





Uralita Group



Corporate
Governance
Annual Report

Uralita, S.A.

Corporate Governance Annual Report

for the Year Ended 31 December 2005

Approved by the Board of Directors on 27 March 2006

INTRODUCTION

The present Corporate Governance Annual Report, approved by the Board of Directors of Uralita, S.A. (“Uralita”) at its Meeting of 27 March 2006, has been prepared in accordance with Law 26/2003 of 17 July, Ministerial Order ECO 3722/2003 dated 26 December and Circular 1/2004, of 17 March, issued by the Comisión Nacional del Mercado de Valores (the Spanish securities regulator or the “CNMV”). These regulations have been passed in recent years with the aim of reinforcing transparency at listed companies.

This Report shall be presented to shareholders at the Ordinary General Meeting of Shareholders and will be notified to the CNMV as a Significant Event. Also, this Report shall be available to shareholders on its website, so satisfying the shareholders’ right to information as set out in articles 112 of the revised Corporations Law and 117 of Securities Market Law 24/1988, dated 28 July. In this way, any interested party can become acquainted with the Uralita Group’s corporate governance policies.

The Report’s content and structure have been adapted to comply with the CNMV’s Circular 1/2004 of 17 March regarding the annual corporate governance report of listed companies and other entities issuing securities for trading on secondary official securities markets, and other information vehicles of listed companies.



A. SHARE CAPITAL STRUCTURE

A.1. Share capital

Last modification date	Share Capital	Number of shares
26 May 2004	142,199,861.04€	197,499,807

All shares belong to a single class and series and confer the same voting and economic rights.

The shares are recorded in book-entry form in the appropriate registers at IBERCLEAR.

All the shares making up the share capital of Uralita are listed for trading on the Stock Exchanges of Madrid, Barcelona and Valencia and traded through SIBE.

A.2. Significant direct and indirect shareholders at year-end, excluding Directors.

Tax ID number	Shareholder name	Number of direct shares	Number of indirect shares	% share capital
	Cycladic Catalyst Master Fund	2,050,868	0	1.038

Significant movements in the shareholder structure during the financial year

During the year 2005 there were not any significant changes in the shareholder structure.

A.3. At the time of writing, the members of the Board of Directors of Uralita have the following shareholdings.

Tax ID number	Name or company of the Director	First appointed	Most recent appointment	Number of direct shares	Number of indirect shares	% of total share capital
A-48.069.181	NEFINSA, S.A.	10/12/2002	10/12/2002	85,649,040	0	43.366
G-37.244.191	Caja de Ahorros de Salamanca y Soria (Caja Duero)	15/07/2002	15/07/2002	10,355,751	0	5.243
B-82.718.206	Atalaya Inversiones, SRL	19/06/2001	19/06/2001	9,877,083	0	5.001
15.768.843-C	Mr. Javier Echenique Landiribar	8/01/2003	8/01/2003	75,000	0	0.038

% TOTAL OF CAPITAL HELD BY BOARD OF DIRECTORS 53.65

Members of the Board of Directors with share options.

No Director has any options on shares in the Company.

A.4. Family, commercial, contractual or corporate relationships between significant shareholders.

The Company is not aware of any relationships of a commercial, contractual or corporate nature between significant shareholders.

A.5. Relationships of a commercial, contractual or corporate nature between significant shareholders, unless they are insignificant or derive from ordinary business activities.

There are no relationships of a commercial, contractual or corporate nature between significant shareholders and the Company, with the exception of those mentioned in section C.1. of this report in relation to related party transactions.

A.6. Shareholders' agreements of which the Company has been notified.

The Company is unaware of the existence of any agreements between its shareholders.

Concerted actions between shareholders

The Company is unaware of the existence of any concerted actions between its shareholders.

A.7. Natural or corporate person who exercises, or can exercise, control over the company in accordance with article 4 of the Securities Market Law.

There are no agreements of any kind among Uralita's shareholders, nor between the Directors of the Company, that would allow any of these to exert a control greater than that corresponding to their share in the Company's capital. As a consequence, no person controls Uralita in the sense defined by article 4 of the Securities Market Law.

A.8. Own shares.

During the year 2005 Uralita has not made any operation with own shares.

A.9. Terms and conditions of the current authorisation granted at the General Meeting of Shareholders to the Board of Directors for transactions involving own shares.

The General Meeting of Shareholders held on 18 May 2005 passed the following resolution: Sixth: to authorise, in accordance with Article 75 of the Corporations Law, the derivative acquisition of shares of Uralita S.A. within the limits set by law. The authorisation applies, with the increased limit, to acquisitions made by the Subsidiary Companies of Uralita, S.A.

A.10. Restrictions on voting and the acquisition or transfer of holdings in the Company's share capital.

Article 17 of the Articles of Association states that fifteen or more shares are required to attend General Meetings, which must be registered in the appropriate accounting record at least five days prior to the date on which the Meeting is to be held. Each fifteen shares shall confer one vote.

There are no restrictions on the acquisition and transfer of shares.

B. MANAGEMENT STRUCTURE OF THE COMPANY

B.1. Board of Directors

B.1.1. Maximum and minimum number of Directors as set out in the Articles of Association

Maximum number of Directors	20
Minimum number of Directors	3

B.1.2. Members of the Board

Tax ID number	Name or company of the Director	Representative	Position on the Board	First appointed	Most recent appointment	Appointment procedure
22.540.252-E	Mr. Javier Serratos Luján		Chairman	10/12/2002	10/12/2002	Co-opted and ratified by the General Meeting of Shareholders
A-48.069.181	NEFINSA, S.A.	Mr. Pablo Serratos Luján	Director	10/12/2002	10/12/2002	Co-opted and ratified by the General Meeting of Shareholders
G-37.244.191	Caja de Ahorros de Salamanca y Soria (Caja Duero)	Mr. Julio Feroso García	Director	15/07/2002	15/07/2002	General Meeting of Shareholders
B-82.718.206	Atalaya Inversiones, SRL	Mr. José María Bueno Lidón *	Director	19/06/2001	19/06/2001	General Meeting of Shareholders
15.768.843-C	Mr. Javier Echenique Landiribar		Director	8/01/2003	8/01/2003	General Meeting of Shareholders
22.674.311-Z	Mr. José Manuel Serra Peris		Director	8/01/2003	8/01/2003	General Meeting of Shareholders
27.808.279-Z	Mr. Jesús Quintanal San Emeterio		Director	8/01/2003	8/01/2003	General Meeting of Shareholders
19.831.991-B	Mr. José Antonio Carrascosa Ruiz		Director	10/12/2002	10/12/2002	Co-opted and ratified by the General Meeting of Shareholders
29.159.722-T	Mr. Javier González Ochoa		Director	10/12/2002	10/12/2002	Co-opted and ratified by the General Meeting of Shareholders
8.098.784-R	Mr. José Ignacio Olleros Piñero		Director	8/01/2003	8/01/2003	General Meeting of Shareholders
1.342.266-D	Mr. Álvaro Rodríguez-Solano Romero		Director and Board Secretary	26/05/2004	26/05/2004	General Meeting of Shareholders

* Mr. José María Bueno Lidón was appointed proxy for Atalaya Inversiones, S.R.L.'s Board seat on 2 September, 2005, replacing Mr. Juan Pedro Álvarez Giménez.

TOTAL NUMBER OF DIRECTORS 11

Resignations from the Board of Directors in 2005

Tax ID number	Name or company name	Date of resignation
03.093.587-H	Mr. Íñigo Jodra Uriarte	23/11/2005
4025728945D ⁽¹⁾	Mr. Frank Wojtalewicz *	11/10/2005

(1) Passport number

(*) Mr. Frank Wojtalewicz was appointed Board Director at the General Meeting of Shareholders held on 18 May, 2005.

