



Financial Information

Auditors' report

Consolidated annual financial statements

Management report

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. 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 2007 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 2007 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 2006. Our opinion refers only to the consolidated financial statements for 2007. On 30 March 2007, we issued our auditors' report on the 2006 consolidated financial statements, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated financial statements for 2007 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Uralita Group at 31 December 2007 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 2007 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 2007. 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 ROAC under no. S0692



José Manuel Rodríguez

26 March 2008

Uralita Group

Consolidated annual financial statements for the year ended 31 December 2007

Statements for the year ended 31 December 2007

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER (Thousands of euros)

	2007	2006
NON-CURRENT ASSETS	688,067	623,831
Goodwill	56,857	43,894
Intangible assets	7,021	17,667
Property, plant and equipment	494,933	445,636
Deferred tax assets	123,255	113,566
Other non-current assets	6,001	3,068
CURRENT ASSETS	367,116	340,129
Inventories	106,788	89,286
Trade and other receivables	208,814	178,652
Other current financial assets	29,492	47,321
Cash and cash equivalents	21,118	23,420
Other current assets	904	1,450
NON-CURRENT ASSETS HELD FOR SALE	5,997	10,394
TOTAL ASSETS	1,061,180	974,354
TOTAL EQUITY	553,377	511,314
Issued capital	142,200	142,200
Share premium	43,574	59,518
Reserves attributable to equity holders of the parent	38,038	38,038
Reserves at consolidated companies	138,633	116,995
Valuation adjustments	(2,720)	-
Profit (loss) for the year attributable to equity holders of the parent	85,424	47,294
Translation differences	(8,915)	(4,542)
Equity attributable to equity holders of the parent	436,234	399,503
Minority interests	117,143	111,811
NON-CURRENT LIABILITIES	207,065	175,698
Interest-bearing loans and borrowings	123,219	123,079
Derivative financial instruments	3,885	4,270
Provisions	47,517	27,010
Deferred income	9,163	10,936
Deferred tax liabilities	3,969	-
Other non-current liabilities	19,312	10,403
CURRENT LIABILITIES	300,738	287,342
Interest-bearing loans and borrowings	28,854	1,228
Other current financial liabilities	24,920	39,965
Trade payables	113,538	111,135
Other current liabilities	133,426	135,014
TOTAL EQUITY AND LIABILITIES	1,061,180	974,354

The accompanying Notes 1 to 26 are an integral part of the consolidated balance sheet at 31 December 2007.

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

	2007	2006
Revenue	1,094,875	1,005,203
Other operating income	12,000	12,371
Increase in inventories of finished goods and work in process	10,681	(7,450)
Supplies	(399,254)	(370,474)
Employee benefits expense	(168,656)	(162,239)
Depreciation and amortisation	(45,716)	(42,564)
Other operating expenses	(329,133)	(305,793)
OPERATING PROFIT	174,797	129,054
Finance costs	(9,410)	(10,912)
Finance revenues	3,063	961
Net exchange gains (losses)	134	(284)
Share of profit (loss) of companies accounted for by the equity method	356	356
Gain (loss) on disposal and measurement of non-current assets	1,654	27,192
Net impairment losses (reversal)	182	(5,898)
Other gains and losses	(25,741)	(18,786)
PROFIT BEFORE TAXES	145,035	121,683
Income tax expense for the year	(36,563)	(37,251)
Adjustment to income tax expense for previous years	(2,932)	(13,842)
PROFIT FOR THE YEAR	105,540	70,590
Attributable to:		
Equity holders of the parent	85,424	47,294
Minority interests	20,116	23,296
	105,540	70,590
EARNINGS PER SHARE (euros)		
Basic and diluted	0.43	0.24

The accompanying Notes 1 to 26 are an integral part of the consolidated income statement for the year ended 31 December 2007.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (Thousands of euros)

	Issued capital	Share premium	Reserves attributable to equity holders of the parent	Reserves consolidated companies	Valuation adjustments	Profit (loss) for the year attributable to equity holders of the parent	Translation differences	Equity attributable to equity holders of the parent	Minority interests	TOTAL EQUITY
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 of financial statements				433			(94)	339	9	348
Changes in consolidation scope and investments				154			(5)	149	(163)	(14)
Change in fair value of hedging instruments			(1,456)				(1,456)		(1,456)	
Other										
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
Transfers				2,989	(2,989)					
Distribution of 2006 profit		(15,944)		15,838		(47,294)		(47,400)	(12,376)	(59,776)(*)
Foreign currency translation of financial statements				693			(4,315)	(3,622)		(3,622)
Changes in consolidation scope and investments				2,118			(58)	2,060	(2,408)	(348)
Hedging instruments. Transfer to profit and loss					(1,154)			(1,154)		(1,154)
Change in fair value of hedging instruments				1,423			1,423		1,423	
Profit for the year 2007						85,424		85,424	20,116	105,540
Balance at 31 December 2007	142,200	43,574	38,038	138,633	(2,720)	85,424	(8,915)	436,234	117,143	553,377

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

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2007.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED
31 DECEMBER 2007 AND 2006 (Thousands of euros)**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxes	145,035	121,683
Adjustments:		
Operating income	(5,677)	(2,927)
Depreciation of property, plant and equipment and amortisation of intangible assets	45,716	42,564
Allocation / (Reversal) of current provisions, net	8,824	8,036
Other operating expenses	5,364	1,871
Net finance costs	5,831	10,235
Share of profit (loss) of companies accounted for by the equity method	(356)	(356)
Gain (loss) on disposal and measurement of non-current assets	(1,654)	(27,192)
Net impairment loss/ (reversal) on assets	(182)	5,898
Provisions and other income or losses	20,884	19,521
Net cash flows from operating activities before changes in working capital	223,785	179,333
Increase / (Decrease) in working capital and other financial assets	(47,012)	(33,361)
Cash flows from operations	176,773	145,972
Income tax paid	(39,098)	(34,542)
NET CASH FLOWS FROM OPERATING ACTIVITIES	137,675	111,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments:		
Property, plant and equipment and intangible assets	(81,295)	(58,398)
Financial assets	(15,983)	(1,433)
Disposals:		
Property, plant and equipment and intangible assets	6,835	91,468
Other non-current assets	511	180
NET CASH FLOWS FROM INVESTING ACTIVITIES	(89,932)	31,817
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(59,776)	(30,671)
Interest paid	(5,691)	(8,290)
Proceeds from borrowings	15,442	-
Repayment of borrowings	(20)	(91,823)
NET CASH USED IN FINANCING ACTIVITIES	(50,045)	(130,784)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,302)	12,463
Cash and cash equivalents at 1 January	23,420	10,957
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21,118	23,420

The accompanying Notes 1 to 26 are an integral part of the consolidated cash flow statement for the year ended 31 December 2007.

Notes to the consolidated financial

Statements for the year ended 31 December 2007

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.

The Company was incorporated in Spain on 6 August 1920 in accordance with Spanish Corporation Law. Its registered office is located at Paseo de Recoletos, 3 in Madrid.

