974
Derivative financial instruments	–	214	(iv)	214
Other current assets	417	(188)	(iii)	229
Cash and cash equivalents	45,160	–		45,160
<b>Total current assets</b>	<u>95,138</u>	<u>26</u>		<u>95,164</u>
<b>Total assets</b>	<u>311,823</u>	<u>(4,053)</u>		<u>307,770</u>
<b>Invested capital</b>	<u>117,546</u>	<u>(4,540)</u>		<u>113,006</u>
<b>Liabilities</b>				
Loans and borrowings	123,027	–		23,027
Other non-current liabilities	249	–		249
Deferred tax liabilities	4,844	487	(ii)	5,331
<b>Total non-current liabilities</b>	<u>128,120</u>	<u>487</u>		<u>128,607</u>
Loans and borrowings	41,824	–		41,824
Trade and other payables	24,333	–		24,333
<b>Total current liabilities</b>	<u>66,157</u>	<u>–</u>		<u>66,157</u>
<b>Total liabilities</b>	<u>194,277</u>	<u>487</u>		<u>194,764</u>
<b>Total invested capital and liabilities</b>	<u>311,823</u>	<u>(4,053)</u>		<u>307,770</u>

	<i>BR GAAP</i> R\$000	<i>Adopted IFRS</i> <i>adjustments</i> R\$000	<i>Note</i>	<i>IFRS</i> R\$000
<b>Statements of income</b>				
Revenue	154,782	(10,388)	(vi)(c)	144,394
Cost of sales	(149,411)	10,025	(i),(iii),(vi)(c)	(139,386)
<b>Gross profit</b>	<u>5,371</u>	<u>(363)</u>		<u>5,008</u>
Selling expenses	(19,676)	1,155	(vi)(c)	(18,521)
General and administrative expenses	(5,831)	235	(i),(vi)(c)	(5,596)
Financial expenses	(25,987)	299	(i),(vii)	(25,688)
Financial income	36,416	1,021	(iv)	37,437
Other operating income	634	498	(vi)(a)	1,132
Other operating expenses	(866)	(3,616)	(vi)(a)	(4,482)
Non-operating income (expenses), net	(4,612)	4,612	(a)	<u>–</u>
<b>Net loss from continuous operations</b>	(14,551)	3,841		(10,710)
Income and social contribution taxes	1,230	(1,307)	(ii)	(77)
<b>Loss from continuing operations</b>				
Loss from discontinued operations (net of tax)	<u>–</u>	<u>(1,200)</u>	(vi)(c)	<u>(1,200)</u>
<b>Loss for the year</b>	<u>(13,321)</u>	<u>1,334</u>		<u>(11,987)</u>

*Invested capital reconciliation – BR GAAP x IFRS as of 31 December 2007*

	<i>Reconciling item</i>	<i>R\$000</i>
<b>BR GAAP invested capital</b>		117,545
IFRS adjustments:		
Deferred charges	(i)	(6,705)
Deferred taxes	(ii)	2,297
Derivative financial instruments	(iv)	961
Transaction costs	(iii)	(1,483)
Capitalization of borrowing costs		391
<b>IFRS invested capital</b>		<u>113,006</u>

*Net income reconciliation – BR GAAP x IFRS as of 31 December 2007*

	<i>Reconciling item</i>	<i>R\$000</i>
<b>BR GAAP loss for the year</b>		(13,321)
IFRS adjustments:		
Deferred charges	(i)	421
Deferred taxes	(ii)	(688)
Derivative financial instruments	(iv)	1,021
Transaction costs	(iii)	190
Capitalization of borrowing costs	(vii)	390
<b>IFRS net loss</b>		<u>(11,987)</u>

Reconciliation of the BR GAAP combined financial information – 31 December 2008

	<i>BR GAAP</i>	<i>Adopted IFRS</i>		<i>IFRS</i>
	<i>R\$000</i>	<i>adjustments</i>	<i>Note</i>	<i>R\$000</i>
		<i>R\$000</i>		
<b>Assets</b>				
Property, plant and equipment	236,810	3,124	(vii)	239,934
Deferred charges	7,532	(7,532)	(i)	–
Derivative financial instruments	17,815	909	(iv)	18,724
Restricted cash	23,659	–		23,659
Recoverable taxes	27,022	–		27,022
Others	4,631	(4,388)	iii	243
Deferred tax assets	9,321	3,001	(ii)	12,322
<b>Total non-current assets</b>	<u>326,790</u>	<u>(4,886)</u>		<u>321,904</u>
Inventories	12,017	–		12,017
Recoverable taxes	3,011	–		3,011
Trade and other receivables	43,414	–		43,414
Other current assets	1,386	(637)	(iii)	749
Cash and cash equivalents	35,065	–		35,065
<b>Total current assets</b>	<u>94,793</u>	<u>(637)</u>		<u>94,256</u>
<b>Total assets</b>	<u>421,683</u>	<u>(5,523)</u>		<u>416,160</u>
<b>Invested capital</b>	88,364	(3,030)		85,334
<b>Liabilities</b>				
Loans and borrowings	236,397	(3,283)	(iii)	233,114
Other non-current liabilities	6,642	–		6,642
Deferred tax liabilities	–	1,238	(ii)	1,238
<b>Total non-current liabilities</b>	<u>243,039</u>	<u>(2,045)</u>		<u>240,994</u>
Loans and borrowings	50,525	(448)	(iii)	50,077
Trade and other payables	28,294	–		28,294
Derivative financial instruments	11,461	–		11,461
<b>Total current liabilities</b>	<u>90,280</u>	<u>(448)</u>		<u>89,832</u>
<b>Total liabilities</b>	<u>333,319</u>	<u>(2,493)</u>		<u>330,826</u>
<b>Total liabilities and shareholders' equity</b>	<u>421,683</u>	<u>(5,523)</u>		<u>416,160</u>

	<i>BR GAAP</i> <i>R\$000</i>	<i>Adopted IFRS</i> <i>adjustments</i> <i>R\$000</i>	<i>Note</i>	<i>IFRS</i> <i>R\$000</i>
<b>Statement of income</b>				
Revenue	175,724	–		175,724
Cost of sales	(146,170)	347	(i)	(145,823)
<b>Gross profit</b>	<u>29,554</u>	<u>347</u>		<u>29,901</u>
<b>Operating income (expenses)</b>				
Selling expenses	(20,535)	–		(20,535)
General and administrative expenses	(6,363)	(3,430)	(i)	(9,793)
Financial expenses	(101,753)	4,727	(i),(vii)	(97,026)
Financial income	32,594	(51)	(iv)	32,543
Other operating income	3,747	–		3,747
Other operating expense	(6,445)	62	(i)	(6,383)
<b>Loss before income tax</b>	<u>(69,303)</u>	<u>1,655</u>		<u>(67,546)</u>
Income tax benefit	12,135	(562)	(ii)	11,573
<b>Loss for the year</b>	<u>(57,066)</u>	<u>1,093</u>		<u>(55,973)</u>

*Net income reconciliation – BR GAAP x IFRS as of 31 December 2008*

	<i>Reconciling</i> <i>item</i>	<i>R\$000</i>
<b>BR GAAP invested capital</b>		88,364
IFRS adjustments:		
Deferred charges	(i)	(7,532)
Deferred taxes	(ii)	1,762
Derivative financial instruments	(iv)	909
Transaction costs	(iii)	(1,293)
Capitalization of borrowing costs	(vii)	3,124
<b>IFRS invested capital</b>		<u>(85,334)</u>

*Net income reconciliation – BR GAAP x IFRS as of 31 December 2008*

	<i>Reconciling</i> <i>item</i>	<i>R\$000</i>
<b>BR GAAP loss for the year</b>		(57,066)
IFRS adjustments:		
Deferred charges	(i)	(828)
Deferred taxes	(ii)	(562)
Derivative financial instruments	(iv)	(51)
Transaction costs	(iii)	191
Capitalization of borrowing costs	(vii)	2,343
<b>IFRS net loss</b>		<u>(55,973)</u>

## PART V

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE CONTINUING FIBERWEB BUSINESS

#### 1. Nature of Unaudited Pro Forma Statement

The following unaudited pro forma statement of net assets has been prepared to show the effect of the Joint Venture Transaction on the net assets of the Continuing Fiberweb Business as if they had occurred on 31 December 2008.