B.1.3. Members of the Board of Directors

EXECUTIVE DIRECTORS

Tax ID number	Name or company name	Committee which proposed their appointment	Position at the Company
22.540.252-E	Mr. Javier Serratosa Luján	Nomination and Remuneration 10/12/02	Chairman
8.098.784-R	Mr. José Ignacio Olleros Piñero	Nomination and Remuneration 27/1/02	Chief Financial Officer
1.342.266-D	Mr. Álvaro Rodríguez-Solano Romero	Nomination and Remuneration 10/5/04	Head of Legal Services Secretary and Director

EXTERNAL REPRESENTATIVE DIRECTORS

Tax ID number	Name or company name	Representative	Committee which proposed appointment	Significant shareholder represented
A-48.069.181	NEFINSA, S.A.	Mr. Pablo Serratosa Luján	Board of Directors 10/12/2002	NEFINSA, S.A.
G-37.244.191	Caja de Ahorros de Salamanca y Soria (Caja Duero)	Mr. Julio Feroso García	Nomination and Remuneration 31/05/2002	Caja de Ahorros de Salamanca y Soria (Caja Duero)
B-82.718.206	Atalaya Inversiones, S.R.L.	Mr. José María Bueno Lidón	Nomination and Remuneration 18/06/2001	Atalaya Inversiones, S.R.L.
19.831.991-B	Mr. José Antonio Carrascosa Ruiz		Board of Directors 10/12/2002	NEFINSA, S.A.
29.159.722-T	Mr. Javier González Ochoa		Board of Directors 10/12/2002	NEFINSA, S.A.

EXTERNAL INDEPENDENT DIRECTORS

Tax ID number	Name or company name	Profile*	Committee which proposed appointment
15.768.843-C	Mr. Javier Echenique Landiribar		Board of Directors 8/01/2003
22.674.311-Z	Mr. José Manuel Serra Peris		Board of Directors 8/01/2003
27.808.279-Z	Mr. Jesús Quintanal San Emeterio		Board of Directors 8/01/2003

* Profile of Independent Directors

We briefly summarise below the academic careers and professional experience of the Independent Directors on Uralita's Board. All have a long professional track record:

Mr. Javier Echenique Landiribar

Director of Uralita S.A. since January 2003.

Economics graduate. Previously General Manager and Director of Allianz-Ercos and Eurovida, General Manager of BBV and General Manager of BBVA in 2001, with responsibility for wholesale banking, which included investment banking and the industrial group. He is currently a Director of Telefónica Móviles, S.A. and ACS representing Imverlin Patrimonio, S.L., among others.

Mr. José Manuel Serra Peris

Director of Uralita S.A. since January 2003.

Law graduate and public Attorney. He was previously Secretary of State for the Ministry of Industry and Energy. He has served as Chairman of the Spanish Patents and Trademarks Office. Chairman of the Spanish Centre for Industrial Technological Development (CDTI) and a Director of the Spanish state holding company, SEPI, Iberia and Endesa. His other positions include Directorships of Grupo Ence, Red Eléctrica de España, S.A. and of Natraceutical, S.A.

Mr. Jesús Quintanal San Emeterio

Director of Uralita S.A. since January 2003.

Economics graduate. He was previously General Manager at Banco de Granada and Chief Executive of Aseguradora Galicia, S.A. Currently he is the Chief Executive of AEGON and a member of the International Board of AEGON, NV. He is also a Director of the Spanish Insurance Sector Research Body, the ICEA, Managing Director of the Spanish Union of Insurance and Reinsurance Companies (UNESPA) and a member of the National Reinsurance Board and a Director of Naviera Elcano, S.A.

OTHER EXTERNAL DIRECTORS

There are no other external Directors.

Changes in the classification of Directors in 2005

During the year 2005 there were not any changes in the classification of Directors.

B.1.4. Uralita's Directors are classified pursuant to the Rules of the Board

The Board of Directors, exercising its powers to make proposals to the General Meeting of Shareholders and to co-opt to cover vacancies, in accordance with article 6.1 of the Rules of the Board of Directors, is comprised of eight Non-Executive External Directors, and three Executive Directors.

B.1.5. Powers of the Chief Executive, if appropriate

There is no Chief Executive at present.

B.1.6. Directors who are also executives or Directors of other companies that form part of the Uralita Group

Tax ID number	Name or company name of Director	Name of Group entity	Tax ID number	Position
22.540.252-E	Mr. Javier Serratosa Luján	Ursa Ibérica Aislantes, S.A.	A-28042679	Chairman
22.540.252-E	Mr. Javier Serratosa Luján	Ursa International, GmbH	DE-813551197	Administrator
8.098.784-R	Mr. José Ignacio Olleros Piñero	Uralita Holding, BV	8137.29.300	Administrator
8.098.784-R	Mr. José Ignacio Olleros Piñero	Uralita, BV	8137.29.269	Administrator
1.342.266-D	Mr. Álvaro Rodríguez-Solano Romero	Uralita Holding, BV	8137.29.300	Administrator
1.342.266-D	Mr. Álvaro Rodríguez-Solano Romero	Uralita, BV	8137.29.269	Administrator

B.1.7. Uralita Directors who are members of the Board of Directors of other entities listed on official securities markets in Spain, of which that Group has been notified

Tax ID number Director	Name or company name of Director	Listed entity	Position
G-37.244.191	Caja de Ahorros de Salamanca y Soria (Caja Duero)	Ebro Puleva, S.A.	Board Member
15.768.843-C	Mr. Javier Echenique Landiribar	Telefónica Móviles, S.A. ACS (representing Imverlin Patrimonio, S.L.)	Board Member
22.674.311-Z	Mr. José Manuel Serra Peris	Red Eléctrica de España, S.A. Grupo Empresarial Ence, S.A. Natraceutical, S.A.	Board Member

B.1.8. Total joint remuneration of Directors accrued during the financial year

a) In the company featured in the present report:

Remuneration	Figures in thousands of euros
Fixed remuneration	1,034
Variable remuneration	0
Allowances	648
Attendance fees	0
Share options	0
Other	0
TOTAL	1,682

Other benefits	Figures in thousands of euros
Advances	0
Loans granted	0
Pension funds and schemes: contributions	0
Pension funds and schemes: obligations contracted	0
Life insurance premiums	0
Guarantees furnished by the company for Directors	0

b) Remuneration received by Directors for being on other Boards and/or part of senior management at Group companies:

Remuneration	Figures in thousands of euros
Fixed remuneration	0
Variable remuneration	0
Allowances	0
Attendance fees	0
Share options	0
Other	0
TOTAL	0

Other Benefits	Figures in thousands of euros
Advances	0
Loans granted	0
Pension funds and schemes: contributions	0
Pension funds and schemes: obligations contracted	0
Life insurance premiums	0
Guarantees furnished by the company for Directors	0

c) Remuneration received by type of Director:

Type of Director	By the Company	By the Group
Executive	1,226	0
External Representative	276	0
External Independent	180	0
Other external		
TOTAL	1,682	0

d) Share received by members of the Board in the profit of the parent company:

Total Director remuneration (in thousands of euros)	1,682
Total Director remuneration over attributed income	4.78%*

* The remuneration of the Board, excluding the salaries of Executive Directors, represents 1.84% of the Company's attributed income.

B.1.9. Remuneration of Senior Management who are not also executive Directors

Tax ID number	Name or company name	Position
5.277.406-X	Mr. Jorge Alarcón Alejandre	Head of Planning and Corporate Development
5.238.187-Y	Mr. Juan Sánchez Espinosa de los Monteros	Head of Corporate IS&P
40.514.835-J	Mr. Daniel Llinás Sala	General Manager Ursa International, GmbH.
6.194.928-Q	Mr. José Luis Pozo Palomares	General Manager Uralita Iberia, S.L.
2.492.906-M	Mr. Gonzalo Valdés Dal-Re	Head of Human Resources

Total remuneration of Senior Management in thousands of euros	1,044
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B.1.10. Golden handshake clauses for members of Senior Management, including Executive Directors, in the event of redundancy or change of ownership

Not applicable.

B.1.11. Determination of the remuneration of Board members and relevant clauses of Articles of Association, where appropriate

Uralita's Article of Association 27 relating to the remuneration of the Board of Directors establishes the procedure and form for Board member remuneration.