Uralita, S.A. is required to prepare its own financial statements and the consolidated financial statements 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 financial statements of the Uralita Group for 2007 have been prepared by the Directors of the parent company at a meeting of its Board of Directors held on 25 March 2008, 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 2007 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 2007 are pending approval at their respective General Shareholders' Meetings. The parent company's Directors expect the financial statements to be approved without significant changes. The Group's annual consolidated accounts for 2006 were approved at the General Shareholders' Meeting of Uralita, S.A. held 19 May 2007.

The Group's consolidated financial statements are presented in euros. Foreign operations are recorded applying the policies established in Note 2.3.c.

2.2. Adoption of new standards and interpretations

Standards and interpretations effective in 2007

In 2007, the Group adopted IFRS 7 Financial Instruments: Disclosures in 2007, which took effect on 1 January 2007 for years begun on or after that date, as well as amendments to IAS 1 Presentation of Financial Statements, with respect to capital disclosures.

Pursuant to the adoption of IFRS 7 and the amendments to IAS 1, the qualitative and

quantitative disclosures in the consolidated annual financial statements with respect to consolidated annual financial statements with respect to financial instruments and capital management detailed in notes 11, 14 and 20 have been expanded.

In addition, four IFRIC interpretations became effective for this first time in this reporting period: IFRIC 7 Applying the Re-statement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRS 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these interpretations has not had any impact on the Group's consolidated annual financial statements.

Standards and interpretations not yet effective

At the date of preparation of these annual financial statements, the following standards and interpretations had been published by the IASB but had not become effective, either because their effective date was subsequent to the date of the consolidated annual financial statements or because they had yet to be endorsed by the European Union:

Standards and amendments to standards		Mandatory application for years beginning on or after:
IFRS 8	Operating Segments	1 January 2009
Revision of IAS 23 (*)	Borrowing costs	1 January 2009
Revision of IAS 1 (*)	Presentation of financial statements	1 January 2009
Revision of IFRS 3 (*)	Business Combinations	1 July 2009
Amendment to IAS 27 (*)	Consolidated and Separated Financial Statements	1 July 2009
Amendment to IFRS 2 (*)	Share-based Payment	1 January 2009
Interpretations		
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12 (*)	Service Concession Agreements	1 January 2008
IFRIC 13 (*)	Customer Loyalty Programmes	1 July 2008
IFRIC 14 (*)	IAS 19 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction	1 January 2008

(*) Standards and interpretation not adopted by the European Union at the date of preparation of these financial statements.

The Directors have assessed the impact of applying the standards and interpretations detailed above, reaching the conclusion that they would not make a significant change on these financial statements

2.3. Consolidation principles

a. Subsidiaries

Subsidiaries are defined as those companies 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 financial statements 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 capitalisation 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 impact of associates on the consolidated financial statements is not significant.

c. Translation differences

The various captions in the balance sheets and income statements of companies whose financial statements 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 recognised in revenue or expenses in the period in which the investment that gave rise to them was, totally or partially, realised or sold.

d. Changes in consolidation scope

There were no significant changes to the consolidation scope in 2006. On 31 August 2007,

Uralita Tejados, S.A. (of which the Group owns 53%) acquired the entire share capital of Cerámica Collado, S.A. and Campos Fábrica Cerámica, S.A.R.L., based in Spain and Portugal, respectively and which were the roofing businesses for French group, Imerys in the Iberian peninsular.

The contribution of the acquired companies to the balance sheet at 31 December 2007 and the 2007 income statement is not significant.

3. DISTRIBUTION OF PROFIT

The Board of Directors of Uralita, S.A. will propose to the shareholders at the Annual General Meeting the distribution of a dividend representing practically all of the 2007 consolidated profit and amounting to €84,925 thousand; of which €38,711 thousand is to be charged against the parent company's 2007 profit, €43,574 thousand against share premium and €2,640 thousand against the parent company's unrestricted reserves.

The proposed dividend is subject to approval by shareholders at the Shareholders' Meeting and is not included as a liability in these consolidated annual financial statements.

4. MAIN ACCOUNTING PRINCIPLES

The main accounting principles and measurement bases used in the preparation of the Group's consolidated financial statements in compliance with the IFRS adopted by the European Union are as follows:

4.1. Goodwill

Goodwill generated on consolidation represents the excess of the cost of acquisition over the Group's share in the fair value of the iden-

tifiable assets and liabilities in a subsidiary or a jointly-controlled entity at the acquisition date.

Any positive difference between the cost of equity investments in consolidated companies and their corresponding carry-ing amount at acquisition, adjusted on the first date of first consolidation is allocated as follows:

- If the excess can be allocated to specific assets and liabilities of the companies acquired, by writing up the carrying value of assets (or writing down the carrying value of liabilities) where their market value is in excess of (or less than) the carrying amounts recorded on their balance sheets and which enjoy a similar accounting treatment to the Group's equivalent assets (or liabilities): amortisation, accrual, etc.
- If it can be allocated to specific intangible assets, by recognising it specifically on the consolidated balance sheet whenever the fair value on the acquisition date can be measured reliably.
- The remaining differences are recorded as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognised when acquired in consideration and therefore represents a payment made by the acquiring entity for future financial benefits from the acquired entity's assets that are not individually and separately identified and recognised.

Goodwill is not amortised. Until 1 January 2004, the IFRS transition date, goodwill was amortised systematically on a straight-line basis. Accordingly, goodwill on acquisitions before that date is recognised at the amounts shown at the transition. The Group tests goodwill via an "impairment test" at the close of each financial year for indications of any permanent loss in value that

would reduce the recoverable amount of the goodwill to less than the carrying amount. Any losses are 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 recognised at acquisition or development cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Uralita Group considers that all its intangible assets have finite lives and amortises them on a straight-line basis, 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 2007 and 2006, these amounted to €9,137 and €9,333 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 as-sets 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 recognised as an expense, except where the asset is stated at revalued cost, in which case the impairment loss is recognised 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 recognised for the asset (cash-generating unit) in prior years. Such reversal is recognised 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. 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 recognised in the consolidated balance sheet under the appropriate item for the type of asset leased and a liability is simultaneously recognised 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 amortised on the same ba-sis 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 amortised on the same basis as other similar property, plant and equipment for own use and income from the leases is recognised 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.

4.7. 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.

4.8. Financial assets and liabilities

Trade receivables

Financial assets held by the Group basically relate to receivables generated by consolidated companies, which are recognised in the accompanying consolidated balance sheet under "Trade and other accounts receivable". These assets are recognised 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 and, as a result, are recognised at nominal value. These assets bear interest at an average annual rate of 4.4%.

Financial liabilities

- Bonds and other long-term marketable securities

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

- Bank loans

Interest-bearing bank loans are recognised at the amount received less directly attributable transaction costs. Finance costs, 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 recognised at nominal value, which is equal to their fair 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 Directors,

which publishes in writing these principles on the use of derivatives.

