





Financial Information

AUDITORS' REPORT AND CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS
FOR THE URALITA GROUP
MANAGEMENT REPORT

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Note 2.1). In the event of a discrepancy, the Spanish-language version prevails.

Uralita, S.A. and Subsidiaries

Consolidated Financial Statements
and Consolidated Directors' Report
for the Year Ended
31 December 2006
together with Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Note 2.1). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Uralita, S.A.:

We have audited the consolidated financial statements of the URALITA GROUP (made up of Uralita, S.A. and subsidiaries) comprising the consolidated balance sheet at 31 December 2006 and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

For comparison purposes the Parent's directors present, in addition to the consolidated figures for 2006 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity, the figures for 2005. Our opinion refers only to the consolidated financial statements for 2006. On 28 March 2006, we issued our auditors' report on the 2005 consolidated financial statements, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated financial statements for 2006 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Uralita Group at 31 December 2006 and the consolidated results of its operations, the changes in the consolidated equity and its consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.

The accompanying consolidated directors' report for 2006 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2006. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the consolidated companies' accounting records.

DELOITTE, S.L.
Registered in ROAG under no. S0692



Miguel Fiandor Román
30 March 2007

Uralita Group. Consolidated Annual Financial

STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

THOUSANDS OF EUROS	2006	2005
NON-CURRENT ASSETS	623,831	634,221
Goodwill	43,894	43,894
Intangible assets	17,667	16,468
Property, plant and equipment	445,636	433,051
Deferred tax assets	113,566	138,985
Other non-current assets	3,068	1,823
CURRENT ASSETS	340,129	334,093
Inventories	89,286	92,869
Trade and other receivables	178,652	99,549
Other current financial assets	47,321	129,975
Cash and cash equivalents	23,420	10,957
Other current assets	1,450	743
NON-CURRENT ASSETS HELD FOR SALE	10,394	57,014
TOTAL ASSETS	974,354	1,025,328
TOTAL EQUITY	511,314	472,517
Issued capital	142,200	142,200
Share premium	59,518	59,518
Reserves attributable to equity holders of the parent	38,038	28,205
Reserves at consolidated companies	116,995	114,239
Profit for the year attributable to equity holders of the parent	47,294	35,184
Translation differences	(4,542)	(4,443)
Equity attributable to equity holders of the parent	399,503	374,903
Minority interests	111,811	97,614
NON-CURRENT LIABILITIES	175,698	176,416
Interest-bearing loans and borrowings	123,079	122,789
Derivative financial instruments	4,270	-
Provisions	27,010	15,607
Deferred income	10,936	11,488
Deferred tax liabilities	-	13,181
Other non-current liabilities	10,403	13,351
CURRENT LIABILITIES	287,342	376,395
Interest-bearing loans and borrowings	1,228	22,740
Other current financial liabilities	39,965	110,024
Trade payables	111,135	108,152
Other current liabilities	135,014	135,479
TOTAL EQUITY AND LIABILITIES	974,354	1,025,328

The accompanying Notes 1 to 24 are an integral part of the consolidated balance sheet at 31 December 2006.

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (Thousands of euros)

THOUSANDS OF EUROS	2006	2005
Revenue	1,005,203	1,104,610
Other operating income	12,371	8,023
Increase in inventories of finished goods and work in process	(7,450)	1,541
Supplies	(370,474)	(446,833)
Employee benefits expense	(162,239)	(206,432)
Depreciation and amortization	(42,564)	(63,240)
Other operating expenses	(305,793)	(316,789)
OPERATING PROFIT	129,054	80,880
Finance costs	(10,912)	(13,509)
Finance revenues	961	4,048
Net exchange gains (losses)	(284)	1,193
Share of profit (loss) of companies accounted for by the equity method	356	305
Gain (loss) on disposal and measurement of non-current assets	27,192	4,561
Net impairment losses (reversal)	(5,898)	4,085
Other gains and losses	(18,786)	(5,680)
PROFIT BEFORE TAXES	121,683	75,883
Income tax expense for the year	(37,251)	(22,307)
Adjustment to income tax expense for previous years	(13,842)	-
PROFIT FOR THE YEAR	70,590	53,576
Attributable to:		
Equity holders of the parent	47,294	35,184
Minority interests	23,296	18,392
	70,590	53,576
EARNINGS PER SHARE (euros)		
Basic and diluted	0.24	0.18

The accompanying Notes 1 to 24 are an integral part of the consolidated income statement for the year ended 31 December 2006.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

THOUSANDS OF EUROS	ISSUED CAPITAL	SHARE PREMIUM	RESERVES	RESERVES AT CONSOLIDATED COMPANIES	PROFIT (LOSS)	TRANSLATION DIFFERENCES	EQUITY	MINORITY INTERESTS	TOTAL EQUITY
			ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
BALANCE AT 31 DECEMBER 2004	142,200	112,027	(31,603)	130,510	45,231	(31,712)	366,653	98,234	464,887
Distribution of 2004 profit			7,299	4,357	(45,231)		(33,575)	(14,409)	(47,984)(*)
Foreign currency translation						7,598	7,598	272	7,870
Changes in consolidation scope and investments				(18,635)		19,669	1,034	(4,503)	(3,469)
Offset		(52,509)	52,509						
Change in fair value of hedging instruments				(1,533)			(1,533)		(1,533)
Other				(460)		2	(458)	(372)	(830)
Profit for the year 2005					35,184		35,184	18,392	53,576
BALANCE AT 31 DECEMBER 2005	142,200	59,518	28,205	114,239	35,184	(4,443)	374,903	97,614	472,517
Distribution of 2005 profit			9,833	3,625	(35,184)		(21,726)	(8,945)	(30,671)(*)
Foreign currency translation				433		(94)	339	9	348
Changes in consolidation scope and investments				154		(5)	149	(163)	(14)
Changes in fair value of hedging instruments				(1,456)			(1,456)		(1,456)
Profit for the year 2006					47,294		47,294	23,296	70,590
BALANCE AT 31 DECEMBER 2006	142,200	59,518	38,038	116,995	47,294	(4,542)	399,503	111,811	511,314

(*) Dividends paid by the parent company and by subsidiaries to minority interests

The accompanying Notes 1 to 24 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2006.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

THOUSANDS OF EUROS	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxes	121,683	75,883
Adjustments:		
Operating income	(2,927)	(1,669)
Depreciation of property, plant and equipment and amortization of intangible assets	42,564	63,240
Deferred expenses recognized in income	-	776
Allocation / (Reversal) of current provisions, net	8,036	3,894
Other operating expenses	1,871	-
Net finance costs	10,235	7,492
Share of profit (loss) of companies accounted for by the equity method	(356)	(305)
Loss on disposal and measurement of non-current assets	(27,192)	(4,561)
Net impairment loss/ (reversal) on assets	5,898	(4,085)
Provisions and other income or losses	19,521	(9,735)
Net cash flows from operating activities before changes in working capital	179,333	130,930
Increase / (Decrease) in inventories	3,446	2,297
Increase / (Decrease) in receivables and other financial assets	(6,724)	46,407
Increase / (Decrease) in payables	(30,083)	(30,988)
Cash flows from operations	145,972	148,646
Income tax paid	(34,542)	(28,821)
NET CASH FLOWS FROM OPERATING ACTIVITIES	111,430	119,825
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	-	328
Investments:		
• Property, plant and equipment and intangible assets	(58,398)	(98,898)
• Financial assets	(1,433)	(910)
Disposals:		
• Property, plant and equipment and intangible assets	91,468	26,774
• Financial assets	-	194,915
• Other non-current assets	180	441
NET CASH FLOWS FROM INVESTING ACTIVITIES	31,817	122,650
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(30,671)	(47,984)
Interest paid	(8,290)	(7,999)
Repayment of borrowings	(91,823)	(187,557)
NET CASH USED IN FINANCING ACTIVITIES	(130,784)	(243,540)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	12,463	(1,065)
Cash and cash equivalents at 1 January	10,957	12,022
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	23,420	10,957

The accompanying Notes 1 to 24 are an integral part of the consolidated cash flow statement for the year ended 31 December 2006.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

Uralita, S.A. ("the Company" or "the parent company") is parent company to a Group of companies which, taken as a whole, engages in the manufacture and sale of construction industry products in the broadest sense.

The Company was incorporated in Spain on 6 August 1920 in accordance with Spanish Corporation Law. Its registered office is located at Mejía Lequerica nº 10.

Uralita, S.A. is required to prepare its own annual accounts and the consolidated annual accounts of the Group.

The Group carries out its business through the companies detailed in Appendix I. Its main businesses, which in accordance with IAS 14 the Group has determined to be its primary segment reporting format, are the following:

- Insulation
- Gypsum
- Roofing
- Pipe Systems

2. BASIS OF PRESENTATION AND ACCOUNTING PRINCIPLES

2.1. Basis of presentation

The consolidated annual accounts of the Uralita Group for 2006 have been prepared by the Directors of the parent company at a meeting of its Board of Directors held 29 March 2007 from the Company's accounting records and those of the rest of the companies comprising the Group to give a true and fair view of the Group's net worth and financial situation at 31 December 2006 and the consolidated results of its operations, changes in equity and cash flows for the year then ended.

The financial statements have been prepared applying the accounting principles included in the International Financial Reporting Standards (IFRS) adopted by the European Union in accordance with the provisions of Regulation (CE) no. 1606/2002 of the European Parliament and of the Council of 19 July. In Spain, the obligation to present consolidated annual financial statements under EU-approved IFRS was established in the Final Disposition No 11 of

Law 62/2003, of December 30, on Fiscal, Administrative and Social Measures. Note 4 sets out obligatory accounting principles and policies and measurement bases applied and the alternatives legally permitted in this respect. No standards have been applied early.

The Group's annual consolidated accounts and the accounts of the companies comprising the Group for 2006 are pending approval at their respective General Shareholders' Meetings. The parent company's Board of Directors expects the annual accounts to be approved without significant changes. The consolidated annual accounts for 2005, which were prepared in accordance with IFRS for the first time, were approved at the General Shareholders' Meeting of Uralita, S.A. held 22 June 2006.

The Group's consolidated financial statements are presented in euros. Foreign operations are recorded applying the policies established in Note 4.18.

2.2. Consolidation principles

a. Subsidiaries

Subsidiaries are defined as any company included in the consolidation scope over which the Parent Company, directly or indirectly, manages by virtue of ownership of a majority of the voting rights in their representation and decision-making bodies or has the capacity to

exercise control over. Under IAS 27, control is understood as the ability to govern the financial and operating policy of an investee so as to obtain benefits from its activities.

The annual accounts of subsidiaries are consolidated using the full consolidation method. Therefore, all material balances and results of transactions carried out between consolidated companies have been eliminated on consolidation.

If necessary, adjustments are made to the financial statements of subsidiaries to unify the accounting policies used with those of the Group, one of the main ones being the capitalization of recoverable tax credits not recorded in the subsidiaries.