The aforementioned articles set the total remuneration for Directors at a fixed sum, the maximum amount of which will be approved each business year at the General Meeting of Shareholders. In the event that the amount is not set at the General Meeting of Shareholders in any financial year, the maximum amount will be understood to be the same as that applied in the previous financial year.

In this sense, the Board of Directors decides on the annual amount within the limits set at the General Meeting of Shareholders and determines distribution among the Company's Directors as it sees fit.

The Articles of Association also provide for the possibility that Directors may be remunerated through the granting of shares, share options or a similar system linked to the share price. The application of any such system would need to be approved at the General Meeting of Shareholders, in accordance with article 130 of the Corporations Law.

Article 27 of the Rules of the Board states that each Uralita Director is entitled to the remuneration set by the Board in accordance with the Articles of Association, resolutions made at the Shareholders' Meeting and in accordance with the recommendations of the Nomination and Remuneration Committee.

B.1.12. Members of the Board who are members of the Boards or executives of companies holding significant interests in the company and/or in companies in the same group

Tax ID number Director	Name or company name	Tax ID number of significant shareholder	Name or company name of significant shareholder	Position
22.540.252-E	Mr. Javier Serratosa Luján	A-48.069.181	NEFINSA, S.A.	Chief Executive
22.648.681-Y	Mr. Pablo Serratosa Luján	A-48.069.181	NEFINSA, S.A.	Director Group General Manager
9.668.354-M	Mr. Julio Feroso García	G-37.244.191	Caja de Ahorros de Salamanca y Soria (Caja Duero)	Chairman of Caja Duero
27.832.280-A	Mr. José María Bueno Lidón	B-82.718.206	Atalaya Inversiones, S.R.L.	Representative of Atalaya Inversiones, S.R.L.
19.831.991-B	Mr. José Antonio Carrascosa Ruiz	A-48.069.181	NEFINSA, S.A.	Chief Financial Officer
29.159.722-T	Mr. Javier González Ochoa	A-48.069.181	NEFINSA, S.A.	Secretary of the Board. Head of Legal Department and Human Resources

Significant relationships other than those contemplated in the previous section between members of the Board and companies holding significant interests in the Company and/or companies in its group

The company has received no notification of significant relationships between members of the Board and companies holding significant interests in the Company and/or companies in its group.

B.1.13. Modifications to the Rules of the Board made during the financial year 2005

There were no modifications to the Rules of the Board during 2005. However these are due to be modified in 2006 by the Board of Directors in accordance with Law 19/2005 once the General Meeting of Shareholders has approved the modification to the Company's Articles of Association concerning the mandate of Board Members.

B.1.14. Procedures for the appointment, re-appointment, assessment and removal of Directors. Competent bodies, procedures to be followed and criteria to be employed in each of the procedures

The Directors are appointed at the General Meeting of Shareholders or by the Board of Directors, exercising its co-option right under the Corporations Law.

Proposals for the appointment or re-election of Directors submitted by the Board of Directors at the General Meeting of Shareholders, as well as proposed appointments by the Board, must first be proposed by the Nomination and Remuneration Committee, which assesses in advance the suitability of the candidates, taking into consideration their academic and professional qualifications, professional good name, and any incompatibilities, conflicts of interest or possible infringement of any stipulations under law or the Articles of Association.

Both the aforementioned Committee and the Board seek to ensure that any Directors appointed, as well as meeting all requirements under the law and Articles of Association, are persons whose skills, experience and professional reputation are appropriate to the functions they exercise.

Director dismissals also fall under the auspices of the Shareholders' Meeting. However, as with the procedures for the appointment or reappointment of Directors, the Nomination and Remuneration Committee can propose to the Board the dismissal of a Director on the grounds that he/she has failed to fulfil his/her duties, in which case the Board, if it approves the proposal to dismiss the Director, submits it to the Shareholders' Meeting for approval.

B.1.15. Events under which Directors must tender their resignation

Under article 8.2 of the Rules of the Board, Directors must offer their resignation to the Board when:

- a) They reach the age of 70.
- b) They breach any of the criteria of incompatibility or prohibitions set down by law.
- c) When they are severely reprimanded by the Nomination and Remuneration Committee for failing in their duties as Director.

B.1.16. Does the current Chairman of the Board also act as the Company's Chief Executive?

YES

The current Chairman of the Board also acts as the Company's Chief Executive. The Board of Uralita is the Company's main decision-making body, notwithstanding its delegation of day-to-day management of the Company to the executive bodies and the management team. The Board exercises in all circumstances a general role of supervision and control over the actions of the management team.

The Rules of the Board remit to the Board all decisions on significant investments and disposals, as well as decisions regarding the opening of new or closure of current lines of business. Uralita's strategic plan and annual budget must be approved by the Board of Directors. The Chief Executive therefore manages the business in accordance with the strategic lines determined by the Board. The investment in or disposal of any asset worth over €20 million also requires the Board's approval.

The Board also has two sub-committees: the Audit Committee and the Nomination and Remuneration Committee. Both are made up of Directors and exercise specific and exclusive responsibilities, set out in the Rules of the Board and detailed below. These committees in themselves represent a bulwark against the concentration of power in the same hands and act as a safeguard against possible risks. For instance, one of the functions of the Nomination and Remuneration Committee is to approve the annual remuneration of the management team consisting of the Chairman and other members of the Uralita Group Management Committee.

B.1.17. Are special majorities required, differing from those stipulated by law, for any type of decision?

YES

The mandate of a member of the Audit Committee may only be revoked, assuming the person concerned remains a Director, if two-thirds of the members of the Board approve the measure.

Adoption of resolutions by the Board of Directors:

Description of resolution	Quorum	Type of majority
	Half plus one in first call	Absolute majority of Directors present
	No quorum required in second call	Absolute majority of Directors present

B.1.18. Are there specific requirements, other than those established for Directors, that must be met to be appointed Chairman?

NO

B.1.19. Does the Chairman have a casting vote?

YES

Matters for which a casting vote is necessary

All matters

B.1.20. Age limits for Directors established by the Articles of Association or Rules of the Board

70 years for all Directors including the Chairman of the Board

B.1.21. Do the Rules of the Board establish a limited term of office for Independent Directors

NO

B.1.22. Formal procedures for the delegation of votes at Board Meetings

Under article 24 of the Articles of Association any Director may delegate in writing another Director to vote on his/her behalf. In practice, Directors only delegate their votes in writing for each Board Meeting on a case by case basis.

B.1.23. Number of meetings held by the Board of Directors during the year, indicating how many times the Board has met without the Chairman

Number of Board meetings	5
Number of Board meetings without the Chairman	None

Number of meetings of the different Board Committees during the year

Number of meetings of the Audit Committee	4
Number of meetings of the Nomination and Remuneration Committee	6

B.1.24. Are the individual and consolidated financial statements submitted to the Board for approval previously certified?

NO

The Annual Accounts submitted to the Board are not previously certified by the Chairman and Chief Financial Officer. However, the Annual Accounts are first approved by the Audit Committee.

B.1.25. Mechanisms established by the Board to avoid a qualified auditors' report on the individual and consolidated financial statements being laid before the General Shareholders' Meeting

The procedures in place at Uralita to circumvent any such qualification are based on previous meetings between the external auditors and the Audit Committee and with the Company's Internal Audit Department. All necessary information is facilitated by the Chief Financial Officer and other member of the management team, as appropriate, at these meetings. The aim of these meetings is to formulate the accounts in such a way as to obviate the need for a qualified report by the external auditor.

B.1.26. Measures adopted to ensure that the information disseminated to the stock markets is fair and balanced

In accordance with article 30.1 of the Rules of the Board, the Board will inform the public immediately of:

- a) Significant events that might significantly affect stock market prices.
- b) Changes in the company structure, such as variations in significant interests, syndication agreements and other forms of coalition of which it has been made aware.
- c) Substantial changes to the company's governance rules.