At the start of the hedge period, the Group formally designates and documents the hedge transactions, together with the aims and strategy it has with regards to them. Recording the hedge transactions is only applicable when the hedge is expected to be highly effective at the start of the hedge period and in subsequent years in terms of mitigating the changes in fair value or in the cash flows attributable to the hedged risk, during the period for which the hedge has been assigned (prospective analysis) and the real level of effectiveness, whenever it can be measured reliably, falls within a range of 80% - 125% (retrospective analysis).

The Group's policy is to hedge financing for which there is a firm commitment, and not forecast transactions: if cash flow hedges for forecast transactions occurred, the Group would evaluate whether these transactions were highly probable and if they were exposed to changes in cash flows and could theoretically affect the profit (loss) for the year.

If the cash flow hedge for the firm commitment or the forecast transaction gives rise to the recognition of a non-financial asset or liability, when the asset or liability is recognised, the gains or losses associated with the hedge, previously re-corded under equity, are included in the initial valuation of the asset or liability. Conversely, for hedges which do not give rise to the recognition of a non-financial asset or liability, the deferred amounts in equity are recognised in the income statement in the same period in which the hedged item affects the 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 hed-

ged 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.

4.9. 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.

4.10. 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 2007 and 2006 are recorded on the liabilities side on the balance sheets at that date under "Provisions" (see Note 12). The liabilities are estimated by actuarial valuation methods, with the gains and losses recognised as income or expense in the year.

4.11. 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 2007 and 2006 liabilities relating to existing redundancy plans were recorded under "Provisions" on the consolidated balance sheet at that date.

4.12. Provisions

The Group's consolidated financial statements 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 recognised and are reversed, totally or partially, whenever said risks disappear or diminish.

Unsettled claims and litigation

At year-end 2007 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 significant effect on the financial statements of the years in which they are re-solved.

Provisions for guarantees

Provisions for the cost of guarantees provided are recognised 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.

4.13. 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 recognised in income in the year in which the related assets are disposed of or derecognised.

4.14. Revenue recognition

Sales of goods are recognised 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 recognised 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 recognised when the rights of the shareholders to receive the dividend payment have been established.

4.15. 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 carry-forwards 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 recognised 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 recoverable or payable 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 realised or the liability is settled.

Deferred tax liabilities are recognised 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 recognised 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 period beginning on or after:	Tax rate
01.01.07	32.5%
01.01.08	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 recognised 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.

The rates of corporate income tax were modified in several European countries in 2007. The impact on deferred tax assets and liabilities was estimated at €2,932 thousand and was charged to the 2007 income statement under "Adjustment to income tax expense for previous years".

4.16. 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 2007 and 2006 are the same.

4.17. 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 recognised 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 non-euro currency risk (see Note 4.9 on the Group's policy with respect to recognising derivative financial instruments).

4.18. 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.

4.19. CO₂ emission rights

Royal Decree 60/2005 approved the free assignment of CO₂ emission rights on an individual basis for each facility for the period 2005-2007. The rights granted to the Group have more than covered the real emissions. Therefore, the surplus rights were sold on the mar-

ket in 2007; the result of this sale is not significant.

The Group's policy is to record CO₂ emission rights as a non-amortisable intangible asset. The rights received free under the corresponding national CO₂ emission rights assignment plans are valued at the market price prevailing when the deferred income for the same amount is received.

This is recognised in the income statement under "Other operating income" as the CO₂ emissions to which they relate are produced.

The obligation to submit CO₂ emission rights for the CO₂ emissions during the year is recorded under the "Provisions" heading in the consolidated balance sheet, while the corresponding cost is recorded in "Other operating expenses" in the consolidated income statement. This obligation is valued at the same amount at which the CO₂ emission rights submitted to cover CO₂ emissions are recorded under "Intangible assets" in the consolidated balance sheet.

At 31 December of each year, the Group makes the necessary corrections to record rights at their market value on these dates if this is lower than the value when the rights were assigned.

4.20. 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 obliga-

tions likely to arise relating to activities that affect the environment and whose amount can be estimated.

4.21. Accounting judgments and estimates

The information included in the accompanying consolidated financial statements is the responsibility of the Group's Directors.

In the preparation of the consolidated financial statements for 2007 and 2006 estimates made by the Directors of the Group have been used to measure certain assets, liabilities, revenues, expenses and commitments recognised 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 2007 and 2006. 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.

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

The impact of any change in estimates is recognised 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 reorganisation, 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 2007 and 2006 arose from the acquisition of equity investments in the following subsidiaries.

Thousands of euros

OOAO URSA Chudovo	23,767
URSA Dämmssysteme Austria GmbH	10,296
URSA Salgotarjan Rt.	9,831
Balance at 31 December 2006	43,894
Cerámicas Collado, S.A. y Campos Fábrica Cerámica, S.A.R.L.	12,963
Balance at 31 December 2007	56,857

Goodwill from Chudovo, Austria and Salgotarjan was acquired prior to 1 January 2004 (see Note 4.1) and is assigned to the various cash-generating units of the Insulation Business (see Note 19). In each case, goodwill is stated at the net amount recognised at that date (see Note 4.1). There were no movements in this caption in 2007 and 2006.

Goodwill in 2007 arose from the joint acquisition of Cerámicas Collado, S.A. and Campos Fábrica Cerámica, S.A.R.L. It will be assigned finally pursuant to the provisions of the relevant IFRS (Note 2.3.d). This goodwill belongs to the Tiles Division.

Group Management has 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 2007 and 2006 there were no significant changes in the business environment or structure or their future expectations. As a result, the same discount rates were used, which range from 7% to 8% for the euro zone and 8% to 11% for countries outside the euro zone.

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 2007 and 2006.

6. INTANGIBLE ASSETS

The detail of this heading in the consolidated balance sheets at 31 December 2007 and 2006 is the following:

Thousands of euros	31 December 2007		31 December 2006	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Development costs	801	795	3,044	3,038
Concessions, patents, licenses, trademarks, etc.	8,085	5,095	7,785	4,110
Software and other intangible assets	25,560	21,535	35,160	21,174
TOTAL	34,446	27,425	45,989	28,322

Thousands of euros	2007	2006
OPENING BALANCE	17,667	16,468
Change in consolidation scope	108	-
Increases	58	7,453
Sales	(137)	(639)
Accumulated depreciation	(5,611)	(4,964)
Delivery and restatement to market value of CO ₂ emission rights (see Note 4.19)	(5,594)	-
Translation differences	(36)	(21)
Other	566	(630)
CLOSING BALANCE	7,021	17,667

Additions in 2006 include CO₂ emission rights received for an amount of €4,195 thousand.

At 31 December 2007 and 2006 there were no internal costs included in intangible assets.

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

The amount of intangible assets in use and fully amortised intangible assets at 31 December 2007 is not material.