Third-party interests in Group equity and profit are presented in "Minority interests" on the consolidated balance sheet and income statement, respectively.

Results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or until the effective date of disposal, as appropriate.

Appendix I details the subsidiaries and related information (name, country of incorporation, percentage ownership by the parent company).

b. Associates

Associates are entities over which the Company has significant influence and which are neither a subsidiary nor a joint venture. Usually, this influence is evidenced by a direct or indirect holding of 20% to 50% of the investee's voting rights.

The Company's investments in associates are accounted for in the consolidated annual accounts under the equity method of accounting, i.e. at a value equivalent to the Group's proportional share in their capital after the deduction of dividends paid to the Group and other eliminations from equity. Gains or losses from any transactions with associates are eliminated to the extent of the Group's interest in the relevant associate.

If an associate incurs losses to the extent that its equity becomes negative, it is recorded in the Group's consolidated balance sheet with a value of zero, since the Group has no obligation to support the associate financially.

c. Translation differences

The various captions in the balance sheets and income statements of companies whose annual accounts are presented in other currencies have been translated to euros using the following criteria:

- Assets and liabilities were translated at the official year-end exchange rates.

- Capital and reserves were translated at historical exchange rates.
- The income statements were translated at the average exchange rates for the year.

The differences arising from the application of these criteria have been included under "Equity - Translation differences". These differences are recognized in revenue or expenses in the period in which the investment that gave rise to them was, totally or partially, realized or sold.

d. Changes in consolidation scope

In 2005, the Group sold its stake in the following companies:

- Aragonesas Industrias y Energía, S.A.
- Aiscondel, S.A.
- Aragonesas Derivados Electrolíticos Levante, S.A.
- Teczone Española, S.A.
- Lusofane, S.A.
- Uralita Comercial Canarias, S.A.
- Aquatecnic Sistemas, S.A.
- Uralita Industria y Comercio, Ltda.
- Cerámiques Estructurals del Penedés, S.A.
- Materiales y Cubiertas Caolita, S.A.
- Uralusa Instalaçoens e Montagens, S.L.

The detail of the equity of companies sold at the disposal date and at 31 December 2004 is the following:

THOUSANDS OF EUROS	DATE OF SALE	31 DECEMBER 2004
Revenue	170,178	374,122
Property, plant and equipment	179,588	209,092
Other non-current assets	4,026	67,073
Current assets	195,065	134,905
Deferred income	2,802	2,777
Non-current liabilities	6,908	37,958
Current liabilities	112,392	97,560
ProvisionsProvisions	41,738	41,738
TOTAL EQUITY	214,839	231,037
Attributable to equity holders of the parent	211,509	227,691
Attributable to minority interests	3,330	3,346
Sale price received in 2005	193,746	
Sale price deferred	1,169	
NET SALE PRICE	194,915	
LOSS ON DISPOSAL	(16,594)	

These sales form part of the Group's strategy of disposing of non-core businesses begun a few years ago.

There were no material changes to the consolidation scope in 2006.

3. DISTRIBUTION OF PROFIT

The Board of Directors of Uralita, S.A. will propose to the shareholders at the Annual General Meeting the distribution as a dividend of the full amount of the consolidated profit for

2006; EUR 31,456 thousand with a charge to the 2006 profit of the Parent and EUR 15,944 thousand with a charge to the share premium.

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting and is not included as a liability in these financial statements.

4. MAIN ACCOUNTING PRINCIPLES

The main accounting principles and measurement bases used in the preparation of

the Group's consolidated annual accounts in compliance with the IFRS adopted by the European Union are as follows:

4.1. Goodwill

Goodwill, which is only recognized when acquired in exchange for payment, entails the positive or negative difference between the acquisition cost of a holding in a company and its underlying carrying amount at acquisition date that could not be allocated to a specific asset.

Goodwill is not amortized. Until 1 January 2004, the IFRS transition date, goodwill was amortized systematically on a straight-line basis. Accordingly, goodwill on acquisitions before that date are recognized at the amounts shown at the transition. The Group tests goodwill for impairment annually or whenever there are indications that it may be impaired. An impairment is recognized when the recoverable amount is less than the carrying amount. The loss is taken to the income statement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units. A cash-generating unit's recoverable amount is the higher of value in use and potential net selling price.

4.2. Intangible assets

Intangible assets, which mainly relate to software and trademarks, are initially recognized

at acquisition or production cost and subsequently carried at cost less any accumulated amortization and any accumulated impairment losses.

The Uralita Group considers that all its intangible assets have finite lives and amortises them applying similar criteria to those used in the depreciation of its property, plant and equipment, considering estimated useful lives between three and five years.

4.3. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment. In some cases, cost includes past revaluations made in accordance with various enabling legislation, including Royal Decree-Law 7/1996 (see Note 11.4).

It also includes the values assigned in the acquisition of companies. At 31 December 2006 and 2005, these amounted to €9,333 and €9,530 thousand, respectively.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised as an increase in the cost of the corresponding asset. Repairs and maintenance expenses are expensed currently.

Companies' own work on property, plant and equipment is recorded at the accumulated cost (external costs, in-house costs determined on

the basis of the warehouse materials consumed in-house and manufacturing costs incurred).

Property, plant and equipment are depreciated on a straight-line basis at annual rates based on the years of estimated useful life of the related assets. The rates used are the following:

	YEARS OF ESTIMATED USEFUL LIFE
Buildings	33 / 50
Plant	10 / 20
Machinery	10 / 20
Tools	5 / 8
Furniture and fittings	10 / 15
Data processing equipment	4
Transport equipment	6 / 7

Land is considered to have an indefinite useful life and therefore is not depreciated.

4.4. Non-current assets held for sale

Non-current assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell.

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is deemed to have been met only when disposal is highly probable and the asset is available for immediate sale in its current state, and the sale is expected to be concluded within one year from the date of classification.

4.5. Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying values of its property, plant and equipment and intangible assets to determine if there are indications that the assets have been impaired. If there are indications of impairment, the recoverable amount of the assets is calculated to determine any potential impairment loss. Where the asset does not generate cash inflows that are independent of those from other assets, the Group estimates the recoverability of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. 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 assessment of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Where the carrying amount exceeds the recoverable amount of an asset (or cash-generating unit), the asset (or cash-generating unit) is written down to its recoverable amount. An impairment loss is immediately recognized as an expense, except where the asset is stated at revalued cost, in which case the impairment loss is recognized as a decrease to the revaluation reserve.

When an impairment loss is subsequently reversed, the carrying amount of the assets

(cash-generating unit) is increased to the revised estimate of the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as an increase in the revaluation reserve.

4.6. Investments in associates and joint ventures

The amount of these investments in the consolidated balance sheet includes, where applicable, the goodwill arising from the acquisition. At 31 December 2006 and 2005 there were no material investments in associates or joint ventures.

4.7. Leases

Finance leases are those that transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased asset. Other leasing arrangements are classified as operating leases.

Finance leases

When the consolidated companies act as lessee the cost of the leased assets is recognized in the consolidated balance sheet under the appropriate item for the type of asset leased and a liability is simultaneously recognized for the same amount (this amount is determined as the lower of the fair value of the leased asset and

the present value of all amounts due to the lessor plus, where relevant, the exercise price of the call option). These assets are amortized on the same basis as property, plant and equipment for own use.

In both cases, finance revenue and costs arising from the leases are credited or debited to the consolidated income statement such that the yield remains constant over the life of the lease.

Operating leases

When the consolidated companies act as lessor, they recognise the acquisition cost of the leased assets under "Property, plant and equipment." These assets are amortized on the same basis as other similar property, plant and equipment for own use and income from the leases is recognized in the income statement by the straight-line method.

When consolidated companies act as lessees, leasing expenses, including any incentives granted by the lessor, are taken to the consolidated income statement evenly throughout the lease period.

4.8. Inventories

Inventories of raw materials and other goods purchased from third parties are stated at the lower of cost (average price) or market value.

Finished goods and work in progress are valued at the lower of production cost (average real cost), including raw materials, direct labour costs and manufacturing overheads, and market value.

Obsolete, defective or slow-moving inventories are valued at their lowest realisable value.

4.9. Financial assets and liabilities

Trade receivables

Financial assets held by the Group basically relate to receivables generated by consolidated companies, which are recognized in the accompanying consolidated balance sheet under "Trade and other accounts receivable." These assets are recognized at the nominal amount (considered to be equivalent to fair value) less any provisions for possible insolvency risks.

Cash and cash equivalents

"Cash" includes both cash and sight deposits. "Cash equivalents" are short-term investments maturing in less than three months and which are not subject to a significant risk of change in value.

Financial liabilities

- Bonds and other long-term marketable securities

These are measured at amortized cost using the effective interest rate method less any directly attributable issue costs. Amortized cost is the amount initially recognized minus principal repayments, plus or minus the cumulative amortization of any difference between the initially recognized amount and the maturity amount. Variations between the initial amount and the maturity amount that do not derive from the repayment of principal are recognized in the consolidated income statement for the year.

- Bank loans

Interest-bearing bank loans are recognized at the amount received less directly attributable transaction costs. Financial expenses, including premiums payable on settlement or repayment and direct issuing costs, are booked according to accrual criteria in the income statement using the effective interest method and are incorporated to the carrying amount of the instrument if not paid during the period in which they accrue.

- Trade and other payables

Trade payables are non-interest bearing and are recognized at nominal value.

Derivative financial instruments and hedge accounting

The Group's activities primarily expose it to financial risks from fluctuations in foreign exchange rates and interest rates. To hedge these risks, the Group uses currency swaps and interest-rate hedges. The Group does not use derivative instruments for speculative purposes.

The use of derivatives is governed by the Group policies approved by the Board of Directors, which publishes in writing these principles on the use of derivatives.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized directly in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. When the forecast transaction that is hedged results in the recognition of a non-

financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. However, for hedges where the asset or liability are not recognized, the amounts previously recognized in equity are transferred to the income statement in the same period in which the hedged item affected net results.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any accumulated gains or losses on the hedging instrument remain in equity until the forecast transaction occurs. When the transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is transferred to profit or loss.

4.10. Classification of current and non-current

In the accompanying consolidated balance sheet, financial assets and liabilities are classified according to their maturity. Those due to be settled in 12 months or less are classified as current and those due to be settled after 12

months from the balance sheet date as non-current.

Loans repayable in the short term whose long-term financing is assured at the Company's discretion via available long-term credit facilities are classified as non-current liabilities.

4.11. Post-employment benefits

Uralita, S.A. and some of its Spanish subsidiaries have undertaken commitments in respect of supplementary post-retirement benefits for certain groups of retired or disabled employees and under other captions.

The Spanish companies have arranged external coverage for these commitments with non-Group Spanish insurance companies. These defined contribution contracts provide full payment of the benefits at no additional cost to the companies, except, in the case of Uralita, S.A., expenses arising from changes in estimated salary and social security pension variables.