Section 2 of article 30 establishes that the Board will adopt the necessary measures to ensure that half-yearly, quarterly and any other financial information deemed prudent to make available to the market will be prepared in accordance with the principles, criteria and professional practices employed to prepare the Annual Accounts, thus ensuring that this information is equally reliable.

The information disseminated to the stock market is submitted previously to the CNMV, having first been approved by the Audit Committee and published on the Company's website.

B.1.27. Is the Secretary of Uralita's Board also a Director?

YES

B.1.28. Mechanisms established by the Company to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies

The Audit Committee's role includes supervising and maintaining relations with the external auditors so as to remain informed about issues relating to the conduct of the audit of the Annual Accounts.

Uralita ensures the transparency and independence of the opinions of the professionals with which it works. Uralita's external auditor is DELOITTE & TOUCHE, ESPAÑA, S.L, a company with far-reaching presence in Spain and internationally, for whom the fees paid by URALITA represent only a small percentage of overall revenues.

In addition, the audit firm partner in charge of the audit team has to be changed every seven years.

Regarding financial analysts, Uralita has regular contact with the professional analysts that cover its stock. They are all invited to the same meeting and the printed information that they are given is submitted to the CNMV the same day and is also made available on Uralita's website.

With regard to rating agencies, Uralita has not issued any securities which have been rated by any such agency.

B.1.29. Does the firm of auditors do any other work for the Company and/or its Group other than standard audit work?

YES

	Company	Group	Total
Amount corresponding non-audit work (thousands of euros)	243.1	160.9	404.0
Amount corresponding non- audit work/total amount billed by the auditing firm (%)	22.32%	14.77%	37.09%

B.1.30. Number of years in succession that the current firm of auditors has been auditing the financial statements of the Company and/or its Group. Percentage corresponding to the number of years audited by the current auditors in the total number of years that the annual accounts have been audited.

	Company	Group
Number of years in succession	15	15

	Company	Group
No. of years audited by the current auditing firm/of years that the Company has been audited (%)	100%	100%

B.1.31. Stakes held by members of the Company’s Board of Directors in the capital of companies engaged in activities identical, similar or complementary to those of the Company and its Group, as far as the Company has been notified. Positions held or duties performed in these undertakings

The Company has not been notified by any shareholder with significant interests in any companies engaged in identical, similar or complementary activities to those of either Uralita S.A. or its Group.

B.1.32. Procedure for provision of external counselling to Directors

YES

Description of procedure

Article 26 of the Rules of the Board of Directors establishes that External Directors may, at the Company’s cost and to assist in the performance of their duties, request assistance from accounting, legal and financial advisers or other professionals.

B.1.33. Procedures by which Directors receive sufficiently in advance any information they may need to prepare the meetings of the governing bodies

YES

Description of procedure

Under Article 25 of the Rules of Uralita’s Board of Directors, all Directors have the right to be fully informed about any aspect of the Company, to see all legal and accounting documentation, communicate with the Company’s auditors and executives and to visit the Company’s sites of operation. The right to information also applies to Spanish and foreign subsidiary companies.

The right to information will be channelled through the Chairman or the Secretary of the Board of Directors, who will deal with the Director’s requests by providing the information directly, putting the Director in contact with an appropriate person within the organisation’s structure and taking measures that permit the Director to carry out the examination or inspection requested on site.

B.1.34. Liability insurance for Company Directors

YES

B.2. Board Committees

B.2.1. Administrative bodies

Name of body	No. of members	Functions
Audit Committee	3	See points B.2.3. and B.2.4
Nomination and Remuneration Committee	3	See points B.2.3. and B.2.4.

B.2.2. Committees of the Board and members

Audit Committee

Tax ID number	Name	Position
22.674.311-Z	Mr. José Manuel Serra Peris	Chairman
22.648.681-Y	Mr. Pablo Serratosa Luján	Board Member
27.832.280-A	Mr. José María Bueno Lidón	Board Member

Nomination and Remuneration Committee

Tax ID number	Name	Position
15.768.843-C	Mr. Javier Echenique Landiribar	Chairman
22.648.681-Y	Mr. Pablo Serratosa Luján	Board Member
9.668.354-M	Mr. Julio Feroso García	Board Member

B.2.3. Rules of procedure and organisation attributed to each committee

Audit Committee

The Audit Committee comprises three Directors, appointed by the Board by majority vote of its members. All Directors on the Committee are non-executive.

The mandates of Audit Committee members last four years, unless they leave the Board before the end of this period. They may be re-appointed an indefinite number of times. The mandate of a member of the Audit Committee may only be revoked, assuming the person concerned remains a Director, if two-thirds of the members of the Board approve the measure.

The Committee appoints a Chairman from among its members, who must be an independent Director. The Chairman must be changed every four years and may be reappointed one year after the end of his/her previous term. The Secretary of the Board may be appointed as Secretary of the Committee.

Audit Committee meetings are called by its Chairman and must be convened within 15 days of a written request issued by two of its members.

In 2005 the Committee met four times and considered the matters falling within its remit, notably: the review of regular information submitted to the CNMV, review of the Annual Accounts prepared by the Board and review of its risk control systems.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises three Directors appointed in accordance with the Rules, all of whom are External Directors.

The Committee appoints a Chairman from within its ranks, who must be an independent Director. The Secretary of the Board may be appointed as Secretary to the Committee.

In 2005 the Committee met six times and considered the matters falling within its remit, notably: the revision of the remuneration system for the Chairman and Management Committee for 2004 and setting of 2005 targets for the performance-linked remuneration component; the proposed appointment of a General Manager and Board Member, as well as professionals qualified to occupy Senior Management positions in the Company following the organisational restructuring approved in December 2005.

B.2.4. Committee counselling, consultation and, where appropriate, delegation functions

Audit Committee

The main task of the Audit Committee is to oversee the control systems operating within the Company and its Group.

Specifically, the Committee is responsible for the following tasks:

- Answering questions raised by shareholders at the General Meeting of Shareholders concerning issues falling within its remit.
- Proposing the appointment of external auditors to the Board, for submission at the General Meeting of Shareholders.
- Overseeing the internal audit systems of the Company and the Group.
- Monitoring the Company's procedures for disseminating financial information and its internal control systems.
- Maintaining relations with the external auditors so as to remain informed of any issues that might affect their independence and any other issues related to the auditing of the accounts, such as the other information required by audit legislation and the code of audit practice.
- Supervising the regular financial information submitted to the CNMV and official stock exchanges.
- Informing the Board of transactions between the Company or Group companies and its significant shareholders.
- Monitoring the Group's environmental audits.
- Raising with the Board any issues that it deems to fall within the scope of its remit.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has the following responsibilities:

- Proposing to the Board the appointment, reappointment and, where appropriate, dismissal of Directors.
- Proposing members to the Board for each of the Board sub-committees.
- Proposing to the Board the mechanisms and sums for remunerating the Directors.
- Approving all direct and indirect components of the annual remuneration paid to the Management Team. The Management Team for these purposes comprises the Chairman, the Chief Executive (if the roles are separated) and the other members of the Group's Management Committee.

B.2.5. Regulations of the Board Committees, where they are available for consultation and any modifications made during the year

As of 31 December 2005, the Committees had no internal regulations. Their association and operating procedures are regulated by the Articles of Association and Rules of the Board.

Each Committee prepared a 2005 Report. These were approved by their respective Committees and notified to the CNMV.

B.2.6. Degree of delegation and autonomy of the Executive Committee to adopt resolutions on the administration and management of the Company

The Board of Directors of Uralita has no Executive Committee.

B.2.7. Indicate if the composition of the Executive Committee reflects the participation in the Board of the different Directors based on its condition:

NO

B.2.8. Are all members of the Nomination Committee external Directors?

YES

C. RELATED PARTY TRANSACTIONS

C.1. Transactions involving transfer of resources or obligations between the Company and/or Group and its significant shareholders.