As of 31 December 2007 and 2006, 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 recognised as an expense in the consolidated income statements for 2007 and 2006 amounted to €754 thousand and €707 thousand, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

The detail of this heading in the consolidated balance sheets at 31 December 2007 and 2006 is the following:

Thousands of euros	31 December 2007			31 December 2006		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land and buildings	235,010	70,951	164,059	213,849	63,848	150,001
Plant and machinery	654,938	374,701	280,237	589,586	330,445	259,141
Other installations, tools and furniture	62,893	49,049	13,844	51,188	37,189	13,999
Prepayments and work in process	44,079	-	44,079	28,106	-	28,106
Other property, plant and equipment	22,487	17,545	4,942	26,300	19,006	7,294
	1,019,407	512,246	507,161	909,029	450,488	458,541
Impairment provision			(12,228)			(12,905)
Net			494,933			445,636

The movement in this heading in the years ended 31 December 2007 and 2006 was the following:

Thousands of euros	2007	2006
OPENING BALANCE	445,636	433,051
Change in consolidation scope	13,351	-
Increases	78,260	61,274
Sales	(3,887)	(27,866)
Application of impairment provision		25,864
	(3,887)	(2,002)
Derecognition of assets		(19,650)
Application of impairment provision		19,650
		-
Accumulated depreciation	(40,105)	(37,600)
Allocation to impairment provision	(41)	(5,189)
Reversal of impairment provision	772	961
Translation differences	(1,748)	(1,636)
Transfer to non-current assets held for sale (Note 8)		
-		
(3,810)		
Other	2,695	587
CLOSING BALANCE	494,933	445,636

The main additions relate to the construction of new production plants, the introduction of new manufacturing technologies and capacity increases, principally in the Insulation and Gypsum Divisions.

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 2007 and 2006 amounted to €179,685 thousand and €196,852 thousand, respectively. The amounts of temporarily idle items of property, plant and equipment and derecognised items of property, plant and equipment at 31 December 2007 and 2006 are not significant.

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 2007 and 2006 of assets acquired under finance leases are €4,426 and €4,773 thousand, respectively.

There are no restrictions to the ownership of the items of property, plant and equipment at 31 December 2007 and 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 2007 and 2006 were €262,840 and €235,674 thousand, respectively.

At 31 December 2007, 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 reorganisation 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 recognised 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 in the provision for impairment in 2007 and 2006 were the following:

Thousands of euros	Insulation Western Europe	Insulation Hungary	Concrete roof tiles	Coverings	Miscellaneous	TOTAL
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
Allocation	-	-	-	-	41	41
Reversal	-	-	-	-	(772)	(772)
Translation differences	-	-	-	-	54	54
Balance at 31 December 2007	6,317	4,461	-	-	1,450	12,228

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 18.5).

After the agreement was signed, in 2005 the impairment provision initially made for the unit (net of the realisable value of the land) was re-assigned, leaving the value of the business of Fibrocementos NT, S.A. at its market value and reassigning the value of the assets and liabilities that are not included in the contract. The related impairment was realised.

The remaining applications or plant closures carried out in 2006 relate to the materialisation 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 2007 and 2006 was the following:

Thousands of euros	2007	2006
OPENING BALANCE	10,394	57,014
Transfers of property, plant and equipment	-	3,810
Disposals (Note 18.5)	(3,841)	(50,430)
Adjustment to market value	(549)	-
Other	(7)	-
CLOSING BALANCE	5,997	10,394

In 2006, the most important sale was of the land on which Fibrocementos NT, S.A. carried out its business. The land was sold for €82 million, producing a capital gain over the carrying amount of €25,918 thousand (see Note 18.5).

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 euros were 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 derecognised in the balance sheet as all the risks associated with the credit sold were transferred in the sale.

In 2007, the most important sale referred to a site of land owned by Uralita, S.A., which generated a 2,457 thousand euros gain (Note 18.5). The total sale price amounted to approximately 6,800 thousand euros, of which at 31 December 2007, 5,000 thousand euros was pending collection maturing in equal amounts in October 2008 and October 2009. This debt is covered by a bank guarantee and accrues interest at normal market rates.

9. INVENTORIES

The detail of this heading at 31 December 2007 and 2006 is the following:

Thousands of euros	2007	2006
Commercial inventories	7,651	6,651
Raw materials and other supplies	28,606	33,233
Finished goods and work in process	70,531	49,402
TOTAL	106,788	89,286

10. TRADE AND OTHER RECEIVABLES

At 31 December 2007 and 2006, a number of consolidated companies had signed a contract with "GC Compass Spain 1, Asset Securitization Fund", managed by Gestcaixa and authorised by the Spanish Securities Exchange Com-

mission, 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 2007 and 2006 amounted to €423 million and €566 million, respectively, of which €29 million and €47 million correspond to unmatured receivables at the end of each period, recognised 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 €24,920 and €39,965 thousand financed at 31 December 2007 and 2006, 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 78 days in 2007 and 74 days in 2006. Interest is not generally charged on accounts receivable. The Group has recorded a provision for estimated uncollectible amounts for €5,098 and €7,799 thousand in 2007 and 2006, 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 2007, 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 2007 and 2006 effectively controlled 79.063% and 43.37%, respectively 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.

11.3. Reserves attributable to equity holders of the parent

The detail of this heading in the consolidated balance sheets at 31 December 2007 and 2006 is the following:

Thousands of euros	
Legal reserve	28,440
Reserve for restatement of share capital to euros	185
Unrestricted reserves	9,413
TOTAL	38,038

Legal reserve

At 31 December 2007 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 recognised in equity attributable to equity holders of the parent in the consolidation process is as follows:

Thousands of euros	31 December 2007		31 December 2006	
	Reserves	Translation differences	Reserves	Translation differences
Yesos Ibéricos, S.A.	61,338	-	47,438	-
OA0 Ursa Chudowo	29,190	(3,971)	22,501	(1,184)
Fibrocementos NT, S.A.	28,400	-	12,818	-
OOO Ursa Serpuchow	16,520	(2,318)	9,111	(1,149)
Ursa Salgotarjan, Rt.	13,385	1,109	14,350	1,054
Uralita Holding BV	2,012	(325)	1,159	(27)
Ursa Benelux BVBA	1,524	-	(1,757)	-
Ursa CZ s.r.o.	1,378	244	1,358	210
Ursa France S.A.	1,014	-	-	-
URSA Dämmssysteme Austria GmbH	766	(3,402)	4,226	(3,308)
Uralita Tejados, S.A.	(373)	-	(1,679)	-
Electroquímica Andaluza, S.A.	-	-	(5,645)	-
Ursa Eurasia LLC	(1,267)	(239)	(6,113)	(170)
Ursa Italia S.R.L.	(2,075)	-	-	-
Ursa Insulation, S.A.	(2,555)	-	-	-
Uralita Iberia, S.L.	(20,486)	-	(19,563)	-
Uralita Sistemas de Tuberías, S.A.	(23,796)	-	(21,226)	-
Ursa Internacional GmbH	(27,227)	-	(24,140)	-
Ursa Ibérica Aislantes, S.A.	(50,200)	-	(55,044)	-
Cerámicas Sanitarias Reunidas, S.A.	(53,868)	-	(53,997)	-
Other companies with positive or negative amounts of less than €1 million	232	(13)	249	32
Consolidation adjustments at the parent company	164,721	-	192,949	-
TOTAL	138,633	(8,915)	116,995	(4,542)

Of total "Reserves at consolidated companies" at 31 December 2007, €53,575 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 may 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 and transactions of consolidated subsidiaries whose functional currency is not the euro (see Note 2.3.c).

