



Letter from the Chairman

Dear Shareholders:

2006 has undoubtedly been an important year for Uralita, posting the highest earnings in its history and laying the groundwork for profitable growth in our businesses going forward.

The achievement of such substantial earnings, coupled with the Group's solid financial position, has allowed us to propose an attractive remuneration for our shareholders in the form of a dividend (100% payout) in the same year in which Uralita will celebrate its centenary.

MARKET CONDITIONS

Business was buoyant in all the Group's markets: In Spain, a record 850,000 building permits were granted, up 18% from 2005. Central European markets also performed strongly, specially in Germany where the much-awaited recovery was finally observed, with building permits granted increasing 11%. In Eastern Europe and Russia, where the Group is leader in the insulation sector, the markets remained buoyant with many posting double-digit growth. On a less positive note, Portugal's residential construction market fell 5.7% from the previous year.

Particularly positive for the Group was the heightened demand for several of its products as a result of both regulatory initiatives aimed at increasing energy efficiency and market trends favouring the use of higher quality materials and easy installation. We would highlight the strong demand for Ursa® insulation products and Pladur® plasterboard.

In terms of costs, price increases for oil and related raw materials were more gradual and moderate than in previous years, which, coupled with strong demand, made it possible to partially transfer the increase in cost to the market.

LINES OF ACTION IN 2006

During 2006, the Group focused primarily on four lines of action:

- Securing profits from the various actions aimed at streamlining operations undertaken in 2005: simplifying the business portfolio and product range, shutting down factories and reducing overhead costs.
- Identifying and implementing commercial and industrial initiatives to boost the efficiency and

strengthen the competitive position of our businesses. The commercial strategy adopted for several business lines were reviewed in 2006, products with greater added-value were launched and promoted, the efficiency of factories and logistics was improved and many actions were taken to improve overhead costs both at the corporate centre and within each business.

- Analysing and implementing plans for organic and inorganic growth. In terms of organic growth, the ability to open numerous factories was drawn on and approval was given for and in some cases work was started on the construction of new gypsum factories in Spain and insulation factories in Eastern Europe. In terms of inorganic growth, numerous opportunities to expand into new markets were analysed.
- Implementing the new organisational model structured in late 2005. This was based on simplifying the corporate centre, moving the insulation business offices from Frankfurt to Madrid and grouping the three businesses (Gypsum, Roof Tiles and Pipes) concentrated today on the Iberian Peninsula, under a single management.

These actions boosted 2006 results and above all, laid the groundwork for the Group's future development.

FINANCIAL RESULTS AND SHARE PERFORMANCE

In 2006, Uralita reported net income attributable to the controlling group of €47.3 million, the highest figure in its history, up 34.4% from

2005. This result is due to Group's record sales (€1,005 million) and operating profit (€178 million) within the construction materials industry. Financial debt decreased to €104 million, down 26% from the previous year.

All of the Group's businesses posted positive results. Margins at the Insulation and Pipes businesses grew strongly while the Gypsum business remained buoyant with no drop in margins. Margins improved significantly at the Roof Tiles business although sales dropped slightly as a result of the situation in the Portuguese market.

An overall positive stock market, coupled with the Group's positive performance and expectations, drove Uralita's share price up 46% in 2006, over and above the Ibex 35's gain for that same period (+32%). Uralita's average share price in 2006 was €4.28, closing the year at €4.99 per share.

Overall, 2006 was an excellent year for Uralita and the company met some major milestones:

- Posting the highest earnings in its history, with net income attributable to the controlling company of €47.3 million
- Improving margins at all the Group's businesses, laying the groundwork to ensure their competitiveness going forward
- Preparing for, and in some cases implementing, the foundations for organic and inorganic future growth
- 26% decrease in financial debt, which will make this future growth possible.

SHAREHOLDER REMUNERATION

As you will recall, we made a commitment to paying dividends with a 30-40% "payout" (percentage of the Net Income Attributable to the Controlling Company that is paid out as a dividend). Given the excellent performance in 2006 and the positive expectations for our businesses, we intend to propose at the General Shareholders' Meeting an ordinary dividend of €0.24 per share be paid against 2006 profits. This would mean a 100% "payout," allowing our shareholders to fully share in our profits.

Lastly, it is important to note that, considering both the increase in the share price in 2006 and the dividend payout proposed, the total return for Uralita shareholders was 53%.

TARGETS FOR 2007

In 2007 the Group intends to continue to pursue its efforts aimed at improving profitability. With this objective in mind, and despite the excellent performance seen in 2006, we expect to increase the Net Income Attributable to the Controlling Company to €54 million, which implies a 15% increase compared to 2006.

To attain this objective, we will continue implementing initiatives aimed at improving the operating margins of the businesses and exploring opportunities for growth.

This year is also important for us since we will be celebrating the Uralita Group's

centenary with a series of activities and communications that will be published as the year progresses.

I would like once again to thank you, on my own behalf and on behalf of the Board, for the confidence you have placed in us, and renew our commitment to continue making Uralita a European standard-setter for profitability in the building materials sector.



JAVIER SERRATOSA LUJÁN
CHAIRMAN
URALITA GROUP