Tax ID number of significant shareholder	Name or company name of significant shareholder	Tax ID number of the company and/or Group	Name or company name of the company and/or Group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
G-37244191	Caja de Ahorros de Salamanca y Soria (Caja Duero)	A-28037091	Uralita, S.A.	Ordinary	Syndicated loan	0
					Syndicated credit interest	209
					Credit line	50
					Guarantees	5,464

C.2. Transactions involving a transfer of resources or obligations between the Company and/or Group and the Directors or Executives of the Company.

There is no record of transactions involving a transfer of resources or obligations between the Company and/or Group and the Directors or Executives of the Company in 2005.

C.3. Transactions with other companies in the same group (intra-company transactions) that are not eliminated in the consolidated financial statements and do not relate to the company’s daily business in terms of purpose or conditions.

There have been no transactions made by the Company with other companies in the same group (intra-company transactions) that are not eliminated in the consolidated financial statements and do not relate to the company’s daily business, in terms of purpose or conditions.

C.4. Director conflicts of interest, pursuant to article 127 of the Corporations Act.

None of the Company Directors has any conflict of interest pursuant to article 127 of the Corporations Act.

C.5. Mechanisms established to detect and regulate possible conflicts of interest between the Company and/or its Group and its Directors, executives or significant shareholders.

The Board of Directors is the body charged with regulating, resolving and taking measures to prevent conflicts of interest.

The Rules of the Board and the Internal Code of conduct relating to Securities Markets contain procedures regulating action to take when such conflicts arise. The Director must refrain from attending or taking part in discussions that affect matters in which he/she has a personal interest. Also, anyone who for any reason finds themselves involved in a conflict of interest must inform the Secretary of the

Board long enough in advance for the appropriate measures to be taken. The Secretary of the Board brings the conflict of interest to the attention of the Chairman who commissions any relevant reports he/she considers necessary and takes the necessary steps in response.

Under the Rules of the Board, Directors may not, directly or indirectly, conduct professional or commercial transactions with the company without notifying the Board in advance of the conflict of interest, and obtaining the Board's approval, based on a report from the Nomination and Remuneration Committee in relation to the transaction.

There were no conflicts of interest in 2005 involving Directors as defined in the Rules of the Board.

D. RISK MANAGEMENT SYSTEMS

D.1. General description of the risk policy employed by the Company and/or its Group, detailing and assessing the risks covered by the system and justifying the suitability of the systems for the profile of each type of risk

The Uralita Group has introduced a Risk Management System, with which the Audit Committee is acquainted, to systematically monitor and manage the critical risks in each of the key business processes detailed below.

D.2. Control systems to assess, mitigate or reduce the principal Company and Group risks

Risks are assessed and quantified both by the Company and at the Group level, resulting in a risk portfolio that is updated annually. The Risk System is carried out by companies and businesses, with a Risk Coordinator in each Business.

The effectiveness of the system is based on creating an appropriate framework for risk prevention, encouraging active participation in the detection and prevention of risks in advance, notifying risks at the appropriate decision-making level, and controlling risks through suitable procedures.

The Uralita Group has manuals and internal regulations, both in the corporate area and business processes, to ensure the appropriate use of resources by employees in performing their business activities and to guarantee the accuracy of the financial and accounting information disclosed to investors and shareholders.

The main management tasks of the Risk Management System are:

- To make employees aware of possible risks.
- To detect risks and their causes in advance, assessing the likelihood of occurrence and their impact on the organisation.
- To analyse the controls established to mitigate risks or develop and introduce controls when they are lacking.
- To inform the organisation's risk managers and mitigate risks by taking appropriate measures.

- To obtain the Risk Portfolio so as to determine in terms of impact and probability what the effect would be on the organisation of each of the business risks identified.

D.3. Risk materialisation and where appropriate, the underlying circumstances and an analysis of the control systems triggered

None of the risks that affect the Company or its Group materialised in 2005.

D.4. Bodies of the Company responsible for establishing and supervising the control systems and their functions

Initial responsibility for establishing and monitoring risk control mechanisms rests with the Risk Manager, a member of the Internal Audit Department of the Group, whose main functions are: to centralise and notify all information received, monitor the system ensuring that targets are met and to establish basic support tools.

The second level corresponds to the Risks Committee, comprising the Management of each Business. Its main functions within the Risk System are: to support its introduction in the organisation, to analyse and supervise information from the coordinator and the System, and to establish and introduce risk mitigation measures.

The third level corresponds to the Global Risk Coordinator, a role performed by the Chief Financial Officer. His/her main functions are: to make the Company aware of the importance of Risk Management, to coordinate the different areas and those responsible for risk identification processes, to introduce the necessary measures to mitigate risks and centralise and homogenise the information from each area or process manager.

The final level comprises the Audit Committee of the Board of Directors, which bears ultimate responsibility for the Risk Management process.

D.5. Identification and description of processes for compliance with the various regulations affecting the Company and/or its Group

The basic mechanisms for ensuring compliance with the various regulations affecting the Group's companies are based on the controls carried out by the following corporate areas:

The Legal Services Department, which aims to ensure overall compliance with the legal requirements affecting the Group by establishing legal guidelines to ensure that the organisational structure complies with prevailing legislation at all times. Also, the Group's new organisation model puts the Legal Services Department in more direct contact with the businesses, thereby boosting the legal supervision of their activities and strengthening the legal advice provided to the business units in their ordinary course of activity.

The Internal Audit Department uses periodical reviews to monitor compliance with internal procedures and ensure their adaptation to prevailing regulation. It is currently adapting the Risk Management System to ensure that it complies with the various legal requirements.

E. GENERAL SHAREHOLDERS MEETING

E.1. Quorum for General Meetings established in the Articles of Association and differences in respect of the minimums stipulated in the Corporations Act

The General Meeting of Shareholders is deemed to be duly constituted if attended by shareholders or proxies representing at least 25% of the subscribed share capital.

However, any resolution to issue bonds, increase or reduce the Company's capital, transform, merge, split or dissolve the Company, or to otherwise amend the Articles of Association, requires, on first call, votes representing at least 50 per cent of the subscribed capital, and, on second call, votes representing at least 25 per cent of the capital.

Notwithstanding the above, an Ordinary or General Meeting of Shareholders may also be duly constituted to deliberate on any matter if the whole of the share capital is represented and those attending vote unanimously to hold the Meeting.

The quorums set in Uralita's Articles of Association are in accordance with those prescribed by articles 102 and 103 of the revised Corporations Law.

E.2. Majorities required for adopting resolutions and differences in respect of those stipulated in the Corporations Act

Article 19 of the Articles of Association establishes the majority required for the adoption of resolutions. This is in accordance with articles 93 and 103 of the revised Corporations Act.

Each item on the agenda is voted on separately. Resolutions are adopted by majority vote of the shares represented at the Meeting.

However, in the special circumstances referred to in article 103.2 of the revised Corporations Law, where the meeting is held on second call with less than half of the share capital represented, resolutions can only be effectively approved with an affirmative vote of two thirds of the shares represented at the Meeting.

E.3. Shareholder rights in respect of General Meetings differing from those established in the Corporations Act.

The Company has not granted shareholder rights other than those established in the Corporations Act in respect of General Meetings.

E.4. Measures adopted, if any, to encourage the participation of shareholders at General Meetings

A) Article 28 of the Rules of the Board establishes that the Board of Directors will provide the appropriate channels for shareholders' proposals in relation to the management of the Company.

Uralita's Board of Directors seeks to promote the informed participation of shareholders in the General Meetings and will adopt whatever measures are deemed necessary to ensure that that the General Meeting of Shareholders effectively exercises its competences in accordance with the law and the Company's Articles of Association.

In particular, the following measures will be adopted:

- a) It will take steps to ensure that all shareholders prior to the meeting, have all the legally required information and all information that, while not required by law, may be of interest to them and reasonably supplied.
 - b) It will endeavour to respond to shareholders' requests for information prior to the Meeting.
 - c) It will also endeavour to respond to shareholders' questions that are put forward at the Meeting.
- B) For its part, the Investor Relations Department: responds to individual and institutional investors who request information about the Company. The home page of the Uralita website has a section called "Investor Relations", with a link to a personal contact (with telephone number, fax number and email address), the quarterly and half-yearly reports and other financial and market information of interest.