11.5. Valuation adjustments

Cash-flow hedges

This heading includes the net amount of changes in the value of derivative financial instruments designated as cash flow hedges (see Note 14). The movements in these were as follows:

	Thousands of euros
Balance at 31 December 2005 (included under "Reserves at consolidated companies")	(1,533)
Changes in fair value	(1,456)
Balance at 31 December 2006 (included under "Reserves at consolidated companies")	(2,989)
Transfer to profit and loss under Finance Revenue (*)	(1,154)
Changes in fair value (*)	1,423
Balance at 31 December 2007	

(*) Amounts after taxes

11.6. 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 2007 and 2006 is the following:

Thousands of euros	2007	2006
Uralita, S.A.	(14,863)	(29,110)
Yesos Ibéricos, S.A.	25,527	27,524
Ursa Eurasia LLC	18,426	4,846
Ursa Salgotarjan, Rt.	14,052	8,082
Ursa Dämmssysteme Austria GmbH	8,137	4,377
Ursa Internacional GmbH	8,041	(3,087)
Ursa France S.A.	5,961	1,014
OOO Ursa Serpuchow	5,648	7,410
Ursa Benelux BVBA	5,322	3,282
Uralita Sistemas de Tuberías, S.A.	4,366	(2,570)
Ursa Ibérica Aislantes, S.A.	3,015	4,844
Uralita Tejados, S.A.	2,949	4,723
OA O Ursa Chudowo	2,596	4,573
Fibrocementos NT, S.A.	1,482	15,582
Uralita Holding BV	265	777
Ursa Italia S.R.L.	(33)	(2,075)
Uralita Iberia, S.L.	(39)	(924)
Ursa Insulation, S.A.	(6,556)	(2,555)
Other companies with positive or negative amounts of less than €1 million	1,128	581
TOTAL	85,424	47,294

11.7 Minority interests

The detail by company of the movement in "Minority interests" in the consolidated balance sheets at 31 December 2007 and 2006 is as follows:

Thousands of euros	Yesos Ibéricos, S.A.	Uralita Tejados, s.a.	OA0 Ursa Chudovo	TOTAL
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
2006 dividend	(9,346)	(3,030)	-	(12,376)
Changes in consolidation scope and investments	-	-	(2,408)	(2,408)
Profit for the year 2007	17,501	2,615	-	20,116
Balance at 31 December 2007	72,083	45,060	-	117,143

11.8. Capital management

The Directors manage the Group with the following objectives:

- To guarantee that the business develops in accordance with the terms set down in the strategic plan.
- To implement the business diversification process stipulated in the investment plan.
- To ensure that shareholder value is created.

In order to meet these objectives, the Directors are evaluating the different financing options on offer in the market to cover the needs for funds not generated by the business.

To control the financial structure and optimise its finance cost, the Group uses a gearing ratio (external financing / equity), assuming that a ratio of around 140% would fulfil the objectives described above. The gearing ratio in 2007 and 2006 was 28.9% and 28.4%, respectively.

12. PROVISIONS

The detail of this heading in the consolidated balance sheets at 31 December 2007 and 2006 is the following:

Thousands of euros	31 December 2007	31 December 2006
Taxes	5,220	3,464
Post-employment benefits	2,047	2,131
Other liabilities	40,250	21,415
TOTAL	47,517	27,010

The movements in provisions in 2007 and 2006 were the following:

Thousands of euros	2007	2006
OPENING BALANCE	27,010	15,607
Allocation	28,066	23,863
Uses	(10,776)	(6,353)
Reversal to profit or loss	(342)	(2,731)
Translation differences	(14)	2
Change in consolidation scope	11	-
Reclassifications and other	3,562	(3,378)
CLOSING BALANCE	47,517	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 2007 relates to updated reestimates of the amounts of these liabilities and the estimate of new procedures arising in the year.

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 4.10).

13. OTHER NON-CURRENT LIABILITIES

This includes non-interest bearing loans from public bodies which are intended for financing research and development projects, as well as debts on finance leases.

The most significant finance leases in effect at 31 December 2006 matured in 2007. At 31 December 2007, the details of the most significant finance leases taken out in 2007 were as follows:

Thousands of euros

Amount payable in less than one year	564
Amount payable between one and two years	564
Amount payable between three and five years	2,820
Amount payable in more than five years	3,431
Total amounts payable	7,379
Less future finance costs	2,363
Present value of minimum lease payments	5,016
Less amounts maturing in less than twelve months (current borrowings)	386
Amounts maturing in more than twelve months	4,630

The duration of the contract is thirteen years and the effective interest rate at 31 December 2007 is 6.3%. Amortisation is carried out on a straight-line basis and there is no agreement regarding the payment of contingent rent.

14. INTEREST-BEARING LOANS AND BORROWINGS

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2007 and 2006 is the following:

Thousands of euros	LIMIT	31 December 2007		LIMIT	31 December 2006	
		Long term	Short term		Long term	Short term
2004 private bond placement	-	123,484	-	-	123,484	-
Uralita, S.A. 1955 debenture issue	-	-	-	-	-	20
Credit facilities	55,439	-	27,263	55,977	-	480
Un-matured discounted bills	-	-	1,591	-	-	728
Less: Issue costs	-	(265)	-	-	(405)	-
TOTAL		123,219	28,854		123,079	1,228

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.

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 contracts derivative financial instruments on OTC markets, with Spanish and in-

ternational financial institutions which have a high credit rating.

The main aim of these transactions is to reduce the impact of an increase in variable interest rates (Euribor) and the exchange rate vs. the dollar for the Group's financing.

Pursuant to IAS 39, the Group has opted to classify its derivatives as Interest Rate Cash Flow Hedges and Fair Value Hedges.

A hedge is deemed to be highly effective when changes in fair value of the cash flows of the underlying item directly attributable to the hedged risk are offset by the changes in fair value or in the cash flows of the hedge, with a level of effectiveness between 80% and 125%.

To measure the fair value of the derivatives, the Company uses discounted expected cash flow, based on market conditions with regard to the interest rate curve at the valuation date.

The derivatives contracted by the Group at 31 December 2007 were as follows:

Hedged risk	Instrument	Maturity	Nominal value (thousands of euros)
USD interest and exchange rate	Cross currency swap	03.11.2014	123,483
Euro interest rate	Interest rate swap	03.11.2014	123,483

The Group has hedged the fair value of USD fixed rate bonds (private placement) with a cross currency swap that is totally effective.

The hedge strategy aims to convert fixed flows in USD derivatives from the private placement into fixed flows in euros, in order to minimise exchange rate and interest rate risk. The cross currency swap enables fixed rate flows in USD to be swapped for variable flows in EUR. The

Group receives a fixed interest rate from the bank in exchange for a payment of variable interest (6-month Euribor) for the same nominal amount.