For foreign subsidiaries, the amounts considered sufficient to meet the commitments accrued at 31 December 2006 are recorded on the liabilities side on the balance sheet at that date under "Provisions" (see Note 12). The liabilities are estimated by actuarial valuation methods, with the gains and losses recognized as income or expense in the year.

4.12. Termination indemnities

Under current labour legislation, employers are required to make indemnity payments to employees terminated without just cause. The cost of these indemnities is recorded in the year in which the termination of the employee's contract is agreed on.

The Group's policy is to record provisions for future payments arising from these plans at the time the restructuring is approved by the Directors, publicly announced and communicated to employees based on the best available estimates of the potential costs in accordance with the corresponding actuarial studies.

At 31 December 2006 and 2005 liabilities relating to existing redundancy plans were recorded under "Provisions" on the consolidated balance sheet at that date.

4.13. Provisions

The Group's consolidated annual accounts contain all provisions that cover obligations existing at the balance sheet date arising as a consequence of past events that could give undermine the companies' equity, the nature of which is certain but the amount and timing of which cannot be determined. This includes all provisions where the probability of having to cover the commitments is estimated to be higher than the probability of not having to cover the commitments.

Provisions, which are estimated based on the best available information as to the consequences of the events giving rise thereto and which are re-estimated at each reporting date, are applied to meet the specific and probable risks for which they were initially recognized and are reversed, totally or partially, whenever said risks disappear or diminish.

Unsettled claims and litigation

At year-end 2006 certain judicial proceedings and claims made against consolidated companies arising in the ordinary course of business were still underway. The Group's legal counsel and Directors estimate that the resolution of these proceedings and claims will produce no material effect on the annual accounts of the years in which they are resolved.

Provisions for guarantees

Provisions for the cost of guarantees provided are recognized at the date of sale of the related products based on the Directors' best estimate of the expense and the amount necessary to settle the Group's liability.

4.14. Deferred income

This corresponds primarily to non-repayable capital grants, which are measured at the amount given and taken to profit or loss under "Other operating income" in proportion to the periodic depreciation of the subsidised assets, except in the case of non-depreciable assets, the subsidies for which are recognized in income in the year in which the related assets are disposed of or derecognized.

4.15. Revenue recognition

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. This normally coincides with delivery of the good sold.

Revenue is calculated at the fair value of the payment to be received and represents the amounts receivable for the goods delivered and the services provided as part of the company's ordinary course of business, less discounts, VAT, and other sales taxes.

Interest income is recognized as interest accrued on a time basis according to the outstanding principal and the effective interest rate charged, which is the rate that exactly discounts estimated future cash receipts over the life of the financial asset from the net carrying amount of the asset.

Dividend revenue from investments is recognized when the rights of the shareholders to receive the dividend payment have been established.

4.16. Income tax, deferred tax assets and liabilities

The expense for income tax for each year is calculated on the basis of the accounting profit before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income.

Uralita S.A. files a consolidated tax statement with the Spanish subsidiaries in which it holds more than 75% of the share capital. The remaining Group companies file individual statements.

The Group's policy is to recognise the tax credit from the future offset and use of loss carryforwards and deductions to the extent allowed by its estimates of future earnings for both the companies comprising the consolidated tax group and those that file taxes individually. The tax credit is recognized under "Income tax expense for the year" in the accompanying consolidated income statement.

In addition, "Deferred tax assets" and "Deferred tax liabilities" in the consolidated balance sheets reflect the impact of temporary differences identified on tax items that are expected to be either payable or recoverable arising from differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases. These amounts are measured by applying to the temporary differences the tax rate that is expected to apply when the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences except where the temporary difference arises from the initial recognition of goodwill, whose amortization is not deductible, or the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all identified temporary differences to the extent that it is probable that consolidated companies will have taxable profit available against which the deductible temporary differences can be utilised except where this relates to the initial recognition of an asset or liability in a transaction that is not a business combination and that

affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are reviewed at each balance sheet to verify they remain in force, with the appropriate corrections being made in accordance with the results of the review.

Law 35/2006 of 28 November on personal income tax and the partial amendments to the laws governing corporate taxation and the taxation of non-residents and personal income provide, inter alia, for a reduction over a period of two years in the general rate of corporate income tax, which until 31 December 2006 was 35%, as follows:

TAX PERÍOD BEGINNING ON OR AFTER:	TAX RATE
1 January 2007	32.5%
1 January 2008	30%

As a result, bearing in mind the year in which the corresponding reversal is likely, in 2006 the Company reassessed the amount of deferred tax assets and liabilities recognized in the consolidated balance sheet relating to Spanish companies. This led to a net charge of €13,045 thousand to "Adjustment to income tax expense for previous years" in the consolidated income statement for the year ended 31 December 2006.

4.17. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding any parent company shares held as treasury shares by Group companies. As there are no potential ordinary shares that could dilute earnings for the Group, basic and diluted earnings per share for 2006 and 2005 are the same.

4.18. Foreign currency transactions

Transactions in foreign currency, i.e. currency other than the euro, which is the Company's functional currency, are initially recorded at the euro rate ruling at the date of the transaction. Exchange gains or losses arising on the settlement of foreign currency transaction balances are recognized in the consolidated income statement when they arise.

Receivables and payables in foreign currency at the balance sheet date are recorded in euros at the year-end exchange rate or the hedged exchange rate. Differences are taken to profit or loss for the year.

The Group uses forward currency contracts and options to hedge its exposure to foreign currency risk (see Note 4.9 on the Group's policy with respect to recognising derivative financial instruments).

4.19. Consolidated cash flow statements

The consolidated cash flow statements are prepared using the indirect method and the terms used are defined as follows:

- Cash flows: inflows and outflows of cash and cash equivalents; cash equivalents are short-term investments that are highly liquid and have low risk that their value will change.
- Operating activities: activities typically carried out by the Company and any others that cannot be classified as investing or financing activities.
- Investing activities: the acquisition, disposal or use by other means of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not generated by operating activities.

4.20. CO₂ emission rights

CO₂ emission rights granted by governments freely to consolidated companies, in line with the international environmental agreements reached with the Kyoto Protocol, are measured at the market value at which they were granted (01 January 2006) and recognized in "Intangible assets" on the consolidated balance sheet at 31 December 2006. At that date, the value of the rights used and pending use, respectively, are recognized in "Provisions" and "Deferred income" in the balance sheet at that date.

The use of emission rights is recognized as a period expense in "Other operating expenses" in the consolidated income statement for the year ended 31 December 2006. The recognition of the deferred income is included in "Other operating revenues."

4.21. Environmental matters

The consolidated companies treat as an expense of an environmental nature the payments made to personnel occupied exclusively with environmental tasks and the goods and purchases necessary for activity in this area, as well as the disposal of waste from operational activities. The remaining amounts related to environmental activities are considered investments.

The consolidated companies also establish provisions for any responsibilities or obligations likely to arise relating to activities that affect the environment and whose amount can be estimated.

4.22. Accounting judgments and estimates

The information included in the accompanying consolidated annual accounts is the responsibility of the Group's Directors.

In the preparation of the consolidated financial statements for 2006 and 2005 estimates made by the Directors of the Group have been used to measure certain assets, liabilities, revenues, expenses and commitments recognized therein. These estimates relate primarily to:

- The estimate of the potential losses due to the impairment of certain assets,
- The useful life of property, plant and equipment and of intangible assets,
- The measurement of goodwill.

These estimates were made on the basis of the best information available at 31 December 2006 and 2005. However, it is feasible that future events could oblige the company to modify these amounts (upwards or downwards) prospectively in the coming years, taking the effects of said changes to the corresponding consolidated income statements, pursuant to IAS 8.

4.23. Changes in estimates and accounting principles and correction of material errors

The impact of any change in estimates is recognized in the same entry of the income statement that includes the previously estimated expense or revenue. In this respect, to adapt the depreciation rates used for property, plant and equipment of certain Group companies (Insulation Business) to their useful life based on updated conditions of use adapted to the Group's new structure from the business' global reorganization, in 2006 the Company reestimated the depreciation rates for "Buildings", "Plant" and "Machinery" of these companies. In accordance with the standards, the change in estimates was made prospectively. This led to a net decrease of approximately

€11,960 thousand in the depreciation expense in the income statement for the year ended 31 December 2006.

Material errors are applied retrospectively, with changes to the information affected by the errors.

5. GOODWILL

Goodwill at 31 December 2006 and 2005 arose from the acquisition of equity investments in the following subsidiaries.

THOUSANDS OF EUROS

OAo URSA Chudovo	23,767
URSA Dämmssysteme Austria GMBH	10,296
URSA Salgotarjan Rt.	9,831

TOTAL	43,894
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Goodwill acquired prior to 1 January 2004 is stated at the net amount recognized at that date (see Note 4.1). There were no movements in this caption in 2006 and 2005.

The Group's directors have implemented a procedure to be followed annually to identify potential capital losses on the cost recorded with respect to the recoverable value of such losses. The procedure for performing this "impairment test" is the following:

- The Directors of each business unit prepares an annual business plan by market and business activity for each cash-generating unit for the following five years. The plan mainly includes:

- Profit and loss forecasts
- Investment and working capital forecasts

The forecasts are prepared for each business unit based on recent performance and the best estimates of Group management regarding the future performance of the main internal and external economic variables.

- The business plans prepared are reviewed and subsequently approved by the Group's Management Committee.
- The main variables that influence these projections are:
 - The discount rate to be applied, defined as the weighted average cost of capital, with the cost associated with liabilities and the specific risks related to assets being the primary variables that influence its calculation.
 - The cash flow growth rate used to extrapolate projected cash flows for periods of time that extend beyond the period covered by budgets and forecasts. This

growth rate is between 0% and 1% for mature markets and between 1% and 2% for emerging markets.

The calculation of value in use of the cash-generating unit is based on the discount of the estimated future cash flows to present value using a rate that reflects the specific risks of the assets, the average cost of the liabilities and the Group's target financial structure. In 2006 and 2005 there were no material changes in the business environment or structure no their future expectations. As a result, the same discount rates were used, which range from 7% to 8% for Western Europe and 10% to 15% for Eastern Europe.

Based on the results of this analysis, the Group has decided that it was not necessary to make any adjustments to the amounts recorded for goodwill at 31 December 2006 and 2005.

Goodwill is assigned to the various cash-generating units of the Insulation Business (Note 18).