E.5. Indicate if the Chairman of the General Meeting of Shareholders is also the Chairman of the Board of Directors. If so, what measures are taken to guarantee the independence and proper functioning of the General Meeting?

YES

The General Meeting of Shareholders held on 26 May 2004 approved by 100% of the shareholders present the Board of Director's proposal for the Rules of the General Meeting of Shareholders.

The Rules provide the shareholder with a framework that guarantees and facilitates the exercising of their rights and is a reference tool for their informed participation at Shareholders' Meetings.

Following its approval, the definitive text of the Rules was made public in a notification to the CNMV and its entry in the Madrid Companies Register. The Rules are also available on the Company website.

E.6. Modifications, if any, made during the year to the Regulations of the General Meeting

The Rules of the General Meeting were not modified in 2005. However, a proposal will be presented to the General Meeting of Shareholders to modify the Rules of the General Meeting in accordance with Law 19/2005.

E.7. Attendance of General Meetings held during the year

Attendance

Date	% attending in person	% attending by proxy	% voting by correspondence	Total
18/05/2005	48.83	16.23	0	65.06

E.8. Resolutions adopted at the General Meetings held during the year and percentage of votes with which each was passed

The General Meeting of Shareholders held on 18 May 2005 passed, with the percentage of voters indicated, the following resolutions:

- First: Approval of the Annual Accounts and Management Report for 2004. The resolution was approved by the affirmative vote of 99.86% of the share capital represented.
- Second: Approval of the dividend payment. The resolution was approved by the affirmative vote of 99.864% of the share capital represented.
- Third: Appointment of DELOITTE ESPAÑA S.L. as external auditor. This resolution was approved by the affirmative vote of 99.86% of the share capital represented.
- Fourth: Corporate Governance Report. This was not voted upon.
- Fifth: Appointment of Board Director. This resolution was approved by the affirmative vote of 99.19% of the share capital represented.
- Sixth: Authorisation for the derivative acquisition of shares of Uralita S.A. in accordance with article 75 of the Corporation Act. This resolution was approved by the affirmative vote of 99.86% of the share capital represented.
- Seventh: To give full powers to all the members of the Board of Directors to strike agreements. This resolution was approved by the affirmative vote of 99.88% of the share capital represented.

E.9. Number of shares required to attend General Meetings, indicating whether there are any restrictions established in the Articles of Association

15

In accordance with article 17 of the Articles of Association: Fifteen or more shares are required to attend General Meetings, which must be registered in the appropriate accounting record at least five days prior to the date on which the Meeting is to be held.

E.10. Policies followed by the Company concerning the delegation of votes at the General Meeting of Shareholders

In 2005 the Company delegated voting in accordance with article 106.1 of the Corporations Law, in writing. Article 19 of the Corporations Law regulates the procedures to follow when delegating voting by shareholders, including the delegation of postal voting.

E.11. Policies followed by institutional investors in relation to their participation or otherwise in Company decisions

The Company is not aware of the policies of institutional investors.

E.12. Address and access to the corporate governance contents on the company's website

The Company website (www.uralita.com) carries extensive and detailed information on financial and equity market performance, General Meetings of Shareholders and corporate governance.

On corporate governance, the site's home page has a clear, direct link to all the required sections so that shareholders can exercise their information rights and the Company complies with its obligations to disseminate relevant information pursuant to Ministerial Order ECO/3722/2003. Specifically, this section of the website includes the Articles of Association, Rules of the Board, Internal Code of Conduct relating to Securities Markets, information on General Meetings held over the course of the year, the Department for Investor and Shareholder Relations, significant events notified to the CNMV, and this Annual Report on Corporate Governance.

The current content of the website complies with the requirements of the above-mentioned Order and its directives. The information is accessed via a link labelled "Legal information for shareholders".

Investor Relations Department: This department responds to individual and institutional investors who request information about the Company. The home page of the Uralita website has a section called "Investor Relations", with a link to a personal contact (with telephone number, fax number and email address), the quarterly and half-yearly reports and other financial and market information of interest.

F. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

The extent of the Company's compliance with existing corporate governance recommendations, or otherwise

Traditionally Uralita has met all the legal requirements and recommendations established by the Codes of Good Governance. Uralita has introduced corporate governance mechanisms aimed at complying with each and every one of the regulations and recommendations contained in the aforementioned texts.

The following are the Corporate Governance recommendations included in the Olivencia Code, which have been updated by the Aldama Report and relate how Uralita has sought to comply with these recommendations.

Recommendation 1. FUNCTIONS OF THE BOARD OF DIRECTORS

"The Board of Directors should expressly assume as a core part of its mission the general duty of supervision, should exercise without delegation the responsibilities involved and establish a formal list of matters reserved for its attention".

Article 3 of the Rules of the Board defining the Board's general functions states that it has non-delegable responsibility for the general supervision and control over the management carried on by the delegated bodies and the management of the Company and the Group.

Article 4 of the Rules of the Board lists the powers that are reserved to the Board. These consist principally of taking decisions on significant investments and disposals and the general lines of strategy pursued by the Uralita Group.

Recommendation 2. INDEPENDENT DIRECTORS

"The Board should include a reasonable number of Independent Directors, these being persons of sound personal reputation with no connection to the management team or to the significant shareholders".

At the time of writing, three of the 11 members of the Uralita Board are independent. These were appointed by the General Meeting of Shareholders on the Board's proposal after due consideration was given to their skills and suitability by the Nomination and Remuneration Committee. The prior evaluation by the Committee was mainly aimed at establishing that the candidates had the experience and reputation required of all Directors to carry out their duties. This allows the Board to draw on the ideas, experience and opinions of professionals with a long professional track record in the business world who are capable of defending the interests of minority shareholders.

Recommendation 3. COMPOSITION OF THE BOARD

"The Composition of the Board of Directors should ensure that the External Directors (Representative and Independent Directors) are in a substantial majority over the executives and that the proportion of Representative and Independent Directors takes into account the relative proportions of share capital controlled by the significant and other shareholders".

This recommendation was updated by the Aldama Report which states that there should be a substantial majority of External Directors and, within this, a very significant proportion of Independent Directors, taking into account the shareholder structure of the company and the capital represented on the Board.

At the time of writing, of the 11 members of the Board, three are Executive Directors and eight are External. Five are appointed by the significant shareholders and three are Independent.

The Board therefore has a majority of External Directors, which includes a significant proportion of Independent Directors relative to the share capital structure and, specifically, relative to the proportion of the capital in the hands of minority shareholders.

Recommendation 4. SIZE OF THE BOARD

"The Board of Directors should be optimally sized for efficient and representative functioning. In principle, the appropriate size should be between five and 15 members".

The Aldama report abandoned the recommendation on maximum and minimum numbers of Directors, and merely stated that the Board should have a reasonable number of members to ensure its effectiveness and work for each Director.

Article of Association 20 states that the number of Directors may not be less than three or more than 20. The number of Directors is decided at the General Meeting of Shareholders and is currently 11.

Recommendation 5. CHAIRMAN OF THE BOARD

"If the Board opts to combine the roles of Chairman and Chief Executive, it should take the necessary precautionary measures to reduce the risks of concentrating these powers in a single person".

The Chairman of the Board also acts as the Chief Executive of Uralita. Accordingly, the Board has adopted appropriate measures to limit the risks of this concentration of powers and strengthen the Board's ability to exercise its supervisory duties. (See section B.1.16)

The delegation of exclusive powers to the Committees acts as an explicit check on the concentration of powers in the hands of the Chairman/Chief Executive, as does the provision in the Rules of the Board for a separate position of Chief Executive, although this has not in practice been invoked.

Recommendation 6. SECRETARY OF THE BOARD

“The Secretary of the Board should have a more substantial role, which strengthens his/her independence and stability and emphasises his/her function of overseeing the formal and substantive legality of the Board’s actions”.