The euro interest rate hedge is carried out via a euro interest rate swap. This provides for interest rates to be swapped so that the Group receives a variable rate of interest from the bank (6-month Euribor) in exchange for a pay-

ment of a fixed rate of interest in euros. The interest rate swap has been designated a cash flow hedge.

The fair values (before taxes) of the derivatives in effect at 31 December 2007 were the following (in thousands of euros):

Structure	Fair value	Nominal pending maturity (at year-end)			
		2007	2008	2011	2014
Cross currency swap	(21,600)	123,483	123,483	18,684	0
Interest rate swap	(3,885)	123,483	123,483	18,684	0
TOTAL	(25,485)	246,966	246,966	37,368	0

Changes in the fair value of the hedged item (private placement) are considered a finance cost. Changes in the fair value of the cross currency swap are recognised under the same finance costs heading.

The interest rate swap's total fair value at 31 December 2007 is recognised under equity in the "Valuation adjustments" heading for -€3,866 thousand (before taxes). At 31 December 2006, this amount was -€4,270 thousand (-€2,989 thousand after tax), included under "Reserves at consolidated companies".

In 2007, €1,649 thousand (before taxes) was subtracted from Equity and taken to the income statement, as interest was paid on the hedged financial liabilities in accordance with the list of designated hedges.

Sensitivity analysis

Changes in fair value of the derivatives contracted by the Group are dictated by changes in the USD exchange rate and the long-term USD and EUR interest rate curves.

The fair values of these derivatives at 31 December 2007 and 2006 and their sensitivity to changes of +/- 50 basis points in the long-term

interest rate curve are as follows (thousands of euros):

EUR interest rates	31.12.2007	31.12.2006
Fair value	(25,485)	(17,177)
+0.5%	1,914	2,216
-0.5%	(1,914)	(2,216)

Changes in euro interest rates generate higher (or lower) finance costs in the hedged item. This is offset by income (or expense) from the derivative. With regard to derivatives, a 50 basis points rise in interest rates on the euro curve would have a €617 thousand impact on finance revenue and costs in 2008.

USD interest rates	31.12.2007	31.12.2006
Fair value	(25,485)	(17,177)
+0.5%	(3,324)	(2,822)
-0.5%	3,324	2,822

Changes in USD interest rates only affect the cross currency swap. Any change in the fair value of the cross currency swap as a result of a change in USD interest rates is offset by an opposite change in the fair value of the private placement. Therefore, all changes in USD interest rates are offset in profit or loss for the year.

The sensitivity of derivatives to an appreciation of the USD (+10%) and a depreciation of the USD (-10%) is as follows (thou-sands of euros):

EUR/USD exchange rates	31.12.2007	31.12.2006
Fair value	(25,485)	(17,177)
+10%	7,814	9,007
-10%	(6,820)	(7,736)

Changes in USD exchange rates against the euro only affect the cross currency swap. Changes in the fair value of the cross currency swap caused by the exchange rate are offset by exchange differences in the private placement. All changes in exchange rates are offset in profit or loss for the year.

15. OTHER FINANCIAL LIABILITIES

"Trade payables" mainly include amounts owed on commercial purchases and related costs. The average credit period for commercial purchases was approximately 83 days in 2007 and 81 days in 2006.

16. DEFERRED INCOME

The detail of this heading at 31 December 2007 and 2006 is the following:

Thousands of euros	31 December 2007	31 December 2006
Government grants	5,275	7,090
Other deferred income	3,888	3,846
TOTAL	9,163	10,936

The movements in income in 2007 and 2006 were the following:

Thousands of euros	2007	2006
OPENING BALANCE	10,936	11,488
Increases	4,320	4,449
Recognition in income	(3,228)	(5,975)
Translation differences	(5)	-
Change in consolidation scope	601	-
Reclassifications and other	(3,461)	974
CLOSING BALANCE	9,163	10,936

As explained in Note 4.13, the Group takes capital subsidies to profit and loss symmetrically with asset depreciation. Further-more, the recognition in 2006 profit relates to the materialisation of the tax asset by applying the depletion factor to the quar-ries of Yesos Ibéricos, S.A.

17. GUARANTEES

At 31 December 2007, consolidated companies had received bank guarantees amounting to €42,040 thousand. Of this amount, €3,931 thousand relates 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.

18. REVENUE AND EXPENSES

18.1. Revenue

The detail of this heading in 2007 and 2006 is the following:

Thousands of euros	2007	2006
Sales of goods and services	1,101,855	1,011,229
Financial discounts on sales	(7,048)	(6,517)
Other revenues	68	491
TOTAL	1,094,875	1,005,203

18.2. Other operating income

The detail of "Other operating income" in 2007 and 2006 is as follows:

Thousands of euros	2007	2006
Ancillary income	5,715	6,615
Operating grants	351	348
Government grants transferred to profit (loss) for the year (Note 4.13)	3,329	1,156
Capitalized expenses of in-house work on assets	155	200
Consumption of free CO ₂ emission rights	2,107	3,254
Other	343	798
TOTAL	12,000	12,371

18.3. Operating expenses

Supplies

The detail of this heading is as follows:

Thousands of euros	2007	2006
Purchases	399,575	368,702
Change in commercial inventories, raw materials and other supplies	(7,635)	(3,624)
Work carried out for other companies	7,314	5,396
TOTAL	399,254	370,474

Employee benefits expense

The detail of this heading is as follows:

Thousands of euros	2007	2006
Wages and salaries	119,417	117,378
Social security	32,899	29,155
Restructuring costs	6,845	7,707
Other employee welfare expenses	9,495	7,999
TOTAL	168,656	162,239

Capitalised staff costs in 2007 and 2006 relating to projects involving properties are not significant.

The average number of employees of the Group in 2007 and 2006 by professional category is as follows:

	Men	2007 Women	TOTAL	2006 TOTAL
Managers	108	27	135	166
Graduates, line personnel and supervisors	472	197	669	679
Sales personnel	395	157	552	575
Administrative staff	162	245	407	486
Manual workers	2,085	123	2,208	2,017
TOTAL	3,222	749	3,971	3,923

The twelve members of the Board of Directors (working on their own account or representing shareholder entities) and the three non-director members of the Management Committee are men.

Other operating expenses

The detail of this heading is the following:

Thousands of euros	2007	2006
Transportation services	92,590	91,966
Supplies	77,580	69,658
Repairs and maintenance	35,249	29,574
Leases	15,854	17,903
Advertising	19,159	16,539
Communication	5,818	6,769
Taxes other than income tax	5,177	5,714
Insurance premiums	2,274	2,858
Allocation to provision for current assets	8,824	8,036
CO ₂ emissions (Note 4.14)	4,444	3,287
R&D costs	754	707
Other expenses	61,410	52,782
TOTAL	329,133	305,793

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 2007 amount to approximately €34,304 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 €738 and €711 thousand in 2007 and 2006, respectively.