The unaudited pro forma financial information has been prepared for illustrative purposes only and in accordance with Annex 2 of the Prospectus Directive Regulation. Due to its nature, this unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Fiberweb Group's actual financial position or results.

#### 2. Unaudited Pro Forma Statement<sup>(1) (2)</sup>

##### *Proforma Adjustments*

	<i>Fiberweb Group as at 31 December 2008 £m<sup>(3)</sup></i>	<i>Fiberweb Contributed Business as at 31 December 2008 £m<sup>(4)</sup></i>	<i>Cash/Debt Free Adjustment 31 December 2008 £m</i>	<i>Investment in JV Entities as at 31 December 2008 £m<sup>(5)</sup></i>	<i>Continuing Fiberweb Business as at 31 December 2008 £m</i>
<b>Non-current assets</b>					
Goodwill	37.4	–	–	–	37.4
Other intangible assets	1.2	–	–	–	1.2
Property, plant and equipment	304.7	(42.4)	–	–	262.3
Investments in associates	2.2	–	–	37.3	39.5
Other investments	0.3	–	–	–	0.3
Deferred tax assets	8.9	–	–	–	8.9
	<u>354.7</u>	<u>(42.4)</u>	<u>–</u>	<u>37.3</u>	<u>349.6</u>
<b>Current assets</b>					
Inventories	66.8	(4.5)	–	–	62.3
Trade and other receivables	97.2	(8.0)	–	–	89.2
Cash and cash equivalents	26.4	(1.6)	1.6 <sup>(1)</sup>	–	26.4
Corporation tax recoverable	0.7	–	–	–	0.7
	<u>191.1</u>	<u>(14.1)</u>	<u>1.6</u>	<u>–</u>	<u>178.6</u>
<b>Total assets</b>	<u>545.8</u>	<u>(56.5)</u>	<u>1.6</u>	<u>37.3</u>	<u>528.2</u>
<b>Current liabilities</b>					
Trade and other payables	(96.2)	6.6	–	–	(89.6)
Tax liabilities	(7.4)	–	–	–	(7.4)
Obligations under finance leases	(2.8)	–	–	–	(2.8)
Bank overdrafts and loans	(10.5)	–	–	–	(10.5)
Provisions	(9.1)	–	–	–	(9.1)
	<u>(126.0)</u>	<u>6.6</u>	<u>–</u>	<u>–</u>	<u>(119.4)</u>
<b>Net current assets</b>	<u>65.1</u>	<u>(7.5)</u>	<u>1.6</u>	<u>–</u>	<u>59.2</u>

	<i>Fiberweb Group as at 31 December 2008 £m<sup>(3)</sup></i>	<i>Fiberweb Contributed Business as at 31 December 2008 £m<sup>(4)</sup></i>	<i>Cash/Debt Free Adjustment 2008 £m</i>	<i>Investment in JV Entities as at 31 December 2008 £m<sup>(5)</sup></i>	<i>Continuing Fiberweb Business as at 31 December 2008 £m</i>
<b>Non-current liabilities</b>					
Bank loans	(163.0)	–	–	–	(163.0)
Retirement benefit obligations	(35.5)	5.0	–	–	(30.5)
Deferred tax liabilities	(21.9)	2.3	–	–	(19.6)
Provisions	(2.8)	–	–	–	(2.8)
	<u>(223.2)</u>	<u>7.3</u>	<u>–</u>	<u>–</u>	<u>(215.9)</u>
<b>Total liabilities</b>	<u>(349.2)</u>	<u>13.9</u>	<u>–</u>	<u>–</u>	<u>(335.3)</u>
<b>Net assets/(liabilities)</b>	<u>196.6</u>	<u>(42.6)</u>	<u>1.6</u>	<u>37.3</u>	<u>192.9</u>

**Notes:**

- In preparing the pro forma statement of net assets, no account has been taken of trading since 31 December 2008. Under the terms of the Joint Venture Agreement, cash generated by the Fiberweb Contributed Business between 31 December 2008 and Completion (expected to be in the region of US\$10 million) will be contributed to the JV Entities upon Completion. No account of this potential working capital adjustment has been taken in preparing the pro forma as the amount is uncertain. Cash of £1.6 million as at 31 December 2008 has been excluded on the basis that contributed assets at this date are on a cash free and debt free basis.
- In the event that the default and exit provisions result in Fiberweb selling all of its shares in the JV Entities, the interests in the JV Entities' net assets would be removed from the Fiberweb Group balance sheet and the earnings contribution would also be removed from the income statement from the date of the disposal. In the event that the default and exit provisions result in Fiberweb acquiring all of Petropar's shares in the JV Entities, there would be no change in the net assets of Fiberweb at the date of the acquisition, however, the assets and liabilities of the JV Entities would be fully consolidated into the Fiberweb Group's balance sheet. Similarly, the results of the JV Entities from the date of the acquisition would be fully consolidated in the income statement
- The net assets of the Fiberweb Group have been extracted without material adjustment from the audited financial statements of the Fiberweb Group for the year ended 31 December 2008.
- The net assets of the Fiberweb Contributed Business as at 31 December 2008 have been extracted without material adjustment from information on the Fiberweb Group set out in Part III (*Financial Information Relating to the Fiberweb Contributed Business*) of this document.
- The carrying value of the investment in the JV Entities is equivalent to the book value of the net assets of the Fiberweb Contributed Business effectively retained by Fiberweb plus the fair value of the net assets (assumed to equate to the book value as at 31 December 2008 as set out on page 23) of the portion of the Petropar Contributed Business effectively acquired by Fiberweb, including related transaction costs of £3.5 million. The book value for the Petropar Contributed Business has been used as the fair value as at Completion, which cannot be accurately calculated at this stage.
- Assuming that the Joint Venture Transaction had completed on 1 January 2008, the Joint Venture would have had pro forma combined sales of £103.3 million (US\$191.7 million), proforma combined EBITDA of £12.3 million (US\$22.9 million), and proforma combined loss after tax of £13.5 million (US\$25.0 million) for the year ended 31 December 2008. This is set out in the table below:

	<i>Sales £m</i>	<i>EBITDA £m</i>	<i>Profit/(loss) after tax £m</i>	<i>Sales \$m</i>	<i>EBITDA \$m</i>	<i>Profit/(loss) after tax \$m</i>
Fiberweb Contributed Businesses	51.8	7.9	3.0	96.1	14.7	5.5
Petropar Contributed Businesses	51.5	4.4	(16.4)	95.6	8.2	(30.5)
Total Joint Venture	<u>103.3</u>	<u>12.3</u>	<u>(13.5)</u>	<u>191.7</u>	<u>22.9</u>	<u>(25.0)</u>