Under article 14 of the Rules of the Board, the Secretary of the Board acts as Deputy Chairman, maintains Company documents, takes minutes and signs the resolutions taken at Board Meetings. In general, the Secretary’s principal function and importance is to oversee the formal and material legality of the actions of the Board, ensuring compliance with its procedures and Corporate Governance Rules. Appropriately, the position is filled by a professional lawyer.

The current Board Secretary is not limited to acting as secretary as he is also a Director on the Board. He also acts as secretary to the Audit and Nomination and Remuneration Committees, which helps ensure both the formal legality of their actions and the provision of the information and documents necessary for the exercise of their functions.

The Secretary of the Board has the Board’s full support in carrying out his role with independence and stability.

Recommendation 7. COMPOSITION OF THE EXECUTIVE MANAGEMENT COMMITTEE

“Where the Company has a Management Committee, it should reflect the same balance as the Board between the different classes of Director, and the relations between the two bodies should be based on the principle of transparency, such that the Board is kept fully informed of the matters dealt with and decisions taken by the Committee”.

The Audit and Nomination and Remuneration Committees are the only Committees appointed by the Board of Uralita to date.

Recommendation 8. DELEGATED CONTROL COMMITTEES

“The Board of Directors should create from among its members delegated control Committees, wholly composed of External Directors, with responsibilities for information and accounting control (Audit); the appointment of Directors and Senior Managers (Nomination); remuneration policy and its review (Remuneration); and the evaluation of the Corporate Governance System (Compliance).”

The Uralita Board has an Audit Committee and a Nomination and Remuneration Committee to ensure its enhanced and more effective functioning. The Rules of the Board set out the responsibilities of each Committee and its composition and procedures. (See section B.2.3)

Recommendation 9. INFORMATION PROVIDED TO DIRECTORS

“Necessary steps should be taken to ensure that Directors are provided with adequate information, prepared and designed for that specific purpose, long enough in advance of each Board Meeting for adequate preparation. Nor should information be withheld on the grounds that it is confidential or commercially sensitive except in exceptional circumstances”.

The Rules state that Board Meetings must be convened with at least three days notice. However, normal practice is that the notice convening the Meeting and the corresponding information is sent five or six days in advance. Directors are provided with all necessary documentation and any clarifications that they may request relating to items on the agenda. An annual schedule for Board Meetings is drawn up to facilitate the work of the Directors.

Recommendation 10. FUNCTIONING OF THE BOARD OF DIRECTORS

“To ensure the correct functioning of the Board, Meetings should be held sufficiently frequently to fulfil its mission; the Chairman should promote contributions and the free expression of opinion by all Directors. Special care should be taken in recording minutes. The quality and effectiveness of the Board’s work should be evaluated at least once a year”.

A total of five Board Meetings were held in 2005, and minutes were duly taken for each Meeting.

The agenda for each of the Company’s Ordinary Meetings of Shareholders includes a vote on whether to approve the Directors’ management, thus providing for annual scrutiny of the performance of their duties.

Recommendation 11. DIRECTOR APPOINTMENT POLICY

“The Board’s role in appointing and reappointing its members should be conducted through a formal and transparent process, initiated by a justified proposal from the Nomination Committee”.

The Nomination and Remuneration Committee, as stated in section B.2.4 of this report, compiles a report giving reasons for their choice and justifying the suitability of the proposed Director, before the proposal is submitted by the Board at the General Meeting of Shareholders.

Recommendation 12. TENURE OF EXTERNAL DIRECTORS

“Once the External Representatives or Independent Directors have been appointed at the General Meeting, the Board should not propose their dismissal before the expiry of the statutory mandate for which they were appointed, except for exceptional reasons, justified and approved by the Board subsequent to a report by the Nomination Committee”.

Directors are appointed for a five-year mandate. However, they may be dismissed at the General Meeting of Shareholders before this mandate has terminated. Except in exceptional circumstances or in the event of conflicts of interest or where there are grounds for dismissal under the law or Articles of Association, the Board does not propose the dismissal of an External Director before their mandate is up.

Notwithstanding the above, at the 2006 General Meeting of Shareholders a proposal will be presented to extend the mandate of the Directors to six years in accordance with Law 19/2005.

Recommendation 13. RESIGNATION OF DIRECTORS

“Companies’ procedures should oblige Directors to resign if circumstances arise that could have a negative impact on the functioning of the Board or the credit and reputation of the Company”.

The Rules of the Board state that Directors should offer their resignation to the Board if they are severely reprimanded by the Nomination and Remuneration Committee for a breach of their obligations as Directors.

Recommendation 14. AGE OF DIRECTORS

“An age limit should be set for Directors, which could be between 65 and 70 for Executive Directors and the Chairman and somewhat more flexible for other Directors”.

The Aldama Report revised the Olivencia Report in this respect and sets no age limit, preferring merely to state that the Company should have a policy on this matter, which should be set out clearly in its internal procedures.

The Rules of the Board expressly state that Directors may not be appointed or reappointed if they are over 70, nor may individuals over 70 represent legal entities. Also, Directors must offer their resignation to the Board when they reach the age of 70.

Recommendation 15. INFORMATION FACILITIES PROVIDED TO DIRECTORS

“The right of any Director to collect and obtain all the information and advice they need to fulfil their supervisory role should be explicitly acknowledged, and adequate channels should be made available for the exercise of this right, including provisions for consulting external experts under special circumstances”.

Article 25 of the Rules of the Board of Directors grants each Director ample authority to keep him/herself informed on any aspect of the Company’s affairs, to examine the books, registers, documents and operations and establishes Directors’ rights to inspect all company premises. This right applies also to the Group’s national and international subsidiaries.

This right is exercised through the Chairman or Secretary of the Board, who respond to requests from the Directors either by providing the information directly, suggesting others who can provide the information required or arranging for the Director to conduct the necessary investigations and inspections on site. This right has mainly been exercised by the Chairmen of the Audit and Nomination and Remuneration Committees, who are given all the information they need to keep themselves informed on the matters falling within their remit.

Recommendation 16. REMUNERATION OF DIRECTORS

“The remuneration policy for Directors should be proposed, assessed and reviewed by the Remuneration Committee, should be moderate, relate to the performance of the Company and the object of detailed and individual reporting”.

The Rules of the Board state that each Director is entitled to receive the remuneration set by the Board in accordance with the Articles of Association and in line with the recommendations of the Nomination and Remuneration Committee. It is expressly stated that the Board must ensure that the remuneration of the External Directors is moderate based on market requirements and must be set so as to offer incentives for Directors to fulfil their role dutifully, without compromising their independence. All of these steps are followed by the Board in deciding the remuneration of its members in accordance with the Articles of Association and resolutions adopted at the General Meeting of Shareholders.

The Board, on the express recommendation of the Nomination and Remuneration Committee, has assumed this criterion of moderation in remuneration.

Recommendation 17. GENERAL DUTIES OF DIRECTORS

“The Company’s internal procedures should detail the obligations that derive from the general duties of diligence and loyalty applying to Directors, with specific attention to conflicts of interest, the duty of confidentiality, the exploitation of business opportunities and the use of Company assets”.

Chapter V of the Rules of the Board regarding the duties of Directors establishes, among others, the following duties:

- Duty of confidentiality: Directors must keep confidential the discussions of the Board and any delegate committees on which they serve and must not reveal any confidential information to which they have access. This duty remains in force even when the person ceases to be a Director of the Company.
- Diligence of a prudent businessman: Directors have a duty to act with the diligence of a prudent businessman and loyal representative.
- Conflict of interests: Directors have a duty to notify any conflict of interest that arises and to refrain from attending or taking part in discussions that affect matters in which they have a personal interest or that affects members of their families or companies in which they occupy a management position or in which they own a significant shareholding.
- Use of company assets: Directors may not make use of the Company’s assets or use their position in the Company to obtain a personal benefit unless they have made the appropriate payment.
- Business opportunities: Directors may not take advantage of any business opportunities arising through the Company or any Group company, either for their personal benefit or for that of an associate, unless the opportunity has previously been offered to these companies and they have decided not to exploit it and the Director has been authorised by the Board to take advantage of the opportunity him/herself.