Fees for non-audit services provided to the various Group companies by the principal auditor in 2007 and 2006 amounted to €690 and €400 thousand, respectively. The Corporate Governance statement includes a description of the Audit Committee's remit, along with an expla-

nation of how the objectivity and independence of the auditor is guaranteed in the provision of non-audit services.

Furthermore, fees for financial audit services in 2007 and 2006 provided to the various companies comprising the Group by other auditors amounted to €74 and €51 thousand and fees for non-audit services by other auditors in these years to €11 and €64 thousand, respectively.

18.4. Finance costs

The detail of this heading is the following:

Thousands of euros	2007	2006
Interest on loans and debt issues	8,391	9,287
Interest on finance leases	424	239
Other finance costs	595	1,386
TOTAL	9,410	10,912

18.5. Gain (loss) on disposal and measurement of non-current assets

The detail of this heading is the following:

Thousands of euros	2007	2006
Disposal of property, plant and equipment and intangible assets	1,470	27,203
Sale of other financial assets	184	(11)
TOTAL	1,654	27,192

Sales of property, plant and equipment and intangible assets were made to non-Group companies.

Total transactions carried out in 2007 amounted to nearly €9 million thousand, of which all had been collected by 31 December 2007, except as explained in Note 8 regarding the land sold by Uralita, S.A.

Total transactions carried out in 2006 amounted to nearly €92 million thousand, of which all had been collected by 31 December 2006. The most important transaction relates to the sale of the site where Fibrocementos NT, S.A. carried out its business (see Note 8).

18.6. Other gains and losses

The detail of this heading is the following:

Thousands of euros	2007	2006
Payments and allocations to provisions for litigation and other liabilities (19,584)		(20,883)
Reversal of provisions (Note 12)	216	2,471
Other	(5,074)	(1,673)
TOTAL	(25,741)	(18,786)

19. 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 2007 bearing in mind the nature of the products and services offered and the customers they target.

In 2007, 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 recognised in the profit and loss of the various businesses. The remaining transactions of the parent company are 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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External sales	542,127	495,725	198,798	168,441	107,184	102,916	246,304	234,379	462	3,742	1,094,875	1,005,203
Inter-segment sales	275	199	29	148					(304)	(347)		
NET REVENUES	542,402	495,924	198,827	168,589	107,184	102,916	246,304	234,379	158	3,395	1,094,875	1,005,203
Depreciation and amortisation	26,916	24,977	4,567	4,822	5,503	5,171	5,378	5,254	3,352		45,716	42,564
OPERATING PROFIT	101,304	59,931	10,412	5,867	9,596	11,154	61,951	63,460	(8,466)	(11,358)	174,797	129,054
ORDINARY PROFIT (LOSS)	102,819	53,844	9,325	3,531	10,031	11,531	64,992	65,134	(18,227)	(14,865)	168,940	119,175
PROFIT BEFORE TAXES	96,750	44,751	5,382	(686)	8,062	12,993	63,074	64,578	(28,233)	47	145,035	121,683
PROFIT FOR THE YEAR	66,177	32,571	4,357	(759)	5,564	8,911	43,011	46,378	(13,569)	(16,511)	105,540	70,590
Equity holders of the parent	66,177	32,334	4,357	(759)	2,949	4,723	25,510	27,507	(13,569)	(16,511)	85,424	47,294
Minority interests		237			2,615	4,188	17,501	18,871			20,116	23,296
Goodwill	43,894	43,894			12,963						56,857	43,894
Property, plant and equipment	265,550	245,263	46,062	43,587	74,576	60,519	105,333	90,953	3,412	5,314	494,933	445,636
Intangible assets	5,950	14,308	60	83	96	3,334	803	1,574	112	(1,632)	7,021	17,667
Other non-current assets	29,139	32,294	2,531	475	5,848	5,783	4,081	786	93,654	87,690	135,253	127,028
Current assets	127,963	131,713	87,078	68,185	45,392	37,122	72,863	63,334	33,820	39,775	367,116	340,129
ASSETS	472,496	467,472	135,731	112,330	138,875	106,758	183,080	156,647	130,998	131,147	1,061,180	974,354
Financing from /(to) the Group	(70,784)	(16,766)	13,251	5,516	10,435	(20,478)	(59,608)	(58,223)	106,706	89,951		
Non-current liabilities	26,917	16,576	8,392	5,549	5,127	7,096	8,058	3,461	158,571	143,016	207,065	175,698
Current liabilities	91,870	91,057	61,995	53,531	27,443	23,387	57,478	54,299	61,952	65,068	300,738	287,342
LIABILITIES	48,003	90,867	83,638	64,596	43,005	10,005	5,928	(463)	327,229	298,035	507,803	463,040
TOTAL NET ASSETS	424,493	376,605	52,093	47,734	95,870	96,753	177,152	157,110	(196,231)	(166,888)	553,377	511,314

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	
	2007	2006	2007	2006	2007	2006
Spain	511,922	482,236	46,070	81,991	626,321	573,997
Rest of EU	440,677	392,603	60,885	16,220	329,711	303,552
RoW	142,276	130,364	38,080			
	23,472	105,148	96,805			
TOTAL	1,094,875	1,005,203	145,035	121,683	1,058,320	974,354

20. RISK MANAGEMENT POLICY

Interest-rate risk

Changes in interest rates affect the fair value of fixed-rate assets and liabilities and the future cash flows of floating-rate assets and liabilities.

The objective of interest rate risk management is to create a balanced debt structure that minimises finance costs over a multi-year period while keeping volatility on the income statement low.

Depending on Uralita Group estimates and the objectives that underlie the debt structure, the Group may contract derivative instruments to hedge part of its rate risks.

Exchange-rate risk

Changes in exchange rates modify the fair value of the private placement by USD 152 million. The objective of exchange-rate risk management is to minimise the exchange rate risk of foreign currency denominated debt via the use of hedges. The type of hedge used for this purpose is a cross currency swap which swaps USD and EUR flows.

The Group also reduces the impact of exchange rate volatility on the income statement from other foreign currency-denominated transactions by contracting forward currency swaps. However, there were no forwards in force at 31 December 2007.

Liquidity risk

The Group follows a prudent management policy towards liquidity risk, by holding sufficient amounts of cash and market-able securities, as well as contracting credit facilities of a sufficient amount to meet its forecast needs. Most of the credit facilities currently in force mature

in June 2008, and they are expected to be renewed without difficulty. The amounts drawn down and unused (in thousands of euros) under these facilities at 31 December 2007 and 2006 are as follows:

Date	Amount drawn down	Amount unused
31/12/2006	480	55,977
31/12/2007	27,263	55,439

Credit risk

Credit risk relates to the possibility that counterparties to a contract do not fulfil their contractual obligations, thus causing a financial loss for the Group. The Group has adopted a policy of trading only with solvent third parties and when sufficient guarantees have been provided, to offset the risk of financial loss in the event of non-compliance. The Group only trades with entities for which it has obtained information from independent appraisers, via other sources of financial information in the public domain, and via the information it derives from its own relations with customers.