The sales, EBITDA and profit after tax figures for the Fiberweb Contributed Business have been derived without material adjustment from the information on the Fiberweb Group set out in Part III (*Financial Information relating to the Fiberweb Contributed businesses*). The sales and loss after tax figures for the Petropar Contributed Businesses have been extracted without material adjustment from the information on those businesses set out in Part IV (*Financial Information on Fitesa Brazil*). The EBITDA figure for the Petropar Contributed Businesses has been derived as follows:

**EBITDA for Petropar contributed businesses**

	<i>BRLm</i>	<i>\$m</i>
Results from operating activities	(3.1)	
Depreciation	18.2	
EBITDA (BRLm)	15.1	
<b>EBITDA (\$m)</b>		<b>8.2</b>

The results from operating activities and depreciation figures for the Petropar Contributed Businesses above have been extracted without material adjustment from the information on those businesses set out in Part IV (*Financial Information on Fitesa Brazil*)

From the date of the transaction, Fiberweb will equity account for its interest in the JV Entities, recognising its 50 per cent. share of the profit after tax within Fiberweb's operating profit from continuing businesses.

### **3. Report on the Unaudited Pro Forma Financial Information**

The following is the full text of a report on the pro forma financial information from Deloitte LLP, the reporting accountants to the Directors of Fiberweb.



#### **Report on Pro forma financial information**

The Board of Directors  
on behalf of Fiberweb plc  
1 Victoria Villas  
Richmond on Thames  
Surrey  
TW9 2GW

Lazard & Co., Limited  
50 Stratton Street  
London  
W1J 8LL

26 June 2009

Dear Sirs,

#### **Fiberweb plc (the “Company”)**

We report on the pro forma financial information (the “Pro forma financial information”) set out in Part V of the Class 1 circular dated 26 June 2009 (the “Investment Circular”), which has been prepared on the basis described in notes 1 to 6, for illustrative purposes only, to provide information about how the joint venture between Fiberweb plc (the “Company”) and Petropar S.A. (“Petropar”) to manufacture spunbond and spunmelt nonwoven fabrics in the Americas, combining the Company’s North American spunbond and spunmelt consumer fabrics business, consisting of Fiberweb Mexico SA de CV, Fiberweb Washougal Inc. and land at Simpsonville, SC and Petropar’s existing nonwoven business consisting of Fitesa Industrial Ltda and Fitesa, Inc. (the “Transaction”) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2008. This report is required by Listing Rule 13.5.31R and is given for the purpose of complying with that requirement and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro forma financial information in accordance with Listing Rule 13.5.31R.

It is our responsibility to form an opinion as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Listing Rule 13.5.31R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Investment Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Investment Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.



### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP  
*Chartered Accountants*

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## PART VI

### FURTHER INFORMATION ON THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of the principal terms of the Principal Joint Venture Transaction Documents. The Principal Joint Venture Transaction Documents are available for inspection as described in Part VII (*Additional Information*) of this document.

#### 1. MASTER TRANSACTION AGREEMENT

The Master Transaction Agreement was entered into on 25 June 2009 by and among Fiberweb, Petropar, Fitesa S.A., Fitesa Brazil, JV Holdco, Fiberweb Brazil and Fiberweb JV Holdings 2 in relation to the establishment of the JV Entities.

##### (a) *Structure of the Joint Venture Transaction*

###### (i) *Method by which Fiberweb will contribute under the Joint Venture Transaction*

(A) Fiberweb currently conducts the American Consumer Fabrics Business through Fiberweb Non-woven US and Fiberweb Mexico. Fiberweb Mexico is a wholly-owned subsidiary of Fiberweb Mexico Holdings, as is the Fiberweb Mexico service company, Fiberweb Services Mexico. Prior to Completion, Fiberweb will effect a group reorganisation pursuant to which the relevant assets of Fiberweb Non-woven US and the shares in Fiberweb Mexico Holdings, together with the Simpsonville Property, will be contributed into new companies within the joint venture structure of the JV Entities, which will be wholly-owned subsidiaries of JV Holdco.

(B) Following the Fiberweb Reorganisation, all of the issued voting shares in the capital of JV Holdco will be owned by Fiberweb JV Holdings 2, an indirect wholly owned subsidiary of Fiberweb. With regard to the economic interest in JV Holdco, Fiberweb JV Holdings 2 will hold 90 per cent., with Fiberweb Non-woven US and Fiberweb Simpsonville together holding the remaining 10 per cent. At Completion, Fiberweb JV Holdings 2 will transfer 50 per cent. of the voting and non-voting shares in the issued share capital of JV Holdco to Fitesa S.A.

###### (ii) *Method by which Petropar will contribute under the Joint Venture Transaction*

Fiberweb Brazil was incorporated on 4 June 2009 and is a wholly-owned subsidiary of Fiberweb JV Holdings 2. At Completion, Fitesa S.A. will transfer 100 per cent. of the issued share capital of Fitesa US to JV Holdco, and will transfer 50 per cent. of the issued share capital of Fitesa Brazil to Fiberweb Brazil.

##### (b) *No extraction of value since 31 December 2008*

Each of Fiberweb and Petropar represents, warrants and covenants to the other that there has not been since 31 December 2008, and will not be prior to Completion, any dividend, intra-group payment by, or other intra-group extraction of value from, any of the relevant operating companies, other than as necessary to reflect the fact that Fiberweb is contributing the Fiberweb Contributed Business on a debt free and cash free basis and Petropar is contributing the Petropar Contributed Business with net debt no greater than US\$95 million, as at, in each case, 31 December 2008.

##### (c) *Conditions*

Completion is conditional upon: (i) the shareholders of Fiberweb approving the Joint Venture Transaction; (ii) the shareholders of Petropar approving the Joint Venture Transaction; (iii) consents being obtained from certain third parties; (iv) merger control clearances being obtained from the Federal Competition Commission in Mexico; (v) the Fiberweb Reorganisation being materially

completed; (vi) the Petropar Reorganisation being materially completed; (vii) there being no material adverse change to the American Consumer Fabrics Business or Fitesa Brazil prior to Completion and (viii) there not being in effect any law or judgement, and there not being commenced or threatened any proceeding, that could prevent, make illegal or restrain the consummation of, or otherwise materially alter, any of the transactions contemplated by the Principal Joint Venture Transaction Documents.

The approval of the Brazilian antitrust authorities will be a condition subsequent to Completion. If the Brazilian antitrust authorities refuse to approve the Joint Venture or impose unreasonable restrictions, Fiberweb and Petropar will in good faith seek to modify their arrangements to the extent reasonably necessary to satisfy the requirements of the Brazilian antitrust authorities. If no agreement is reached between Fiberweb and Petropar which is acceptable to the Brazilian antitrust authorities within ninety days, each of Fiberweb and Petropar will be entitled to terminate the Joint Venture, in which event the parties will take such steps as are necessary to unwind the Joint Venture.

(d) ***Pre-Completion obligations***

Each of Fiberweb and Petropar has undertaken that, during the period prior to Completion, it will, and will cause its relevant subsidiaries to, conduct the businesses of the JV Entities only in the ordinary course of business and furthermore that certain actions will not be taken in respect of the relevant businesses without the prior consent of the other, including, without limitation, acquiring or disposing of any assets except in the ordinary course of business, making capital expenditure otherwise than in the ordinary course of business, and materially amending or terminating any material agreement.