Directors are also subject to Uralita’s Internal Code of Conduct relating to Securities Markets which sets out procedures for handling relevant, commercially sensitive and privileged information.

Recommendation 18. TRANSACTIONS WITH CORE SHAREHOLDERS

“The Board should promote the adoption of appropriate measures to broaden the duty of loyalty to include significant shareholders, notably by establishing safeguards for transactions that take place between such shareholders and the Company”.

The Rules of the Board formally require the Board’s approval for any Company transaction with a core shareholder.

All transactions between Uralita and its core shareholders have been approved by the Board based on a report submitted by the Audit Committee. Transactions were approved in consideration of the Company’s interests and market conditions.

Recommendation 19. GENERAL MEETING OF SHAREHOLDERS

“On the occasion of the General Meeting of Shareholders, from the moment it is called, the Company must publish the full text of all proposed resolutions to be submitted at the Meeting, using for this purpose the company website, regardless of any other legal or voluntary procedures taken by the Company”.

Uralita's Board of Directors seeks to promote the informed participation of shareholders in the General Meetings. In particular, it takes proactive steps to ensure that all shareholders, prior to the Meeting, have all the legally required information and all information of potential interest to the shareholder even if not required by law. This information is published on the Company website.

The Board also responds diligently to shareholders' requests for information in the run-up to the General Meeting and any questions put forward during the meeting.

Recommendation 20. RULES OF THE GENERAL MEETING AND THE BOARD

"All companies should adopt a set of rules and principles of Corporate Governance including, as a minimum, rules for the General Meeting and Board".

The company has in the past published information annually on its Rules for Corporate Governance. This effort was stepped up in 2003, with the implementation of the necessary procedures for compliance.

On 3 February 2003 the Board approved the Internal Rules of the Board. These rules, which supersede the previous rules of October 1999, set principles for its organisation and functioning and set out a Code of Conduct for Directors. Issues covered in these Rules include the composition of the Board, its structure, remuneration and the rights and duties of Directors. In all cases these comply with current regulations and recommendations for good Corporate Governance.

Also, in compliance with the terms of the fourth additional provision to Law 44/2002, of 22 November, regarding Financial System Reform Law, the Uralita Board approved on 17 July 2003 the Internal Code of Conduct for Securities Markets which updated and superseded the previous regulations effective from 1 January 1999. This Code specifically implements concrete measures to guarantee compliance with the code of conduct envisaged by the Securities Market Law, basically relating to the notification of relevant information, the handling of relevant and commercially sensitive information, situations involving conflicts of interest, and transactions in the Company's own shares.

Similarly, on 26 May 2004, the Ordinary General Meeting of Shareholders approved the Rules of the General Meeting, which aim to increase and underpin the transparency of this corporate body and to cement the procedures for the exercise of the shareholders' fundamental voting rights, facilitating their participation in the General Meeting based on their right to information and, in union with the other partners, to enact the will of the Company.

As mentioned in previous paragraphs, the Board of Directors plans to present a proposal at the General Meeting of Shareholders to modify the Rules of the General Meeting in accordance with Law 19/2005.

Recommendation 21. COMMUNICATION WITH SHAREHOLDERS

"Companies should take steps to increase the transparency surrounding the procedure for delegating votes and strengthen communication with their shareholders, particularly institutional investors".

The Rules of the Board create the procedures for publicly requesting the delegation of votes. Similarly, the Board has created the necessary channels of communication for proposals put forward by shareholders and procedures for the regular exchange of information with institutional shareholders.

Recommendation 22. TRANSPARENCY WITH THE MARKETS

“The Board of Directors, besides the obligations imposed on it by the regulations in force, is responsible for providing the markets with timely, exact and reliable information, especially in matters concerning its shareholder structure, significant changes to Corporate Governance Rules and particularly significant transactions with related parties or involving the Company’s own shares”.

The Board of Directors makes public, as required by the Rules of the Board, all significant events likely to significantly affect the share price, changes in shareholder structure, such as changes in significant shareholdings or shareholders’ agreements and any major modifications to the corporate governance rules. It also publishes financial information, including its accounts, and releases quarterly and half-yearly reports to the market through its website.

The information disseminated to financial analysts is simultaneously submitted to the CNMV and made available on the website.

Recommendation 23. INFORMATION ON CORPORATE GOVERNANCE

“Informational obligations regarding the structures and practices of each company, and, in general, measures adopted to ensure the quality of information, should be unified in a single document for the general information of shareholders and investors”.

As well as the financial and economic information made available to shareholders, investors and other interested parties, the Board of Directors approves annually this Corporate Governance Report, after it has been approved by the Audit Committee. This report is presented to the General Meeting of Shareholders and is itself notified as a significant event to the CNMV and made available to shareholders via the website.

Recommendation 24. FINANCIAL INFORMATION

“All regular financial information, as well as the annual information, provided to the market should be prepared according to the same professional principles and practices as the annual accounts, and before being disseminated should be verified by the Audit Committee”.

As required by article 30.2 of the Rules of the Board, financial information provided to the market is prepared according to the same professional principles, criteria and practices as the annual accounts and is similarly reliable.

To make sure of this, all such information is reconciled with the external auditor to eliminate contradictions and check that the criteria used are consistent with those used for the externally audited annual accounts.

Recommendation 25. INFORMATION VIA INTERNET

“Companies should maintain a website through which to inform shareholders, investors and the wider market of economic facts and any other significant events that occur in relation to the company and to help shareholders in the exercise of their right to information, and as the case may be, other company rights.”

In application of the policies of transparency and full information, the company's website (www.uralita.com) carries full and detailed information on all financial and market matters, Shareholders' Meetings and Corporate Governance issues as required to allow shareholders to exercise their rights and satisfy the interests of potential investors or any other interested party.

The website also carries all necessary items to satisfy shareholders' right to information and to disseminate relevant information, in compliance with article 82.5 of the Securities Market Law and its implementation by Order ECO/3722/2003. Namely, the Articles of Association, Rules of the Board, Internal Code of Conduct relating to Securities Markets, information on General Meetings held in the course of the year, the Department for Investor and Shareholder relations, significant events notified to the CNMV and this Annual Report on Corporate Governance. The Company's Rules of the Board of Directors is also available on the website (www.uralita.com).

Recommendation 26. EXTERNAL AUDITORS

"The Board of Directors and Audit Committee should supervise any situations that may threaten the independence of the Company's external auditors and, specifically, should check the share of the Audit firm's receipts represented by the fees paid by the Company under all headings and should make public which, if any, of these fees relate to professional services other than that of audit".

The respect for the independence of the external auditors is laid down under the Rules of the Board which state that relations with the auditor of the accounts shall be conducted through the Audit Committee, which analyses all issues that could pose a risk to the independence of the auditors.

The fees paid to the auditors are set according to market criteria and at no time does their size represent a threat to the auditors' independence.

Recommendation 27. QUALITY OF ACCOUNTS

"The Board should seek to avoid the accounts they prepare being presented at the General Meeting of Shareholders with reservations or qualifications in the Audit Report. Where this is not possible, both the Board and the auditors should explain clearly to the shareholders and markets the nature and size of the discrepancies".

The Board, as part of its role in preparing the accounts, seeks, through the Audit Committee, to ensure the accounts are presented without reservations or qualifications on the part of the auditor. This includes holding meetings with the external auditors, careful analysis of documentation and the accounts themselves, etc. In recent years the auditor's reports on the Company and Consolidated Annual Accounts have contained no qualifications and are available from the Madrid Companies Register and from the CNMV.

Recommendation 28. CONSISTENCY

"The Board of Directors should include in its Annual Report information on its Rules of Corporate Governance, explaining any that do not comply with the rules prescribed in this code".

Uralita's Board is required to prepare this Annual Report, which details the degree of compliance with the Rules for Good Corporate Governance required by law and under current codes of best practice.

This Annual Corporate Governance Report has been approved by the Company's Board of Directors at its Meeting on 27 March 2006.