6. INTANGIBLE ASSETS

This heading relates to items of intangible assets. The detail of this heading in the consolidated balance sheets at 31 December 2006 and 2005 is the following:

THOUSANDS OF EUROS	31 DECEMBER 2006		31 DECEMBER 2005	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Development costs	3,044	3,038	3,063	2,949
Concessions, patents, licenses, trademarks, etc.	7,785	4,110	9,326	4,545
Software and other intangible assets	35,160	21,174	29,517	17,944
TOTAL	45,989	28,322	41,906	25,438

The movement in "Intangible assets" in 2006 and 2005 is the following:

THOUSANDS OF EUROS	2006	2005
OPENING BALANCE	16,468	11,785
Change in consolidation scope	-	(174)
Increases	7,453	9,419
Sales	(639)	(616)
Accumulated amortization	(4,964)	(4,295)
Translation differences	(21)	(5)
Other	(630)	354
CLOSING BALANCE	17,667	16,468

Additions include CO₂ emission rights received for amounts of €4,195 thousand and €2,122 thousand in 2006 and 2005, respectively.

At 31 December 2006 and 2005 there were no internal costs included in intangible assets.

All the Group's intangible assets have a finite useful life and are amortized using the criteria explained in Note 4.2.

The amount of intangible assets in use and fully amortized intangible assets at 31 December 2006 is not material.

As of 31 December 2006 and 2005, the Group estimates that there was no impairment in its intangible assets that led to a reduction in the recoverable value of the assets to below their net carrying amount.

Research and development costs recognized as an expense in the consolidated income statements for 2006 and 2005 amounted to €707 thousand and €1,057 thousand, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

The detail of this heading in the consolidated balance sheets at 31 December 2006 and 2005 is the following:

THOUSANDS OF EUROS	31 DECEMBER 2006			31 DECEMBER 2005		
	COST	ACCUMULATED DEPRECIATION	NET	COST	ACCUMULATED DEPRECIATION	NET
Land and buildings	213,849	63,848	150,001	200,476	58,614	141,862
Plant and machinery	589,586	330,445	259,141	613,613	330,489	283,124
Other installations, tools and furniture	51,188	37,189	13,999	54,102	36,124	17,978
Prepayments and work in process	28,106	-	28,106	38,740	-	38,740
Other property, plant and equipment	26,300	19,006	7,294	19,963	16,785	3,178
	909,029	450,488	458,541	926,894	442,012	484,882
Impairment provision			(12,905)			(51,831)
NET			445,636			433,051

The movement in this heading in the years ended 31 December 2006 and 2005 was the following:

THOUSANDS OF EUROS	2006	2005
OPENING BALANCE		584,188
Change in consolidation scope	-	(166,101)
Additions	61,274	90,640
Disposals	(27,866)	(16,318)
Application of impairment provision	25,864	19,750
	(2,002)	3,432
Derecognition of assets	(19,650)	-
Application of impairment provision	19,650	-
	-	-
Accumulated depreciation	(37,600)	(58,945)
Reassignment of the asset value of the Coverings Business	-	(25,890)
Allocation to impairment provision	(5,189)	-
Reversal of impairment provision	961	4,085
Translation differences	(1,636)	7,255
Transfer to non-current assets held for sale (Note 8)	(3,810)	(9,042)
Other	587	3,429
CLOSING BALANCE	445,636	433,051

The main additions relate to the construction of new production plants and the introduction of new manufacturing technologies, principally in the Insulation Business. In addition, in 2006 the construction of new manufacturing plants for the Gypsum Business was included.

All items of property, plant and equipment are for the Group's own use and none are granted under operating leases.

Fully depreciated property, plant and equipment items in use at 31 December 2006 and 2005 amounted to €196,852 thousand and €101,500 thousand, respectively. The amounts of temporarily idle items of property, plant and equipment and derecognized items of property, plant and equipment at 31 December 2006 and 2005 are not material.

The Group has taken out insurance policies to cover possible risks to which various items of property, plant and equipment are subject and possible lawsuits which may be filed against the Group during the ordinary course of its business. It considers these policies sufficiently cover these risks.

The net carrying amounts at 31 December 2006 and 2005 of assets acquired under finance leases are €4,773 and €5,407 thousand, respectively.

There are no restrictions to the ownership of the items of property, plant and equipment at 31 December 2006.

Property, plant and equipment located outside Spain are all used for the operations of the Group's consolidated foreign subsidiaries. The carrying amounts of these assets at 31 December 2006 and 2005 were €235,674 and €227,537 thousand, respectively.

At 31 December 2006, the Company has no material contractual commitments to acquire property, plant and equipment.

Impairment losses

The market value of certain cash-generating units has been impaired mainly due to surplus capacity, which has had a material impact on the future economic benefits expected from their use and led to a reorganization of production capacity of the related cash-generating units. This process is in the final stages.

The Group assessed the impact of this through the preparation of projections and businesses plans based on similar criteria to that used for the impairment tests of goodwill (see Note 5).

It also recognized the negative impact on equity at 31 December 2005 and 2004 of the impairment loss of certain cash-generating units disposed of in 2006 and 2005. The estimation of the recoverable amount was made based on the sale amount less costs to sell.

The movements that gave rise to the provision for impairment in 2006 and 2005 were the following:

THOUSANDS OF EUROS	INSULATION WESTERN EUROPE	INSULATION HUNGARY	CONCRETE ROOF TILES	ROOF TILES BRAZIL	HEAT- RESISTANT CLAY TILES	COVERINGS	CHEMICALS	MISCELLA- NEOUS	TOTAL
BALANCE AT 31 DECEMBER 2004	40,017	-	8,056	14,300	3,596	1,703	23,842	-	91,514
Reassignment of asset value	-	-				25,890	-	-	25,890
Applications due to sales or plant closures	(13,275)	-	(4,746)	-	-	(1,729)	-	-	(19,750)
Sale of cash- generating units	-	-	-	(14,300)	(3,596)	-	(23,842)	-	(41,738)
Reversal	(4,085)	-	-	-	-	-	-	-	(4,085)
BALANCE AT 31 DECEMBER 2005	22,657	-	3,310	-	-	25,864	-	-	51,831
Applications due to sales	-	-	-	-	-	(25,864)	-	-	(25,864)
Close of plants and impairment of assets	(16,340)	-	(3,310)	-	-	-	-	-	(19,650)
Transfers	-	-	-	-	-	-	-	2,360	2,360
Allocation	-	4,461	-	-	-	-	-	728	5,189
Reversal	-	-	-	-	-	-	-	(961)	(961)
BALANCE AT 31 DECEMBER 2006	6,317	4,461	-	-	-	-	-	2,127	12,905

Provisions and reversals have been included in the consolidated income statements under "Net impairment losses".

In December 2005 the Group signed an agreement to sell the business of Fibrocementos NT, S.A., not including the land on which the business was conducted. The agreement was carried out in 2006 (see Note 17.5).

After the agreement was signed, in 2005 the impairment provision initially made for the unit (net of the realisable value of the land) was

reassigned, leaving the value of the business of Fibrocementos NT, S.A. at its market value (with a provision recorded of €25,890 thousand) and reassigning the value of the assets and liabilities that are not included in the contract. In 2006, the sale of Fibrocementos NT, S.A.'s business was effectively carried out. As a result, the related impairment was realized.

At 31 December 2005, the resulting value of the land was included under "Non-current assets held for sale" in the consolidated balance sheet at that date (see Note 8).

The remaining applications or plant closures relate to the materialization of provisions for write-downs made in 2005 to adjust the Group's capacity to market demand.

8. NON-CURRENT ASSETS HELD FOR SALE

This heading mainly relates to land and buildings not used for business that the Group intends to sell. The movement in this heading in 2006 and 2005 was the following:

THOUSANDS OF EUROS	2006	2005
OPENING BALANCE	57,014	7,854
Transfers of property, plant and equipment	3,810	9,042
Disposals (Note 17.5)	(50,430)	(3,042)
Reassignment of the value of the land of Fibrocementos NT, S.A. (Note 7) and other	-	43,160
CLOSING BALANCE	10,394	57,014

The main disposal in 2006 related to the land on which Fibrocementos NT, S.A. conducts its business. The land was sold for €82 million, producing a capital gain over the carrying amount of €25,918 thousand (see Note 17.5). The capital gain is presented net of related transaction costs, including those derived from the commitment assumed to lease the land during three years (until 2008) for use by the buyer of the company's production business (see Note 7). Of the total sale price, €67,337 thousand was deferred in three instalments via

promissory notes with final maturity of 2009. These promissory notes were sold without recourse to financial institutions in 2006 and were derecognized in the balance sheet as all the risks associated with the credit sold were transferred in the sale.

9. INVENTORIES

The detail of this heading at 31 December 2006 and 2005 is the following:

THOUSANDS OF EUROS	2006	2005
Commercial inventories	6,651	9,114
Raw materials and other supplies	33,233	33,652
Finished goods and work in process	49,402	50,103
TOTAL	89,286	92,869

10. TRADE AND OTHER RECEIVABLES

At 31 December 2006 and 2005, a number of consolidated companies had signed a contract with "GC Compass Spain 1, Asset Securitization Fund", managed by Gesticaixa and authorised by the Spanish Securities Exchange Commission, for the assignment of collection rights. The Group has a contract with this entity to administer the rights until final settlement to collection from customers. Pursuant to this contract, Group companies transfer each month the rights to collection from customers that meet certain requirements. Collection rights transferred in 2006 and 2005 amounted to

€566 million and €703 million, respectively, of which 47 and €130 million correspond to unmatured receivables at the end of each period, recognized under "Other current financial assets" in the consolidated balance sheets.

The accounts transferred may be settled in cash by the financial entity except for an amount withheld as a guarantee against bad debts, dilution and other items. The €39,965 and 110,024 thousand financed at 31 December 2006 and 2005, respectively, are included under "Other current financial liabilities" in the consolidated balance sheets.

The average credit period in the sale of goods and services is approximately 74 days. Interest is not generally charged on accounts receivable. The Group has recorded a provision for estimated uncollectible amounts from the sale of goods for €7,799 and €2,229 thousand in 2006 and 2005, respectively. The provision was determined based on the Group's experience and on an account-by-account analysis of the main receivables.

11. EQUITY

11.1. Issued capital

At 31 December 2006, the parent company's share capital amounts to €142,199,861.04 and consists of 197,499,807 shares with a par value of €0.72 each. All the shares are fully subscribed and paid up and admitted to trading on the Spanish continuous market.

The only shareholder with a stake of more than 10% is Nefinsa, S.A., which at 31 December 2006 and 2005 effectively controlled 43.37% of the share capital.

11.2. Share premium

The revised Spanish Corporation Law expressly allows the share premium balance to be used to increase capital and establishes no restriction as to its use.

At its meeting of 27 March 2006, the Company's Board of Directors agreed to offset at 31 December 2005 loss carryforwards with voluntary reserves up to the amount of these reserves available, and offset the remaining losses (€52,509 thousand) with a charge to the share premium.

11.3. Reserves attributable to equity holders of the parent

The detail of this heading in the consolidated balance sheets at 31 December 2006 and 2005 is the following:

THOUSANDS OF EUROS	31 DECEMBER	
	2006	2005
Legal reserve	28,440	28,020
Reserve for restatement of share capital to euros	185	185
Unrestricted reserves	9,413	-
TOTAL	38,038	28,205

At 31 December 2006 Uralita, S.A.'s legal reserve was fully funded (20% of share capital) in accordance with the revised Corporation Law.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. With the exception of the above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses provided other reserves are insufficient for this purpose.