(e) ***Warranties and indemnities***

(i) ***Warranties***

Fiberweb has provided certain warranties in respect of its American Consumer Fabrics Business which are common for a transaction of this nature. The warranties include, without limitation, warranties relating to the power and ability to enter into the Principal Joint Venture Transaction Documents, accounts and financial matters, the ownership of assets comprised in the American Consumer Fabrics Business, legal and regulatory matters, contracts, litigation, intellectual property matters, real estate matters, environmental matters, employees, employee benefits matters and taxation.

Petropar has provided substantially the same warranties to Fiberweb in relation to the business of Fitesa.

(ii) ***Indemnities***

Fiberweb agrees to provide customary indemnification of Petropar, Petropar's affiliates and, following Completion, JV Holdco and, in certain limited circumstances, Fitesa Brazil and its subsidiaries, and their respective directors, officers, equity owners, employees, agents, consultants and other advisers and representatives from and against any losses incurred or suffered arising out of any inaccuracy or breach in the warranties given by Fiberweb in the Master Transaction Agreement, or any breach by Fiberweb or its affiliates of its covenants and undertakings contained in the Principal Joint Venture Transaction Documents.

Petropar agrees to provide customary indemnification of Fiberweb, Fiberweb's affiliates and, following Completion, Fitesa Brazil, and their respective directors, officers, equity owners, employees, agents, consultants and other advisers and representatives from and against any losses incurred or suffered arising out of any inaccuracy or breach in the warranties given by Petropar in the Master Transaction Agreement, or any breach by Petropar or its affiliates of its covenants and undertakings contained in the Principal Joint Venture Transaction Documents.

(iii) *Limitations of liability*

The survival period for claims for breach of warranty after Completion is 18 months from the date of Completion, except that (i) claims in respect of taxation matters will survive until 180 days following the expiration of the applicable statute of limitations; (ii) claims in respect of employment and labour matters will survive for two years from the date of Completion; (iii) claims in respect of environmental matters will survive for seven years from the date of Completion and (iv) certain key warranties regarding authority, enforceability, capitalisation and ownership will survive indefinitely.

Fiberweb and Petropar have agreed that indemnification payments will only be made in respect of any individual claim where the losses relating to that claim are equal to or greater than US\$200,000, provided that neither Fiberweb nor Petropar will be liable unless and until the aggregate losses for which it would otherwise be liable under the Master Transaction Agreement exceed US\$1,000,000, in which case it will be liable for the full amount of such losses from the first dollar thereof. The liability of each of Fiberweb or Petropar under the Master Transaction Agreement is limited to an amount equal to US\$80,000,000, except that (i) Petropar's liability in respect of Fitesa's branch in the city of Horizonte, Brazil, which is not part of the Joint Venture, is unlimited and (ii) Fiberweb's liability in respect of its indemnification obligations discussed in paragraph (f) below, is unlimited.

(f) *Pensions*

The Fiberweb Contributed Business transferred to the JV Entities as part of the Fiberweb Reorganisation includes the existing Fiberweb Non-woven US defined benefit plan. Fiberweb has agreed to remain responsible for and indemnify the JV Entities with respect to the funding of any deficit in this plan other than with respect to benefits accruing to continuing members from Completion.

## 2. JOINT VENTURE AGREEMENT

Pursuant to the terms of the Master Transaction Agreement, the Joint Venture Agreement will be entered into by Fiberweb, Fiberweb Non-woven US, Fiberweb Simpsonville, Petropar, JV Holdco, Fiberweb Brazil, Fiberweb JV Holdings 2, Fitesa S.A. and Fitesa Brazil upon Completion.

(a) *Management of the JV Entities*

The boards of JV Holdco and Fitesa Brazil will be responsible for the overall management of the Joint Venture. The board of directors of each JV Entity will comprise four non-executive directors, two nominated by each of Fiberweb (through its subsidiaries) and Petropar. The board of directors of each JV Entity will meet as often as determined by the relevant directors, but in the case of JV Holdco and Fitesa Brazil at least once per calendar quarter.

Save for those matters reserved to the shareholders of the JV Entities, the board of directors of each JV Entity will have responsibility for the overall direction, supervision and management of the relevant JV Entity. All JV Entities will have the same CEO and CFO. The initial CEO for all JV Entities will be an appointee of Petropar and the initial CFO for all JV Entities will be an appointee of Fiberweb. The appointment or removal of any subsequent CEO or CFO of the JV Entities will require the joint written agreement of Fiberweb and Petropar, provided that the initial CEO may be removed unilaterally by Petropar and the initial CFO may be removed unilaterally by Fiberweb, in each case on no less than 12 months' written notice to the other.

Certain customary reserved matters will be determined only with the unanimous consent of the shareholders of the relevant JV Entity. These "reserved matters" include, without limitation, any alterations to the constitutional documents of the JV Entity, any change in the nature or geographical scope of the business of the JV Entity, the approval or amendment of the JV Entity's annual business plan or capital expenditure program, approving certain material contracts, borrowings or other transactions and appointing or removing senior management.

If a deadlock arises because the shareholders of any JV Entity fail to agree on any of the “reserved matters” or because the board of directors of a JV Entity fails to agree on any other management matter which is material to the business, the matter will first be referred to the respective chairmen of each of Fiberweb and Petropar. If such a deadlock persists or arises after the second anniversary of completion, then either Fiberweb or Petropar may choose to issue a notice in which it stipulates a price at which it would be prepared either to sell its shareholding or to acquire the shareholding of the other shareholder. The other shareholder may then choose either to sell its shares, or to buy the shares of the shareholder issuing the notice, at that stipulated price.

(b) ***Financing***

Each JV Entity is also entitled to borrow from third parties on the most favourable terms available, on the basis that any lenders are not allowed to participate in the share capital of any JV Entity or to have any influence or otherwise in the business of any JV Entity.

Fiberweb and Petropar are not required to provide guarantees or security for any indebtedness of any JV Entity, but if they do then it will be on a joint and several basis in proportion to their then-current respective shareholdings in the JV Entities. Fiberweb and Petropar will be entitled to receive a fee for any such guarantee or other security on a commercial arm’s length basis.

The Fiberweb Group will contribute an estimated US\$10 million of cash (representing the cash generated by the Fiberweb Contributed Business between 31 December 2008 and Completion). Fitesa is forecast to generate US\$11 million of cash between 31 December 2008 and Completion, which will be left in Fitesa on Completion and Petropar has made a down-payment of approximately €5.8 million in relation to the construction of a new Reicofil line. This down-payment will also be contributed to the JV Entities. Apart from this, neither Fiberweb nor Petropar will be obliged to provide any further debt or equity capital after Completion to any JV Entity and the JV Entities will be operated on a stand-alone basis, with their own working capital facilities independent of and without recourse to the Fiberweb Group.

(c) ***Restrictive Covenants***

Each of Fiberweb and Petropar has agreed that neither it nor any of its group companies will, whilst they are shareholders of the JV Entities and until the second anniversary of it (or any other member of its group) ceasing to be a shareholder in any JV Entity, compete with the business of the JV Entities or solicit or entice away any employees of any of the JV Entities.

The restrictive covenants will not prevent Fiberweb from operating its carded business.

(d) ***Transfer of Shares***

The Joint Venture Agreement contains a general prohibition for two years from the date of completion on the transfer of shares in the JV Entities, save to an affiliate of one of the shareholders. After such two year period, a shareholder may transfer its shares in a JV Entity to a third party provided that it first offers to sell those shares to the other shareholder at the same cash price as offered by that third party and otherwise on terms that are no less favourable than those contained in the offer from that third party.

(e) ***Term and Termination***

The Joint Venture Agreement will continue in force indefinitely, subject to certain termination events which apply to Fiberweb and Petropar. These events include: (i) certain insolvency-type events; (ii) a change of control; and (iii) material breaches of the Joint Venture Agreement that are not remedied within a specified period.

On the occurrence of a termination event, the non-defaulting shareholder is entitled to (but not obliged to) issue a transfer notice in which it stipulates a price at which it would be prepared either to sell its shareholding or to acquire the shareholding of the defaulting shareholder. The defaulting shareholder

must then choose either to sell its shares to the non-defaulting shareholder, or to buy the shares of the non-defaulting shareholder, at that stipulated price.

(f) ***Put Option in respect of carded business***

In connection with any sale of Fiberweb's shares in the JV Entities to Petropar (save for circumstances in which Petropar has exercised its right of first refusal to acquire Fiberweb's shares instead of a third party doing so), Fiberweb will be entitled to require Petropar to acquire Fiberweb's US carded business on customary arm's length terms at a price to be agreed or, failing agreement, to be determined by an independent valuer, subject to a purchase price cap of 4 times the 12 month trailing EBITDA (as defined in the Joint Venture Agreement) at the time of such sale.

### **3. FIBERWEB TRANSITION SERVICES AGREEMENT**

The Fiberweb Transition Services Agreement will be entered into by Fiberweb Inc., JV Holdco and Fitesa Brazil on Completion and details the provision of services from Fiberweb, Inc. and its affiliates to JV Holdco and Fitesa Brazil.

These services include, but are not limited to IT, HR, sales, finance, insurance administration and raw materials purchasing services. The initial term for the services will be until 30 September 2010 for insurance administration services, until 31 December 2010 for IT and raw material purchasing services, until the expiration or termination of the Joint Venture Agreement for sales services and until 30 June 2010 for the other services. JV Holdco may seek to extend receipt of a particular service beyond its initial term by giving notice to Fiberweb Inc. at least six months prior to the expiration of the initial term for that service. The parties shall then negotiate in good faith that potential extension and the terms thereof. JV Holdco and Fitesa Brazil shall pay Fiberweb Inc. for ongoing service provision on a fixed fee basis that has been calculated based on current Fiberweb intra-group fee levels, except that raw materials purchasing, sales and finance raising services will be at no charge. Third party costs incurred by Fiberweb in the provision of the services will be passed through to the Joint Venture. JV Holdco can terminate a service on 60 days prior notice, except that it cannot terminate a service during the initial term of that service. Fiberweb Inc. can terminate any or all services under the Fiberweb Transition Services Agreement due to a failure by JV Holdco to pay any amounts when due or if JV Holdco commits a material breach which remains uncured for 30 days.

The services to be provided by Fiberweb Inc. and its affiliates under the Fiberweb Transition Services Agreement will be limited to the scope of intra-group services provided by Fiberweb and its affiliates prior to Completion. The parties may, by mutual agreement, extend the scope of services on terms to be agreed.

The parties to the Fiberweb Transition Services Agreement have provided certain indemnities for breach of the agreement which are customary for this type of agreement. Each party's liability is subject to customary limitations. Fiberweb Inc.'s aggregate liability under the Fiberweb Transition Services Agreement is limited to an amount not exceeding the aggregate amount of service costs paid by JV Holdco in the preceding twelve months.

### **4. FIBERWEB PATENT LICENCE**

The Fiberweb Patent Licence will be entered into by Fiberweb Simpsonville, JV Holdco and Fitesa Brazil on Completion.

Under the Fiberweb Patent Licence, Fiberweb Simpsonville will grant a non-exclusive, royalty-free license to JV Holdco and Fitesa Brazil to use certain Fiberweb patent rights in order to design, develop, test, make and have made, in North, Central and South America, spunbond and spunmelt non-woven fabrics and composites, and in order to export, distribute and sell those products anywhere in the world.

The patent rights licensed under the Fiberweb Patent License are six specific patents and patent applications, together with other patents owned at Completion by Fiberweb and its affiliates which the parties agree become usable by the joint venture after Completion.

In addition, under the Fiberweb Patent Licence, Fiberweb Simpsonville will provide research and development services to the joint venture from time to time upon request from the joint venture. Fiberweb

Simpsonville will own any patents arising from such research and development services and will license them to JV Holdco and Fitesa Brazil on the licence terms described above. JV Holdco will pay a fee for such research and development services equal to \$0.08 per kilogram of all products sold by the joint venture, with such fee being capped annually at \$800,000.

The parties to the Fiberweb Patent License have provided certain warranties which are customary for this type of agreement. The Fiberweb Patent Licence will terminate upon the expiration of the last-to-expire patent right licensed under it. In addition, a party may terminate for material breach by the other party which remains uncured for twenty business days, or if the other party becomes insolvent. Fiberweb Simpsonville may also terminate upon twenty days' notice if JV Holdco fails to pay any amount under this agreement when due.

## PART VII

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Directors of Fiberweb, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

Fiberweb was incorporated and registered in England and Wales on 22 January 2006 under the Companies Act as a private company limited by shares with the name Trushelfco (No. 3193) Limited and with registered number 5683352. By a written resolution passed on 8 March 2006, it resolved to change its name to Fiberweb Limited. Further, by a written resolution passed on 14 September 2006, Fiberweb resolved to re-register as a public limited company and change its name to Fiberweb plc. On 18 September 2006, the re-registration and change of name became effective.

The business address of each of the Directors and the registered and head office of Fiberweb is 1 Victoria Villas, Richmond on Thames, London TW9 2GW. The telephone number of the registered address is +44(0) 20 8439 8310.

#### 3. Directors, Company Secretary, Registered Office

**Directors**  
Malcolm Coster (*Chairman*)  
Daniel Dayan (*Chief Executive Officer*)  
Daniel Abrams (*Chief Financial Officer*)  
Stephen Dryden (*Non-executive Director*)  
Richard Stillwell (*Non-executive Director*)  
Brian Taylorson (*Non-executive Director*)

**Secretary**  
Anthony Holland

**Registered Office**  
1 Victoria Villas, Richmond on Thames, London TW9 2GW

#### 4. Directors' Interests

As at 24 June 2009 (being the latest practicable date before the publication of this document), the interests of each Director, including those of any connected person (within the meaning of the Act and the provisions of the Disclosure and Transparency Rules), the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of Fiberweb together with any options in respect of such capital were as follows:

<i>Name of Director</i>	<i>Number of Ordinary Shares as at 24 June 2009 (including options)</i>	<i>Percentage of Ordinary Shares (including options)</i>
Malcolm Coster	394,201	0.31
Daniel Dayan	2,613,171	2.10
Daniel Abrams	722,193	0.58
Stephen Dryden	0	0
Richard Stillwell	127,500	0.10
Brian Taylorson	6,000	0.01

## 5. Directors' Service Contracts

Details of the Directors' service contracts which provide for benefits on termination of employment were included in the Annual Report, which is incorporated by reference into this document.