11.4. Reserves at consolidated companies

The detail of reserves contributed and foreign exchange differences recognized in equity attributable to equity holders of the parent in the consolidation process is as follows:

THOUSANDS OF EUROS	31 DECEMBER 2006		31 DECEMBER 2005	
	RESERVES	DIFFERENCES TRANSLATION	RESERVES	DIFFERENCES TRANSLATION
Yesos Ibéricos, S.A.	47,438	-	35,401	-
OA0 Ursa Chudovo	22,501	(1,184)	15,694	(1,361)
Ursa Salgotarjan, Rt.	14,350	1,054	4,967	719
Fibrocementos NT, S.A.	12,818	-	6,373	-
OOO Ursa Serpuchow	9,111	(1,149)	5,317	(618)
URSA Dämmssysteme Austria GmbH	4,226	(3,308)	3,454	(3,081)
Ursa CZ s.r.o.	1,358	210	1,230	194
Uralita Holding BV	1,159	(27)	(9)	(44)
Uralita Tejados, S.A.	(1,679)	-	(837)	-
Ursa Benelux BVBA	(1,757)	-	(1,336)	-
Electroquímica Andaluza, S.A.	(5,645)	-	(4,748)	-
Ursa Eurasia LLC	(6,113)	(170)	(822)	(259)
Uralita Iberia, S.L.	(19,563)	-	(15,871)	-
Uralita Sistemas de Tuberías, S.A.	(21,226)	-	(7,123)	-
Ursa Internacional GmbH	(24,140)	-	(12,228)	-
Cerámicas Sanitarias Reunidas, S.A.	(53,997)	-	(53,940)	-
Ursa Ibérica Aislantes, S.A.	(55,044)	-	(44,538)	-
Other companies with positive or negative amounts of less than 1 million	249	32	451	7
Consolidation adjustments at the parent company	192,949	-	182,804	-
TOTAL	116,995	(4,542)	114,239	(4,443)

Of total "Reserves at consolidated companies" at 31 December 2006, €38,180 thousand were restricted reserves, before taking into account consolidation adjustments. Of this amount, €5,396 thousand relates to the revaluation reserve pursuant to Royal Decree-Law 7/1996. Once the tax authorities have reviewed and approved the balance of the reserve (or the three-year period for review has expired), the balance is available, free of tax, to offset tax losses. From 1 January 2007, the balance can be taken to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized in respect of the portion on which depreciation has been applied for accounting purposes or when the revalued assets have been transferred or retired from the accounting records. If this balance is used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

Translation differences arise from the conversion to euros of balances of consolidated subsidiaries whose functional currency is not the euro (see Note 4.18).

Valuation adjustments

Cash-flow hedges.

This heading under "Reserves at consolidated companies" in the consolidated balance sheet includes the net amount of changes in the value of derivative financial instruments designated as cash flow hedges (see Note 13). The movements in these were as follows:

THOUSANDS OF EUROS

Balance at 1 January 2005	-
Changes in fair value	(1,533)
BALANCE AT 31 DECEMBER 2005	(1,533)
Changes in fair value	(1,456)
BALANCE AT 31 DECEMBER 2006	(2,989)

11.5. Profit (loss) for the year attributable to equity holders of the parent

The detail of the contribution by company to profit attributable to equity holders of the parent in 2006 and 2005 is the following:

THOUSANDS OF EUROS	2006	2005
Uralita, S.A.	(29,110)	30,423
Yesos Ibéricos, S.A.	27,524	23,745
Fibrocementos NT, S.A.	15,582	6,445
Ursa Salgotarjan, Rt.	8,082	9,386
OOO Ursa Serpuchow	7,410	3,794
Ursa Eurasia LLC	4,846	(5,703)
Ursa Ibérica Aislantes, S.A.	4,844	(10,506)
Uralita Tejados, S.A.	4,723	-
OAD Ursa Chudovo	4,573	6,652
Ursa Dämmssysteme Austria GmbH	4,377	340
Ursa Benelux BVBA	3,282	(421)
Ursa France S.A.	1,014	-
Uralita BV	777	1,163
Uralita Iberia, S.L.	(924)	(3,691)
Ursa Italia S.R.L.	(2,075)	-
Ursa Insulation, S.A.	(2,555)	-
Uralita Sistemas de Tuberías, S.A.	(2,570)	(14,103)
Ursa Internacional GmbH	(3,087)	(11,912)
Other companies with positive or negative amounts of less than €1 million	581	(428)
TOTAL	47,294	35,184

11.6 Minority interests

The detail by company of the movement in “Minority interests” in the consolidated balance sheets at 31 December 2006 and 2005 is as follows:

THOUSANDS OF EUROS	URALITA					TOTAL
	YESOS IBÉRICOS, S.A.	TEJADOS, S.A.	OAQ URSA CHUDOVO	AISCONDEL, S.A.	SISTEMAS DE TUBERÍAS, S.A.	
Balance at 31 December 2004	49,343	43,673	2,933	1,940	345	98,234
2004 dividend	(12,486)	(1,923)	-	-	-	(14,409)
Foreign currency translation of financial statements	-	68	204	-	-	272
Changes in consolidation scope and investments	-	(643)	(1,173)	(2,398)	(289)	(4,503)
Other	-	(371)	(1)	-	-	(372)
Profit (loss) for the year 2005	16,233	1,396	361	458	(56)	18,392
BALANCE AT 31 DECEMBER 2005	53,090	42,200	2,324	-	-	97,614
2005 dividend	(8,033)	(913)	-	-	-	(8,946)
Foreign currency translation of financial statements	-	-	9	-	-	9
Changes in consolidation scope and investments	-	-	(162)	-	-	(162)
Profit for the year 2006	18,871	4,188	237	-	-	23,296
BALANCE AT 31 DECEMBER 2006	63,928	45,475	2,408	-	-	111,811

12. PROVISIONS

The detail of movements in this heading in the consolidated balance sheets at 31 December 2006 and 2005 is the following:

THOUSANDS OF EUROS	TAXES	POST-EMPLOYMENT BENEFITS	OTHER LIABILITIES	TOTAL
Balance at 31 December 2004	1,526	1,041	15,996	18,563
Change in consolidation scope	(194)	-	(1,673)	(1,867)
Allocation	-	1,447	6,205	7,652
Amounts applied	-	(367)	(4,239)	(4,606)
Reversal to profit or loss	-	(204)	(3,185)	(3,389)
Translation differences	-	-	(323)	(323)
Reclassifications and other	-	1,349	(1,772)	(423)
BALANCE AT 31 DECEMBER 2005	1,332	3,266	11,009	15,607
Allocation	2,132	2,466	19,265	23,863
Amounts applied	-	(223)	(6,130)	(6,353)
Reversal to profit or loss	-	-	(2,731)	(2,731)
Translation differences	-	-	2	2
Reclassifications and other	-	(3,378)	-	(3,378)
BALANCE AT 31 DECEMBER 2006	3,464	2,131	21,415	27,010

“Other liabilities” mainly relate to provisions deemed necessary for ongoing procedures against the Group and other commitments assumed with investees that have been disposed of or wound up. The allocation in 2006 relates to updated reestimates of the amounts of these liabilities. It also includes €4,452 and €1,166 thousand for CO₂ emission rights used in 2006

and 2005, respectively, in accordance with the accounting principle described in Note 4.20.

The provision for post-employment benefits includes amounts considered sufficient to meet the commitments accrued at that date by certain consolidated foreign subsidiaries (see Note 4.11).

13. INTEREST-BEARING LOANS AND BORROWINGS

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2006 and 2005 is the following:

THOUSANDS OF EUROS	31 DECEMBER 2006			31 DECEMBER 2005		
	LIMIT	DRAWN DOWN		LIMIT	DRAWN DOWN	
LONG TERM		SHORT TERM	LONG TERM		SHORT TERM	
2004 private bond placement	-	123,484	-	-	123,484	-
Uralita, S.A. 1955 debenture issue	-	-	20	-	20	19
Other loans and credit facilities	55,977	-	480	75,912	229	22,721
Un-matured discounted bills	-	-	728	-	-	-
Less: Issue costs	-	(405)	-	-	(944)	-
TOTAL		123,079	1,228		122,789	22,740

The private bond placement was held in November 2004 among US institutional investors and comprised two tranches, a \$129 million tranche maturing in 7 years and an \$23 million tranche maturing in 10 years (at fixed rates).

The bonds were issued by consolidated subsidiary Uralita BV, headquartered in the Netherlands. The placement involves covenants usual in this type of financing, such as meeting certain financial and profitability targets. The Group's Directors believe that the likelihood of meeting these targets is such that no significant change in the original conditions of the transaction is expected to occur.

Uralita, S.A.'s 1955 issue of non-convertible bonds was for an original amount of €300 thousand, paying annual interest of 6.75%. The issue is secured by the Company's assets and

the amount outstanding at year-end 2006 will be repaid in 2007.

Current loans and credit facilities are arranged at interest rates indexed to the Euribor. All debts are guaranteed under the personal guarantee of the individual companies.

The main loans and credit facilities are granted in euros.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to variations in interest and exchange rates related to the private bond placement of 2004 described above. The detail of hedges arranged and outstanding at 31 December 2006 and 2005 is the following:

	TYPE	NOTIONAL ARRANGED	FINAL MATURITY (*)
Cross Currency Swap	Sale of dollars / Purchase of euro		
	Purchase at floating rates (euro)	\$152,000	
	Sale at fixed rates (dollar)	thousand	2011 / 2014
Interest Rate Swap	Sale at floating rates (euro)	€123,484	
	Purchase at protected fixed rate (euro)	thousand	2011 / 2014

(*) Partial maturities and interest settlement period matched with those of the hedged debt.

These instruments were acquired in accordance with the Group's policies for entering into financial derivatives and are designated as hedges. They are recognized in the accompanying annual accounts as follows:

- The cross currency swap provides a fair value hedge of the liability recognized for the "2004 bond placement", which therefore is measured at the locked in exchange rate.
- The interest rate swap provides a cash flow hedge derived from the financial cost of the "2004 bond placement". Its market value at 31 December 2006 is recognized as "Hedging instruments" between the non-current liabilities in the accompanying balance sheet, recognized with a balancing

entry under "Valuation adjustments" in the Group's equity (net of the related tax effect) (see Note 11.4).

14. OTHER FINANCIAL LIABILITIES

"Trade payables" mainly include amounts owed on commercial purchases and related costs. The average payment period in the purchase of goods and services is approximately 81 days.