Details of the Directors who have received benefits on termination are also set out in the Annual Report, which is incorporated by reference into this document.

## 6. Share Schemes

As at 24 June 2009, (being the latest practicable date prior to the publication of this document), the following options over Ordinary Shares have been granted to the Directors under the LTIP, such options being exercisable at nil cost after the release date shown below:

		<i>Award Date</i>	<i>Exercise Price</i>	<i>Release Dates</i>	<i>Options</i>
D Dayan	Normal Award	27.11.06	Nil cost	After the publication of results for the year ending 31 December 2009	155,634
	Normal Award	12.05.08	Nil cost	The third anniversary of the date of award	857,143
					<hr/> 1,012,777 <hr/>
D Abrams	Normal Award	12.05.08	Nil cost	The third anniversary of the date of award	476,190
					<hr/> 476,190 <hr/>

Save as set out in this Part VII, no Director has any interest in the share capital of Fiberweb as at 24 June 2009 (being the latest practicable date prior to the publication of this Document).

## 7. Major Interests in Shares

Save as in respect of the interests of the Directors noted above and save as disclosed below, Fiberweb is not aware of any person who directly or indirectly, had, as at 24 June 2009 (being the latest practicable date before the publication of this document) a notifiable interest in the Ordinary Shares under Disclosure and Transparency Rule 5.

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
JP Morgan Asset Management (UK) Ltd	17,661,614	14.38
Franklin Resources Inc	13,328,131	10.89
Standard Life Investments Ltd	11,382,078	9.30
AXA S.A.	6,382,809	5.21
Schroder Investment Management	6,491,705	5.30
River & Mercantile Asset Management LLP	5,668,205	4.67
Legal & General Group Plc	4,536,884	3.70

The Fiberweb Shareholders detailed in the above table do not have different voting rights from those of the other Fiberweb Shareholders.

## **8. Key Individuals in the Joint Venture**

The names and principal functions of the key individuals appointed as designates of the JV Entities incorporated in England and Wales or Brazil are set out below:

Silverio Luis Américo Baranzano Brutti (*CEO*)  
Hal Singley (*CFO*)  
Daniel Dayan (*Non-executive Director*)  
Ian Barnes (*Non-executive Director*)  
Geraldo Enck (*Non-executive Director*)  
Silvio Partiti (*Non-executive Director*)

The names and principal functions of the key individuals appointed as designates of the JV Entities incorporated in the US or Mexico are set out below:

Silverio Luis Américo Baranzano Brutti (*CEO*)  
Hal Singley (*CFO*)  
John Herbst (*Non-executive Director*)  
David Keough (*Non-executive Director*)  
Geraldo Enck (*Non-executive Director*)  
Silvio Partiti (*Non-executive Director*)

## **9. Working Capital**

Fiberweb is of the opinion that, taking into account the facilities available to the Fiberweb Group, the Fiberweb Group has sufficient working capital for its present requirements; that is, for at least the next 12 months from the date of this document.

## **10. Material Contracts**

### **(a) Continuing Fiberweb Business**

Save as disclosed in this paragraph, no contracts (other than contracts entered into in the ordinary course of business) which are, or may be, material have been entered into by any member of the Continuing Fiberweb Business within the two years immediately preceding the date of this document and no other contracts (other than contracts entered into in the ordinary course of business) have been entered into by any member of the Continuing Fiberweb Business which contain provisions under which any member of the Continuing Fiberweb Business has any obligation or entitlement which is material to the Continuing Fiberweb Business as at the date of this document:

- (i) By a sale and purchase agreement dated 30 March 2007, Fiberweb sold its hygiene wipes business, which includes operations in the US, Spain and Italy manufacturing wipes for baby care, personal care and household applications, to Ahlstrom Corporation for a total cash consideration of €65 million. The sale and purchase agreement contains customary representations, warranties, indemnities and covenants for a transaction of this nature.
- (ii) By an asset purchase agreement dated 29 June 2007, Fiberweb Simpsonville sold its business operating a cotton bleachery located in Colrain, Massachusetts, US, to Barnhardt Manufacturing Company for a total cash consideration of approximately US\$3.6 million after a working capital adjustment. The asset purchase agreement contains customary representations, warranties, indemnities and covenants for a transaction of this nature.
- (iii) By an equity joint venture agreement dated 2 April 2008, Fiberweb Asia Pacific Limited entered into a joint venture with Tianjin Hengguan Nonwoven Company Limited under which Fiberweb owns 65 per cent. of a Chinese polyester spunbond fabric manufacturer, Fiberweb Hengguan (Tianjin) Speciality Nonwovens Company Limited, and has contributed a total investment of approximately US\$3.9 million to date. The equity joint venture agreement contains customary representations, warranties, indemnities and covenants for a transaction of this nature.

- (iv) By a quota purchase agreement dated 29 April 2008, FHL sold its wholly-owned Brazilian subsidiary, Fiberweb Bidim Industria e Comercio de Nao-Tecidos Ltda. to MEXICHEM S.A.B de C.V., a subsidiary of Mexichem Amanco Holding, S.A. de C.V., for a cash and debt-free consideration of R\$55.5 million, subject to a post completion working capital and EBITDA adjustment (as defined in the quota purchase agreement dated 29 April 2008). The quota purchase agreement contains various customary representations, warranties, indemnities and covenants for a transaction of this nature. In addition, Fiberweb guarantees the indemnification obligations of FHL under the quota purchase agreement as well as the due and punctual performance by FHL of its obligations under the terms of such agreement.
- (v) By a share purchase and assignment agreement dated 19 March 2009, Fiberweb Holding Deutschland GmbH agreed to acquire the outstanding capital stock of its joint venture partner, Nordenia International AG, in Coronor Composites GmbH for a cash consideration of €3.1 million. The sale was conditional upon the approval of the German Cartel office. The share purchase and assignment agreement contains customary representations, warranties, indemnities and covenants for a transaction of this nature.
- (vi) By a share sale agreement dated 30 April 2008, Fiberweb Corovin GmbH sold its 15 per cent. interest in the nonwoven materials manufacturer, Saudi German Nonwoven Products Company, to the other shareholders, Zamil Group Holding Company and Al-Rajhi House Enterprises, for a cash consideration of US\$7.3 million. Prior to completion of the transaction, Fiberweb also received a special dividend of US\$1.72 million. The share sale agreement contains customary representations, warranties, indemnities and covenants for a transaction of this nature.
- (vii) each of the Principal Transaction Documents as described in Part VI (*Further Information on the Principal Transaction Documents*) of this document.

(b) ***Fiberweb Contributed Business***

Save as disclosed in this paragraph, no contracts (other than contracts entered into in the ordinary course of business) which are, or may be, material have been entered into by any member of the Fiberweb Contributed Business within the two years immediately preceding the date of this document and no other contracts (other than contracts entered into in the ordinary course of business) have been entered into by any member of the Fiberweb Contributed Business which contain provisions under which any member of the Fiberweb Contributed Business has any obligation or entitlement which is material to the Fiberweb Contributed Business as at the date of this document:

- (i) the Joint Venture Agreement.
- (ii) the Fiberweb Transition Services Agreement.
- (iii) the Fiberweb Patent Licence.

(c) ***Petropar Contributed Business***

Save as disclosed in this paragraph, no contracts (other than contracts entered into in the ordinary course of business) which are, or may be, material have been entered into by any member of the Petropar Contributed Business within the two years immediately preceding the date of this document and no other contracts (other than contracts entered into in the ordinary course of business) have been entered into by any member of the Petropar Contributed Business which contain provisions under which any member of the Petropar Contributed Business has any obligation or entitlement which is material to the Petropar Contributed Business as at the date of this document:

- (i) the Joint Venture Agreement.
- (ii) Fiberweb Transition Services Agreement.
- (iii) Fiberweb Patent Licence.

## **11. Related Party Transactions**

Save for the share purchase and assignment agreement dated 19 March 2009 with respect to the acquisition by Fiberweb Holding Deutschland GmbH of the outstanding capital stock of its joint venture partner, Nordenia International AG, in Coronor Composites GmbH described in paragraph 10(a)(v) (*Material Contracts*) above, since its incorporation, Fiberweb has not entered into any related party transactions. Related party transactions for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002.

## **12. Litigation**

No member of the Continuing Fiberweb Business is engaged in, nor, so far as Fiberweb is aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had in the recent past (covering the 12 months preceding the date of this document), a significant effect on Fiberweb and/or the Continuing Fiberweb Business's financial position or profitability.

None of the JV Entities are engaged in, nor, so far as Fiberweb is aware, have pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had in the recent past (covering the 12 months preceding the date of this document), a significant effect on the JV Entities' financial position or profitability.

## **13. Significant Changes**

### **(a) Continuing Fiberweb Business**

There has been no significant change in the financial or trading position of the Continuing Fiberweb Business since 31 December 2008, being the date to which Fiberweb's most recent audited financial statements have been prepared.

### **(b) Fiberweb Contributed Business**

There has been no significant change in the financial or trading position of the Fiberweb Contributed Business since 31 December 2008, being the date to which Fiberweb's most recent audited financial statements have been prepared.

### **(c) Petropar Contributed Business**

There has been no significant change in the financial or trading position of the Petropar Contributed Business since 31 December 2008, being the date to which Petropar's most recently audited financial statements have been prepared.

## **14. Consents**

- (a) Lazard has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which it is included.
- (b) Deloitte LLP has given and has not withdrawn its written consent to the inclusion in Part V (*Unaudited Pro Forma Statement of Net Assets of the Continuing Fiberweb Business*) of this document of its report on the unaudited pro forma financial statement of net assets for the Continuing Fiberweb Business in the form and context in which it is included.
- (c) KPMG has given and has not withdrawn its written consent to the inclusion in Part IV (*Financial Information on Fitesa Brazil*) of this document of its report on the Fitesa financials in the form and context in which it is included.

## **15. Documents Available for Inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of Fiberweb and at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting:

- (a) the Memorandum and Articles of Association of Fiberweb;
- (b) the consent letters referred to in paragraph 14 above;
- (c) the Group's audited consolidated accounts for the financial years ended 31 December 2006, 2007 and 2008;
- (d) the report from Deloitte LLP on the pro forma statement of net assets in Part V (*Unaudited Pro Forma Statement of Net Assets of the Continuing Fiberweb Business*) of this document;
- (e) the Master Transaction Agreement;
- (f) the Joint Venture Agreement;
- (g) the Fiberweb Transition Services Agreement;
- (h) the Fiberweb Patent Licence; and
- (i) this document.

## **16. Information Incorporated by Reference**

The information regarding the Directors' service contracts on page 46 of the Annual Report has been incorporated into this document by reference and can be viewed by shareholders free of charge at the Company's registered office and has also been lodged with the UK Listing Authority.

Dated 26 June 2009

## PART VIII

### DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

<b>“Act”</b>	the Companies Act 2006 and every statute (including any orders regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as they apply to Fiberweb;
<b>“American Consumer Fabrics Business”</b>	Fiberweb’s North American spunbond and spunmelt consumer fabrics business currently operated by its subsidiaries, Fiberweb Non-woven US and Fiberweb Mexico;
<b>“Annual Report”</b>	Fiberweb’s report and audited consolidated accounts for the financial year ended 31 December 2008;
<b>“Board” or “Directors”</b>	the directors of Fiberweb whose names are set out on page 4 of this document;
<b>“CEO”</b>	the Chief Executive Officer;
<b>“CFO”</b>	the Chief Financial Officer;
<b>“Completion”</b>	completion of the Joint Venture Transaction in accordance with the terms of the Master Transaction Agreement;
<b>“Continuing Fiberweb Business”</b>	Fiberweb and its subsidiary undertakings following Completion;
<b>“CREST”</b>	the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755);
<b>“CREST Manual”</b>	the manual, as amended from time to time, produced by Euroclear UK & Ireland Limited describing the CREST system and supplied by Euroclear UK & Ireland Limited to users and participants thereof;
<b>“CREST Proxy Instruction”</b>	the instruction whereby CREST members send a CREST message appointing a proxy for the meeting and instructing the proxy on how to vote;
<b>“Dollars”, “USD” or “US\$”</b>	United States dollars;
<b>“EBITDA”</b>	earnings before restructuring costs and asset impairments, interest, taxation, depreciation and amortisation;
<b>“EU”</b>	the European Union;
<b>“Euro”, “EUR” or “€”</b>	the single currency of the European Union;
<b>“FHL”</b>	Fiberweb Holdings Limited, a company incorporated in England and Wales with registered number 5719031;
<b>“Fiberweb” or “Company”</b>	Fiberweb plc, a company incorporated in England and Wales with registered number 5683352;

<b>“Fiberweb Brazil”</b>	Fiberweb Brazil Limited, a company incorporated in England and Wales with registered number 6924741;
<b>“Fiberweb Contributed Business”</b>	the businesses of Fiberweb’s subsidiaries, Fiberweb Non-woven US and Fiberweb Mexico together with the Simpsonville Property;
<b>“Fiberweb Group” or “Group”</b>	Fiberweb and its subsidiary undertakings;
<b>“Fiberweb JV Holdings 2”</b>	Fiberweb Joint Venture Holdings 2 Limited, a company incorporated in England and Wales with registered number 6924727;
<b>“Fiberweb Mexico”</b>	Fiberweb de Mexico SA de CV, a company incorporated in Mexico with registered number 169;
<b>“Fiberweb Mexico Holdings”</b>	Fiberweb Nonwovens Mexico SA de CV, a company incorporated in Mexico with registered number 4671/1;
<b>“Fiberweb Non-woven US”</b>	Fiberweb Washougal, Inc., a company incorporated in Delaware, US with registered number 62-1421310 (FEIN number);
<b>“Fiberweb Option Schemes”</b>	the Fiberweb Deferred Share Matching Plan; the LTIP; the Fiberweb Executive Share Option Plan and the Fiberweb Savings-Related Share Option Scheme;
<b>“Fiberweb Patent Licence”</b>	the patent licence between (1) JV Holdco; (2) Fitesa Brazil; and (3) Fiberweb Simpsonville to be entered into upon Completion;
<b>“Fiberweb Reorganisation”</b>	the internal reorganisation of the Fiberweb Group prior to Completion to transfer the Fiberweb Contributed Business to the JV Entities;
<b>“Fiberweb Services Mexico”</b>	Servicios Fiberweb SA de CV, a company incorporated in Mexico with registered number 194783;
<b>“Fiberweb Shareholder” or “Fiberweb Shareholders”</b>	a holder of Ordinary Shares;
<b>“Fiberweb Simpsonville”</b>	Fiberweb Simpsonville, Inc., a company incorporated in Delaware, US with registered number 62-1421309 (FEIN number);
<b>“Fiberweb Transition Services Agreement”</b>	the transition services agreement between (1) Fiberweb, Inc; (2) JV Holdco; and (3) Fitesa Brazil to be entered into upon Completion;
<b>“Fitesa”</b>	Fitesa Brazil and Fitesa US;
<b>“Fitesa Brazil”</b>	Fitesa Industrial Ltda or Fitesa Industrial S.A. – Indústria de Não Tecidos (as the case may be), a company incorporated in Brazil with registered number 93.211.084/0001-93;
<b>“Fitesa US”</b>	Fitesa Inc., a company incorporated in South Carolina, US with registered number 081001-0213;
<b>“Form of Proxy”</b>	the form of proxy accompanying this document for use by Fiberweb Shareholders in connection with the General Meeting;
<b>“General Meeting”</b>	the General Meeting to be held at 10 a.m. on 15 July 2009, or any adjournment thereof;
<b>“IFRS”</b>	International Financial Reporting Standards as endorsed by the EU;