15. DEFERRED INCOME

The detail of the movement in this heading at 31 December 2006 and 2005 is the following:

THOUSANDS OF EUROS	GOVERNMENT GRANTS	OTHER DEFERRED INCOME	TOTAL
Balance at 31 December 2004	11,349	2,714	14,063
Change in consolidation scope	(2,769)	-	(2,769)
Increases	381	2,318	2,699
Recognition in income	(1,669)	(2,631)	(4,300)
Reclassifications and other	66	1,729	1,795
BALANCE AT 31 DECEMBER 2005	7,358	4,130	11,488
Increases	880	3,569	4,449
Recognition in income	(1,156)	(4,819)	(5,975)
Reclassifications and other	8	966	974
BALANCE AT 31 DECEMBER 2006	7,090	3,846	10,936

“Other deferred income” in 2006 mainly includes CO₂ emission rights received free by Group companies and recognized as explained in Note 4.20.

The recognition in 2006 profit derives mainly from the materialization of the tax asset by applying the depletion factor to the quarries of Yesos Ibéricos, S.A.

16. GUARANTEES

At 31 December 2006, consolidated companies had received bank guarantees amounting to

€66,309 thousand. Of this amount, €5,885 thousand derives from Uralita, S.A.'s being head of the consolidated tax group; €15,579 thousand to ongoing lawsuits against Uralita, S.A. and subsidiaries, for which the necessary provisions have been recorded, and the remainder to business of consolidated subsidiaries.

The Group's directors estimate that the operations described in this note will not give rise to material additional liabilities than those recorded on the accompanying consolidated balance sheet.

17. REVENUE AND EXPENSES

17.1. Revenue

The detail of this heading in 2006 and 2005 is the following:

THOUSANDS OF EUROS	2006	2005
Sales of goods and services	1,011,229	1,105,692
Financial discounts on sales	(6,517)	(1,498)
Other revenues	491	416
TOTAL	1,005,203	1,104,610

17.2. Other operating income

The detail of "Other operating income" in 2006 and 2005 is as follows:

THOUSANDS OF EUROS	2006	2005
Ancillary income	6,615	2,967
Operating grants	348	214
Government grants transferred to profit (loss) for the year (Note 4.14)	1,156	1,669
Capitalized expenses of in-house work on assets	200	1,333
Consumption of free CO ₂ emission rights	3,254	1,166
Other	798	674
TOTAL	12,371	8,023

17.3. Operating expenses

Supplies

The detail of this heading is the following:

THOUSANDS OF EUROS	2006	2005
Purchases	368,702	432,438
Change in commercial inventories, raw materials and other supplies	(3,624)	3,724
Work carried out for other companies	5,396	10,671
TOTAL	370,474	446,833

Employee benefits expense

The detail of this heading is the following:

THOUSANDS OF EUROS	2006	2005
Wages and salaries	117,378	151,469
Social security	29,155	37,726
Restructuring costs	7,707	8,065
Other employee welfare expenses	7,999	9,172
TOTAL	162,239	206,432

The average number of employees of the Group in 2006 and 2005 by professional category was as follows:

THOUSANDS OF EUROS	2006	2005
Managers	166	123
Graduates, line personnel and supervisors	679	936
Sales personnel	575	614
Administrative staff	486	865
Manual workers	2,017	2,679
TOTAL	3,923	5,217

Capitalised staff costs in 2006 and 2005 relating to projects involving properties are not material.

Other operating expenses

The detail of this heading is the following:

THOUSANDS OF EUROS	2006	2005
Transport	91,966	100,223
Supplies	69,658	59,867
Repairs and maintenance	29,574	35,598
Leases	17,903	20,640
Advertising	16,539	16,510
Communication	6,769	6,525
Taxes other than income taxes	5,714	5,774
Insurance premiums	2,858	3,999
Allocation to provision for current assets	8,036	3,894
Consumption of CO ₂ emission rights (Note 4.14)	3,287	1,166
R&D costs	707	1,057
Other expenses	52,782	61,536
TOTAL	305,793	316,789

Certain buildings used in the business are leased to tenants not belonging to the Group. Some of the leases may not be cancelled before maturity without compensation. The outstanding lease payments of these contracts at 31 December 2006 amount to approximately €24,164 thousand.

Other expenses include fees paid for the audit of accounts of the companies comprising the Group by the main auditor and other associated auditors. These fees amounted to €711 and €685 thousand in 2006 and 2005, respectively.

Fees for non-audit services provided to the various Group companies by the principal auditor in 2006 and 2005 amounted to €400 and €404 thousand, respectively. The Corporate Governance statement includes a description of the Audit Committee's remit, along with an explanation of how the objectivity and independence of the auditor is guaranteed in the provision of non-audit services.

Fees for financial audit services in 2006 provided to the various companies comprising the Group by other auditors amounted to €51 thousand and fees for non-audit services by other auditors to €64 thousand.

17.4. Finance costs

The detail of this heading is the following:

THOUSANDS OF EUROS	2006	2005
Interest on loans and debt issues	9,287	7,189
Interest on finance leases	239	378
Other finance costs	1,386	5,942
TOTAL	10,912	13,509

The main item in "Other finance costs" in 2006 was the recognition in results of the costs of bond issues and bank loans costs of €542 thousand, of which €330 thousand related to the repayment of the syndicated loan detailed in Note 13.

17.5. Loss on disposal and measurement of non-current assets

The detail of this heading is the following:

THOUSANDS OF EUROS	2006	2005
Disposal of property, plant and equipment and intangible assets	27,203	21,336
Sale of holdings in consolidated companies	-	(16,594)
Sale of other financial assets	(11)	(167)
Write-down of investments in non-consolidated companies	-	(14)
TOTAL	27,192	4,561

Sales of property, plant and equipment and intangible assets were made to non-Group companies. Total transactions carried out in 2006 amounted to nearly €92,000 thousand, of

which all had been collected by 31 December 2006. The main transaction was the sale of the land on which Fibrocementos NT, S.A. conducts its business (see Note 7).

17.6. Other gains and losses

The detail of this heading is the following:

THOUSANDS OF EUROS	2006	2005
Payments and allocations to provisions for litigation and other liabilities	(19,584)	(5,482)
Reversal of provisions (Note 12)	2,471	-
Other	(1,673)	(198)
TOTAL	(18,786)	(5,680)

18. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments. Secondary information is reported geographically.

Primary segments - business

The business segments described below were determined based on the Group's organisational structure at year-end 2006 bearing in mind the nature of the products and services offered and the customers they target.

In 2006, the Group organised its business into five large business lines:

- Insulation
- Pipe Systems
- Roofing
- Gypsum

The business segments are basically defined by the products involved.

Revenue and expenses that cannot be specifically attributed to a business line because of decisions adopted for the overall Group or other reasons are attributed to a "Corporate Unit" to which the necessary consolidation adjustments and eliminations are attributed in order to draw up consolidated financial statements for the Group from the aggregate of the businesses.

Costs of the parent company identified as arising from services provided to subsidiaries are passed on to them and are recognized in the profit and loss of the various businesses. The remaining transactions of the parent company are included in the "Corporate Unit".

The transactions carried out in 2005 in the Chemicals Business, which was sold that year, were included in the "Corporate Unit".

Secondary segments – geographic

The Group conducts business in:

- Spain
- Rest of the EU
- Other countries

Basis and methodology for business segment reporting

The segment information provided below is based on monthly reports prepared by the various businesses and generated from the accounts and other records of the companies comprising the businesses in the same way as the information used to prepare the accompanying consolidated financial statements.

The structure of this information is designed as if each business were an independent business arising from the consolidation or combination of the companies that comprise it and had its own resources.

Segment information by business is presented below.

THOUSANDS OF EUROS	INSULATION		PIPE SYSTEMS		ROOFING		GYPSUM		CORPORATE UNIT		GROUP TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	External sales	495,725	439,510	168,441	161,544	102,916	169,922	234,379	198,868	3,742	134,766	1,005,203
Inter-segment sales	199	494	148	2,194		12,659		768	(347)	(16,115)		
NET REVENUES	495,924	440,004	168,589	163,738	102,916	182,581	234,379	199,636	3,395	118,651	1,005,203	1,104,610
Depreciation and amortization	24,977	34,602	4,822	4,962	5,171	10,063	5,254	4,873	2,340	8,740	42,564	63,240
OPERATING PROFIT	59,931	20,809	5,867	(1,365)	11,154	11,742	63,460	53,645	(11,358)	(3,951)	129,054	80,880
ORDINARY PROFIT (LOSS)	53,844	16,808	3,531	(2,933)	11,531	10,870	65,134	55,617	(14,865)	(7,445)	119,175	72,917
PROFIT BEFORE TAXES	44,751	16,444	(686)	(4,155)	12,993	47,609	64,578	59,259	47	(43,274)	121,683	75,883
PROFIT FOR THE YEAR	32,571	9,471	(759)	(7,613)	8,911	24,659	46,378	40,410	(16,511)	(13,351)	70,590	53,576
Attributable to:												
Equity holders of the parent	32,334	9,094	(759)	(7,556)	4,723	23,486	27,507	23,969	(16,511)	(13,809)	47,294	35,184
Minority interests	237	377		(57)	4,188	1,173	18,871	16,441		458	23,296	18,392
Goodwill	43,894	43,894									43,894	43,894
Property, plant and equipment	245,263	237,513	43,587	45,526	60,519	91,872	90,953	86,089	5,314	(27,949)	445,636	433,051
Intangible assets	14,308	14,683	83	137	3,334	604	1,574	772	(1,632)	272	17,667	16,468
Other non-current assets	32,294	28,547	475	406	5,783	(1,046)	786	406	87,690	169,509	127,028	197,822
Current assets	131,713	118,741	68,185	37,865	37,122	42,626	63,334	21,149	39,775	113,712	340,129	334,093
ASSETS	467,472	443,378	112,330	83,934	106,758	134,056	156,647	108,416	131,147	255,544	974,354	1,025,328
Financing from /(to) the Group	(16,766)	115,183	5,516	13,888	(20,478)	(56,664)	(58,223)	(81,389)	89,951	8,982		
Non-current liabilities	16,576	14,757	5,549	2,537	7,096	8,875	3,461	4,161	143,016	146,086	175,698	176,416
Current liabilities	91,057	97,066	53,531	47,198	23,387	42,586	54,299	55,169	65,068	134,376	287,342	376,395
LIABILITIES	90,867	227,006	64,596	63,623	10,005	(5,203)	(463)	(22,059)	298,035	289,444	463,040	552,811
TOTAL NET ASSETS	376,605	216,372	47,734	20,311	96,753	139,259	157,110	130,475	(166,888)	(33,900)	511,314	472,517

(a) Includes transactions of the Chemicals Business up to the date of its sale.
Inter-segment sales are made at current market prices.