<b>“Joint Venture”</b>	the 50/50 joint venture intended to create the second largest producer of spunbond nonwoven fabrics in the Americas, combining the American Consumer Fabrics Business, the Simpsonville Property and Petropar’s existing nonwoven business consisting of Fitesa;
<b>“Joint Venture Agreement”</b>	the joint venture agreement between (1) Fiberweb; (2) Fiberweb Simpsonville; (3) Fiberweb Non-woven US; (4) Petropar; (5) JV Holdco; (6) Fiberweb Brazil; (7) Fitesa S.A.; (8) Fitesa Brazil; and (9) Fiberweb JV Holdings 2 to be entered into upon Completion;
<b>“Joint Venture Transaction”</b>	the establishment of a 50/50 joint venture intended to create the second largest producer of spunbond nonwoven fabrics in the Americas, combining the American Consumer Fabrics Business, the Simpsonville Property and Petropar’s existing nonwoven business consisting of Fitesa;
<b>“JV Entities”</b>	JV Holdco and Fitesa Brazil and their respective subsidiaries following Completion;
<b>“JV Holdco”</b>	Fiberweb Joint Venture 3 Limited, a company incorporated in England and Wales with registered number 6924703, which will, on Completion, change its name to FitesaFiberweb Limited;
<b>“KPMG”</b>	KPMG Auditores Independentes, Sao Paulo, Brazil;
<b>“Kronor” or “SEK” or “kr”</b>	Swedish kronor;
<b>“Lazard”</b>	Lazard & Co., Limited;
<b>“Listing Rules”</b>	the listing rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended);
<b>“LTIP”</b>	the long term incentive plan approved by Fiberweb Shareholders in November 2006;
<b>“Master Transaction Agreement”</b>	the agreement dated 25 June 2009 between (1) Fiberweb; (2) Petropar; (3) JV Holdco; (4) Fitesa S.A. (5) Fiberweb Brazil; (6) Fitesa Brazil; and (7) Fiberweb JV Holdings 2;
<b>“Ordinary Shares”</b>	ordinary shares of 5 pence each in the capital of Fiberweb;
<b>“Petropar”</b>	Petropar S.A., a company incorporated in Brazil with registered number 91.820.068/0001-72;
<b>“Petropar Contributed Business”</b>	the business of Fitesa;
<b>“Petropar Reorganisation”</b>	the internal reorganisation of the Petropar group prior to Completion;
<b>“Principal Joint Venture Transaction Documents”</b>	the Master Transaction Agreement; the Joint Venture Agreement; the Fiberweb Patent Licence; and the Fiberweb Transition Services Agreement;
<b>“Reais” or “BRL” or “R\$”</b>	Brazilian Reais and <b>“Real”</b> shall be construed accordingly;
<b>“Resolution”</b>	the ordinary resolution to approve the Joint Venture Transaction to be proposed at the General Meeting, the full text of which is set out in Part IX ( <i>Notice of General Meeting</i> ) of this document;

<b>“Simpsonville Property”</b>	the real estate property in Simpsonville, South Carolina, currently owned by Fiberweb Simpsonville and which is to be transferred to the JV Entities prior to Completion;
<b>“SMS”</b>	a spunbonded/meltblown/spunbonded manufacturing process;
<b>“Sterling” or “GBP” or “£”</b>	British Pounds;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“UK GAAP”</b>	the accounting principles generally accepted in the UK;
<b>“UK Listing Authority”</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended);
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and
<b>“Yuan” or “Renminbi” or “RMB” or “Y”</b>	Chinese renminbi.

Words importing the singular shall include the plural and *vice versa*.

## PART IX

### NOTICE OF GENERAL MEETING



*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5683352)*

**NOTICE IS HEREBY GIVEN** that a General Meeting of Fiberweb plc (the “**Company**”) will be held at 10.00 a.m. on 15 July 2009 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

#### **Ordinary Resolution**

THAT the proposed joint venture transaction (the “**Joint Venture Transaction**”) described in the circular to the shareholders of the Company dated 26 June 2009 (the “**Circular**”) be and is hereby approved and the Directors of the Company be and are hereby authorised to do such things as they may in their absolute discretion consider necessary or desirable in order to implement and complete the Joint Venture Transaction in accordance with the terms set out in the Principal Joint Venture Transaction Documents (as defined in the Circular), subject to such immaterial amendments thereto as the Directors of the Company (or any duly authorised committee thereof) may in their absolute discretion think fit.

By order of the Board

**Anthony Holland**  
*Company Secretary*

26 June 2009

**Registered Office:**  
1 Victoria Villas  
Richmond on Thames  
London  
TW9 2GW

**Notes:**

1. As at 24 June 2009, the Company's issued share capital consisted of 122,440,375 ordinary shares with each share carrying the right to one vote. The Company holds no ordinary shares in treasury. The total number of voting rights in the Company, as at 24 June 2009, was therefore 122,440,375.
2. Only ordinary shareholders ("members") are entitled to attend and vote at the General Meeting. A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the General Meeting convened by this Notice. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not also be a member of the Company.
3. To be valid, Forms of proxy, if used, must be lodged at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 48 hours before the General Meeting. Completion and return of the proxy form will not preclude a shareholder from attending and voting at the General Meeting in person if he/she so wishes. Alternatively, you may record your proxy vote electronically, either by utilising the web-based voting facility or the CREST electronic appointment service. If you would like to submit your Form of proxy using the web-based voting facility go to [www.capitaregistrars.com](http://www.capitaregistrars.com) and choose the shareholders page. You will be asked to enter your unique investor code from the proxy card sent to you before you can lodge your vote.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CREST Co's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CREST Co does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 10.00 a.m. on 13 July 2009, or registered in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at that time, and any changes to entries in the relevant register made after 10.00 a.m. on 13 July 2009, or less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.
6. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 who have been sent a copy of this Notice of Meeting are hereby informed, in accordance with Section 149(2) of the Companies Act 2006, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for the General Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the member by whom they were nominated in respect of these arrangements.

7. In order to facilitate voting by corporate representatives at the General Meeting, arrangements will be put in place so that:
  - (a) if a corporate shareholder has appointed the Chairman of the Meeting ("the Chairman") as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the General Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

- (b) if more than one corporate representative for the same corporate shareholder attends the General Meeting but the corporate shareholder has not appointed the Chairman as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives. Please see [www.icsa.org.uk](http://www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.