Information by geographical segments

The following table provides the detail of certain Group balances in accordance with the geographical distribution of the companies that produce them:

THOUSANDS OF EUROS	REVENUE		PROFIT (LOSS) BEFORE TAXES		TOTAL ASSETS	
	2006	2005	2006	2005	2006	2005
	Spain	482,236	563,055	81,991	101,464	573,997
Rest of EU	392,603	406,689	16,220	(36,554)	303,552	345,738
RoW	130,364	134,866	23,472	10,973	96,805	91,693
TOTAL	1,005,203	1,104,610	121,683	75,883	974,354	1,025,328

19. TAX MATTERS

19.1. Consolidated tax group

In accordance with prevailing legislation, the consolidated tax group includes Uralita, S.A., as parent company, and Spanish companies that comply with legislation governing taxation on the consolidated profit of Group companies as subsidiaries.

The remaining subsidiaries file individual taxes in accordance with the tax regulations prevailing in each country.

19.2. Years open to inspection

At 31 December 2006, the consolidated tax group was open to inspection for all the main taxes applicable for 2002, 2003, 2004, 2005

and 2006. In general, consolidated companies are open to inspection for the main taxes applicable for the last four years.

At 31 December 2006, the consolidated tax group had tax assessments signed in disagreement, for which it has filed the associated appeals. Considering the related provisions recorded by the Group, the directors estimate that any potential liabilities arising as a result of the tax assessments will not have a material impact on the consolidated annual accounts for 2006.

Because of the possible different interpretations of tax regulations, any tax audits that the authorities may carry out in future in respect of the years currently open for inspection could give rise to tax liabilities that cannot be quantified objectively. However, the Group's tax

advisors and directors believe that the chances of material liabilities arising as a result are remote.

19.3. Income taxes recognized in the income statement

Income taxes recognized in the consolidated income statements for the years ended 31 December 2006 and 2005 are the following:

THOUSANDS OF EUROS	2006	2005
Income tax for the Spanish consolidated tax group	-	(1,810)
Income tax for other Spanish subsidiaries	23,477	24,642
Income tax on foreign operations	10,100	8,187
Deferred tax, net	3,674	(8,712)
TOTAL	37,251	22,307

The income tax expense for Spanish companies was calculated by applying a 35% rate to the estimated tax base less any deductions or rebates. Taxes in other jurisdictions are calculated in accordance with the prevailing rates.

The 2006 income statement also includes a €13,842 thousand expense for adjustments to corporate income tax, of which €13,045 thousand relate to the reduction to estimated fair value of the Spanish tax group's deferred tax assets, as explained in Note 4.16.

19.4. Deferred tax

Under prevailing tax legislation in the various countries where consolidated companies are located, at 31 December 2006 tax assets / liabilities rose from the differences between accounting principles and tax criteria applied and the temporary differences between the recognition of revenue and expenses. An unused tax credit is also recognized as the Company considers that its recoverability is reasonably assured.

The detail of movements in "Deferred tax assets" and "Deferred tax liabilities" recognized by the Group at 31 December 2006 and 2005 is the following:

THOUSANDS OF EUROS	ASSETS				LIABILITIES	
	TAX LOSS CARRYFORWARDS AND DEDUCTIONS		TEMPORARY DIFFERENCES		TOTAL	DEFERRED TAX
	CONSOLIDATED TAX GROUP	OTHER COMPANIES	TAX IMPACT OF ADOPTION OF IFRS			
			OF IFRS	OTHER		
Balance at 31 December 2004	70,620	12,592	24,170	9,710	117,092	-
Increases	31,268	13,676	13,181	-	58,125	13,181
Decreases	(2,846)	(483)	(23,193)	(9,710)	(36,232)	-
BALANCE AT 31 DECEMBER 2005	99,042	25,785	14,158	-	138,985	13,181
Increases	-	886	-	12,974	13,860	-
Decreases	-	(1,704)	(9,383)	-	(11,087)	(13,181)
Offset of tax loss carryforwards	(14,038)	-	-	-	(14,038)	-
Spanish tax group. Change in tax rate (Note 4.16)	(12,161)	-	-	(884)	(13,045)	-
Other adjustments of prior years	-	(772)	(337)	-	(1,109)	-
BALANCE AT 31 DECEMBER 2006	72,843	24,195	4,438	12,090	113,566	-

20. EARNINGS PER SHARE

20.1. Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of parent company shares held as treasury shares in the year.

Basic earnings per share is therefore determined as follows:

	2006	2005
Profit for the year attributable to equity holders of the parent (€ thousand)	47,294	35,184
Average number of ordinary shares outstanding (thousand)	197,500	197,500
BASIC EARNINGS PER SHARE (€)	0.24	0.18

20.2. Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (adjusted by the effect attributable to dilutive potential ordinary shares) and the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the company. Conversion is considered to take place at the beginning of the period or at the time of the issue of the potential ordinary shares if these were issued during the year.

In 2006 and 2005, diluted earnings per share coincided with basic earnings per share.

21. RELATED PARTY TRANSACTIONS

Caja de Ahorros de Salamanca y Soria, a related party by virtue of its equity investment in Uralita, S.A., has granted guarantees to Group companies amounting to €2,964 thousand at 31 December 2006.

22. COMPENSATION AND OTHER DISCLOSURES

In 2006, the members of the Board of Directors of Uralita, S.A. were paid total compensation of €1,441 thousand (€1,034 thousand in 2005), €1,243 thousand of fixed and €198 thousand of variable compensation. They also received €684 thousand (€648 thousand in 2005) in bylaw-stipulated emoluments. The detail was as follows:

THOUSANDS OF EUROS

	BOARD OF DIRECTORS	NOMINATION AND REMUNERATION COMMITTEE	AUDIT COMMITTEE	TOTAL
2006				
Nefinsa	48	9	9	66
Caja Duero	48	9	-	57
Atalaya	48	-	9	57
Javier Serratosa Luján	96	-	-	96
Javier Echenique Landívar	48	18	-	66
José M. Serra Peris	48	-	18	66
Jesús Quintanal S. Emeterio	48	-	-	48
José I. Olleros Piñero	48	-	-	48
José A. Carrascosa Ruiz	48	-	-	48
Javier González Ochoa	48	-	-	48
Álvaro Rodríguez-Solano Romero	48	-	-	48
Jorge Alarcón Alejandre	36	-	-	36
TOTAL	612	36	36	684

THOUSANDS OF EUROS				
2005	BOARD OF DIRECTORS	NOMINATION AND REMUNERATION COMMITTEE	AUDIT COMMITTEE	TOTAL
Nefinsa	48	9	9	66
Caja Duero	48	9	-	57
Atalaya	48	-	9	57
Javier Serratosa Luján	96	-	-	96
Javier Echenique Landiribar	48	18	-	66
José M. Serra Peris	48	-	18	66
Jesús Quintanal S.Emeterio	48	-	-	48
José I. Olleros Piñero	48	-	-	48
José A. Carrascosa Ruiz	48	-	-	48
Javier González Ochoa	48	-	-	48
Álvaro Rodríguez-Solano Romero	48	-	-	48
TOTAL	576	36	36	648

The Group has no commitments for pensions or insurance premiums for members of the Board of Directors. Nor has it granted board members any advances, loans or guarantees.

Compensation paid to senior managers (excluding those who are also members of the Board of Directors, whose compensation is described previously) amounted to €973 thousand in 2006 (four managers) and €1,044 thousand in 2005 (five managers).

In accordance with the terms of Law 26/2003 the Group defines its main activity as described in Note 1.

In accordance with the information of Uralita, S.A. directors, there is no situation described in Law 26/2003 with respect to the ownership by

members of the Board of Uralita, S.A. of equity stakes in companies with the same, similar or complementary business to the Group's main activity. Similarly, these members have not carried and do not carry out on their own behalf or on the behalf of a third party, an activity which is similar or complementary to Company's main activity.

The detail of members of the Board of Directors of Uralita, S.A. who are directors in other companies with the same, similar or complementary business to the Company's main activity is as follows:

- Javier Serratosa Luján
 - Ursa Ibérica Aislantes, S.A.
 - Ursa International, GmbH

- José Ignacio Olleros Piñero
 - Uralita B.V.
 - Uralita Holding B.V.
- Alvaro Rodríguez-Solano Romero
 - Uralita B.V.
 - Uralita Holding B.V.

All these companies are subsidiaries of Uralita, S.A.

In all cases, members of the management teams of all subsidiaries represent Uralita, S.A., as the main shareholder, with the exception of certain subsidiaries, belonging mainly to the Gypsum and Roofing businesses, whose management teams include representatives of minority shareholder Grupo Lafarge, which carries out similar activities to those carried out by Uralita Group. Representatives of the Uralita and Lafarge groups on these management teams do not hold stakes in the share capital of companies which carry out the same, similar or complementary business activities to those carried out by the companies making up the Uralita Group's core business, nor do they hold positions of responsibility in other companies not belonging to the Group, which carry out a similar business activity.

23. CONTINGENT ASSETS AND LIABILITIES

At 31 December 2006, there are no contingent assets or liabilities that could have a material impact on the financial position and equity reflected in the accompanying consolidated financial statements.

24. ENVIRONMENTAL INFORMATION

Some of the consolidated companies are required to comply with a series of legal provisions relating to the prevention and reduction of emissions, recovery of zones and the protection and improvement of the environment, and this has given rise to a series of investments and expenses.

The net carrying amounts at 31 December 2006 of systems, equipment and facilities included in property, plant and equipment designed to protect and improve the environment amount to €8,821 thousand.

Costs incurred in 2006 for environmental protection and improvement included €1,538 thousand of ordinary and €28 thousand of extraordinary expenditure. They mostly comprised wages paid to personnel who carry out environmental services, waste collection and treatment, environmental audits and similar certifications.

Provisions at 31 December 2006 for environmental actions amounted to €35 thousand, fully allocated during the year.

The follow-up of environmental contingencies is mainly undertaken by specialized personnel, while third parties are charged with carrying out environmental audits and waste management and collection. The evaluation of these contingencies has not indicated any eventual effects on the companies' assets and results, nor are any additional contingencies of an environmental nature expected to arise from their activity.

Environment-related subsidies and compensation obtained in 2006 amounted to €64 thousand.

Appendix I. Subsidiaries

2006

THOUSANDS OF EUROS								PROFIT	UNREALIZED
BY BUSINESS SEGMENT	LOCATION	DIRECT HOLDING (%)	GROUP HOLDING	CARRYING AMOUNT	ASSETS	LIABILITIES	EQUITY	(LOSS) FOR THE YEAR	CAPITAL GAIN
INSULATION									
Ursa Insulation, S.A.	Madrid	100.00%	100.00%	0	4,704	7,205	(2,501)	(2,561)	
Ursa Ibérica Aislantes, S.A.	Madrid	100.00%	100.00%	54,776	86,182	37,640	48,542	19,624	6,237
Ursa Italia S.R.L.	Italy	100.00%	100.00%	7,507	24,643	16,567	8,076	(2,209)	
Ursa France, S.A.S.	France	100.00%	100.00%	47,135	72,433	25,298	47,135	(10,981)	
Ursa U.K. LTD.	UK	100.00%	100.00%	15	4,629	3,996	633	134	
Ursa International GmbH	Germany	100.00%	100.00%	32,319	141,873	62,943	78,930	(1,168)	4,183
Ursa Eslovenija, d.o.o.	Slovenia	100.00%	100.00%	29,000	39,501	6,363	33,138	6,786	
Ursa Novoterm Sarajevo d.o.o.	Bosnia	100.00%	100.00%	13	33	16	17	1	
Ursa Beograd d.o.o.	Yugoslavia	100.00%	100.00%	15	67	55	12	6	
Ursa Zagreb d.o.o.	Croatia	100.00%	100.00%	140	1,750	1,644	106	(105)	
Ursa Dämmssysteme Austria GmbH	Austria	100.00%	100.00%	46,249	57,495	12,123	45,372	5,100	10,756
Ursa CZ s.r.o.	The Czech Republic	100.00%	100.00%	541	1,515	974	541	390	
Ursa SK s.r.o.	Slovak Republic	100.00%	100.00%	0	597	418	179	143	
Ursa Benelux BVBA	Belgium	100.00%	100.00%	12,759	33,469	25,626	7,843	4,959	4,915
Ursa Deutschland GmbH	Germany	100.00%	100.00%	61,950	123,377	58,605	64,772	2,457	
Ursa Salgótarjáni RT.	Hungary	100.00%	100.00%	19,229	44,415	19,481	24,934	14,315	9,845
TOO Ursa Kazakhstan	Kazakhstan	100.00%	95.37%	0	12	27	(15)	0	
OOO Ursa Serpuchow	Russia	100.00%	99.77%	13,509	51,661	22,492	29,169	7,762	
OAD Ursa Chudowo	Russia	95.37%	95.37%	35,495	39,972	(12,037)	52,009	5,118	23,767
Ursa Industry GmbH	Germany	100.00%	100.00%	29	1	743	(742)	2,457	
Ursa Nordic AB	Sweden	100.00%	100.00%	11	104	66	38	20	
Ursa Enterprise	Ukraine	100.00%	100.00%	0	1,957	1,505	452	438	
Ursa Eurasia LLC	Russia	100.00%	100.00%	0	28,411	29,748	(1,337)	4,846	
Ursa Polska Sp. z o.o.	Poland	100.00%	100.00%	7,944	24,729	9,918	14,811	5,796	
Ursa Romania SRL	Romania	100.00%	100.00%	3	1,825	886	939	405	
OÜ Pfeleiderer Baltic	Estonia	100.00%	100.00%	2	54	26	28	52	

(continuation)

THOUSANDS OF EUROS									
BY BUSINESS SEGMENT	LOCATION	DIRECT HOLDING (%)	GROUP HOLDING	CARRYING AMOUNT	ASSETS	LIABILITIES	EQUITY	PROFIT (LOSS) FOR THE YEAR	UNREALIZED CAPITAL GAIN
Ursa Swiss GmbH	Switzerland	100.00%	100.00%	16	158	104	54	40	
PIPES									
Uralita Sistemas de Tuberías, S.A.	Madrid	100.00%	100.00%	47,734	114,545	66,811	47,734	(2,577)	
Epe France, S.A.R.L.	France	100.00%	100.00%	1,633	1,799	166	1,633	146	
ROOFING									
Uralita Iberia, S.L.	Madrid	100.00%	100.00%	573	4,295	3,722	573	(924)	
Uralita Tejados, S.A.	Madrid	53.00%	53.00%	51,278	128,612	31,859	96,753	11,186	
Lusoceram Empreendimentos Cerâmicos, S.A.									
	Portugal	99.97%	53.00%	7,417	30,954	24,060	6,894	484	
GYPSUM									
Yesos Ibéricos, S.A.	Madrid	59.31%	59.31%	25,752	220,062	62,952	157,110	46,376	
Episa, S.L.	Portugal	100.00%	60.94%	2	264	120	144	31	
Algiss Explotaciones Mineras, S.L.									
	Madrid	100.00%	59.35%	11,000	11,025	37	10,988	(12)	
OTHER SUBSIDIARIES									
Uralita Holding BV.	Netherlands	100.00%	100.00%	1,324	131,493	128,687	2,806	778	
Uralita B.V.	Netherlands	100.00%	100.00%	1,136	125,722	124,435	1,287	61	
Fibrocementos NT, S.A.	Madrid	100.00%	100.00%	60,573	97,902	36,674	61,228	50,894	
Rocmat, E.U.R.L.	France	100.00%	100.00%	802	2,163	1,390	773	(642)	
Electroquímica Andaluza, S.A.									
	Madrid	75.49%	75.49%	0	0	5,705	(5,705)	(78)	
Cerámicas Sanitarias Reunidas, S.A.									
	Madrid	100.00%	100.00%	776	847	71	776	129	

The Uralita Group. Management Report

2006

1. RESULTS

The Uralita Group completed its 2004-2006 Strategic Plan satisfactorily in 2006. It successfully carried out all planned non-core asset disposals with the sale in January of the Coverings Business, while it enhanced the operating efficiency of its four core businesses, bringing them into line with benchmark levels in their respective sectors. Net profit attributable to equity holders of the parent was €47.3 million, 34.4% higher than the year before and a new record for the Uralita Group.

Consolidated revenue totalled €1.005,2 billion. Foreign operations accounted for 52% of the total, outstripping domestic sales for the first time. Like-for-like revenue growth (i.e. stripping out the disposals of non-core businesses) was 11.4%. Broadly speaking, the Group fared well in all its markets in 2006. In Spain, new construction saw a record 815,000 building permits (11.7% higher than in 2005), while in Germany the construction sector staged its long-awaited rebound, growing 6%. Meanwhile, other Central and Eastern European markets remained buoyant. The blemish was the Portuguese residential construction market, which fell 5.7% from the year before.

EBITDA in 2006 amounted to €178.2 million, a 18.4% increase on 2005 despite the Group's smaller size. Like-for-like growth (i.e. ex-disposals) was 39.6%. The consolidated EBITDA margin for the year was 17.7%, 4.1p.p. higher than in 2006, driven by wider margins in core businesses (+3.6p.p.) and the Group's withdrawal from non-core and, generally, less profitable businesses (+0.5p.p.).

Profit for the year was €70.6 million, a 31.7% gain despite the smaller business scope. The net profit margin increased significantly from 2005, to 7.0%, placing the Group at benchmark profitability levels within its industry.

During the year, the Uralita Group cut net debt by €36 million to €104 million.

2. RESULTS BY BUSINESS

External conditions for the Insulation Business were positive, underpinned primarily by strong growth for insulation products in Central and Eastern Europe. This led to an imbalance between supply and demand in the glass wool segment, which enabled the Group to pass on the increase in raw material costs to end

customers. It also helped drive the XPS business. In all, revenue in the Insulation Business rose 12.7% to €495.9 million.

EBITDA for Insulation Business surged 57.8% to €87.4 million, mostly fuelled by the increase in revenue and the cost savings derived from the restructuring of industrial, logistics and overhead costs in 2005 and 2006.

The Gypsum Business posted revenue of €234.4 million, a 17.4% increase from 2005 thanks to steady increase in penetration of plasterboard in Spain and stronger commercial efforts to offer powdered gypsum customers higher value-added products. EBITDA for the business rose 18.1% to €69.1 million, underpinned by higher sales, the impact of measures to boost plant productivity and cost-cutting initiatives undertaken over the last two years.

The Roof Tiles Business achieved a 44.1% increase in revenue in the year, to €102.9 million, largely thanks to the disposal of non-core assets. Like-for-like revenue was 2.7% lower, as activity in Spain was not enough to offset soft demand in the Portuguese market. EBITDA fell 28.2% to €17.0 million, but was 9.7% higher like-for-like. Increased plant utilisation in Spain and efforts to rein in overhead costs boosted margins for the business.

The Pipes Business delivered a better performance thanks to the change in strategy

implemented in 2005 and carried out throughout 2006. Revenue advanced 3.0% to €168.6 million (+9.6% like-for-like), thanks to the increase in pipe volume sales as part of the new commercial strategy for the Business. This made it possible to partially pass on to sale prices the increase in the cost of PVC resin sustained in previous years. EBITDA totalled €11 million, with the EBITDA margin improving 4.1p.p. The growth in margins stemmed from lower production costs deriving from factory specialisation, higher plant utilisation and sizeable cuts in commercial and overhead expenses.

3. RESEARCH AND DEVELOPMENT

In 2006, the Group spent €0.7 million on R&D projects.

4. RISK MANAGEMENT

Uralita mitigates its exposure to financial risk through an appropriate framework for the detection and prevention of risk within the Group's Risk Detection System. Therefore, all the Company's price, credit, liquidity and cash flow risk is periodically assessed, monitored and controlled.

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In this respect, Group policy includes the use of derivatives to hedge its risks associated with interest rate and foreign currency fluctuations.

5. TREASURY STOCK

At 31 December 2006 no parent company shares were held as treasury shares and no transactions involving treasury shares were carried out in the year.

6. SUBSEQUENT EVENTS

No material events have taken place between the date of the annual accounts and the date of their preparation.

7. OUTLOOK

Based on the projections of the Strategic Plan, the Group's management forecasts a positive business outlook for the coming years.

The Uralita Group

SUMMARY OF FINANCIAL DATA

THOUSANDS OF EUROS	2006	%	2005	%	2004	%
RESULTS						
Net sales	1,005,203	100.0	1,104,610	100.0	1,314,087	100.0
Gross margin	627,279	62.4	659,318	59.7	764,499	58.2
EBITDA	178,169	17.7	150,516	13.6	189,708	14.4
EBIT	135,961	13.5	87,581	7.9	111,532	8.5
PBT	121,683		75,883		90,875	
Net income	70,590		53,576		60,797	
Net income attrib. to the controlling company	47,294		35,184		45,231	

BALANCE SHEET						
Fixed assets	445,636		433,051		584,188	
Financial assets	3,068		1,823		3,701	
Other assets	185,521		256,361		180,625	
Working capital	156,892		97,835		297,747	
Total investment	791,117		789,070		1,066,261	
Shareholders' equity	399,503		374,903		366,653	
Minority interests	111,811		97,614		98,234	
Other funds	175,698		176,416		309,339	
Net debt	104,105		140,137		292,035	
Total resources	791,117		789,070		1,066,261	
Capital employed	615,419		612,654		756,922	
Working capital with third parties						
• Value	114,311		31,331		72,356	
• % of net sales	11.4		2.8		5.5	

RATIOS						
Earnings per share, euros	0.24		0.18		0.23	
R.O.C.E.	22.0%		14.2%		14.8%	
R.O.I.C.	12.0%		6.5%		7.1%	
Interest Coverage	13.2		10.6		5.4	
Assets Turnover	1.6		1.8		1.7	
Gearing	26.1%		37.4%		79.6%	
Current Ratio	0.9		0.9		1.0	

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