The customer portfolio consists of a large number of customers located in different geographic areas. The evaluation of credit relations with customers, and the appraisal of customer solvency is carried out on a permanent basis, and credit guarantee insurance is taken out whenever it is deemed necessary. With regard to bad debt risk, an appraisal is carried out prior to signing the contract with the customer. This includes a solvency study and a check on the contractual requirements from the financial and legal guarantee standpoint. The performance of the debt is monitored on a permanent basis, and any changes to the appraisal are made in accordance with financial criteria.

The Group has no significant exposure to credit risk with any of its customers or groups of

customers with similar characteristics. Neither is the concentration of credit risk significant. The company has a securitisation programme which is described in Note 10.

21. TAX MATTERS

21.1. 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.

Subsidiary companies Ursa International GMBH, Ursa Deutschland GMBH and Ursa Industry GMBH form a single tax group in Germany and file taxes on a consolidated basis.

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

21.2. Years open to inspection

At 31 December 2007, the consolidated tax group was open to inspection for all the main taxes applicable for years 2003 to 2007. In general, consolidated companies are open to inspection for the main taxes applicable for the last four years. The Company's Directors believe that no tax liabilities will arise as a result of a review of the years open to inspection.

At 31 December 2007, certain companies belonging to the consolidated tax group had tax assessments signed in disagreement, for which they have 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 significant impact on the consolidated financial statements for 2007.

21.3. Income taxes recognised in the income statement

Income taxes recognised in the consolidated income statements for the years ended 31 December 2007 and 2006 are the following:

Thousands of euros	2007	2006
Income tax payable by the Spanish consolidated tax group	-	-
Income tax payable by other Spanish subsidiaries	23,049	23,477
Income tax payable by foreign operations	20,710	10,100
Deferred tax, net	(7,196)	3,674
TOTAL PAID IN THE YEAR	36,563	37,251

The income tax expense for Spanish companies was calculated by applying a 32.5% rate to the estimated tax base less any deductions or rebates. Taxes in other jurisdictions are calculated in accordance with the prevailing rates.

The "Adjustment to income tax expense for previous years" heading in the 2007 and 2006 income statements includes adjustments for the reduction to estimated fair value of deferred tax assets, as a result of the change in the tax rate for the Spanish tax group (€13,045 thousand in 2006) and certain foreign companies (€2,932 thousand in 2007), as explained in Note 4.15.

21.4. Deferred tax

Under prevailing tax legislation in the various countries where consolidated companies are located, at 31 December 2007 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 recognised as the Company considers that its recoverability is reasonably assured.

The detail of movements in "Deferred tax assets" and "Deferred tax liabilities" recognised by the Group at 31 December 2007 and 2006 is the following:

Thousands of euros	Tax loss carryforwards and deductions		ASSETS Temporary differences		TOTAL	LIABILITIES
	Consolidated tax group	Other companies	Tax impact of adoption of IFRS	Other		Deferred tax
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 4.15)	(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	-
Increases	7,311	42	-	16,595	23,948	3,969
Decreases	-	-	(3,700)	(2,186)	(5,886)	-
Offset of tax loss carryforwards	-	(5,989)	-	-	(5,989)	-
Change in tax rate (Note 4.15)	-	(2,932)	-	-	(2,932)	-
Other adjustments of prior years	-	561	(13)	-	548	-
Balance at 31 December 2007	80,154	15,877	725	26,499	123,255	3,969

22. EARNINGS PER SHARE

22.1. 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:

	2007	2006
Profit for the year attributable to equity holders of the parent (€ thousand)	85,424	47,294
Average number of ordinary shares outstanding (thousand)	197,500	197,500
Basic earnings per share (€)	0.43	0.24

22.2. 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 2007 and 2006, diluted earnings per share coincided with basic earnings per share.

23. 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 €2,109 thousand at 31 December 2007.

24. COMPENSATION AND OTHER DISCLOSURES

In 2007, the members of the Board of Directors of Uralita, S.A. were paid total compensation of €2,275 thousand (€1,441 thousand in 2006), €1,408 thousand of fixed and €857 thousand of variable compensation. They also received €696 thousand (€648 thousand in 2006) in bylaw-stipulated emoluments. The detail was as follows:

Thousands of euros	Board of Directors	Nomination and Remuneration Committee	Nomination and Committee	TOTAL
Javier Serratosa Luján	96	-	-	96
Nefinsa	48	5	4	57
Caja Duero	48	9	-	57
Atalaya	48	-	9	57
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	-	5	53
Javier González Ochoa	48	4	-	52
Alvaro Rodríguez-Solano Romero	48	-	-	48
Jorge Alarcón Alejandro	48	-	-	48
TOTAL	624	36	36	696

2006 Thousands of euros	Board of Directors	Nomination and Remuneration Committee	Nomination and Committee	TOTAL
Javier Serratosa Luján	96	-	-	96
Nefinsa	48	9	9	66
Caja Duero	48	9	-	57
Atalaya	48	-	9	57
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
Alvaro Rodríguez-Solano Romero	48	-	-	48
Jorge Alarcón Alejandro	36	-	-	36
TOTAL	612	36	36	684

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 members of the Board of Directors, whose compensation is described previously) amounted to €1,411 thousand (3 managers) in 2007 and €973 thousand (four managers) in 2006.

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 Parent Company'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 the Parent 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.
 - Chamberí Reinsurance, S.A.
- Alvaro Rodríguez-Solano Romero
 - Uralita B.V.

- Uralita Holding B.V.
- Chamberí Reinsurance, S.A.

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 (see Note 2), 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.

25. CONTINGENT ASSETS AND LIABILITIES

At 31 December 2007, 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.

26. 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 2007 of systems, equipment and facilities included in property, plant and equipment designed to protect and improve the environment amount to €8,581 thousand.

Costs incurred in 2007 for environmental protection and improvement included €2,581 thousand of ordinary expenditure. They mostly comprised wages paid to personnel who carry out environmental services, waste collection and treatment, environmental audits and similar certifications.

The follow-up of environmental contingencies is mainly undertaken by specialised 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.

No environmental grants were received in 2007.

Appendix 1 Subsidiaries

2007

Thousands of euros

By business segment	Location	Direct holding (%)	Group holding	Carrying amount	Assets	Liabilities	Patrimonio Equity	Profit (loss) for the year	Unrealised capital gain
INSULATION									
Ursa Insulation, S.A.	Madrid	100.00%	100.00%	-	7,524	12,069	(4,545)	(6,578)	
Ursa Ibérica Aislantes, S.A.	Madrid	100.00%	100.00%	58,049	85,593	33,658	51,935	3,370	6,114
Ursa Italia S.R.L.	Italy	100.00%	100.00%	1,709	22,819	16,531	6,288	(1,788)	(4,580)
Ursa France, S.A.S.	France	100.00%	100.00%	55,239	76,881	21,642	55,239	8,104	
Ursa U.K. LTD.	UK	100.00%	100.00%	15	2,452	2,351	101	60	
Ursa International GmbH	Germany	100.00%	100.00%	91,360	122,554	31,193	91,361	12,431	
Ursa Eslovenija, d.o.o.	Slovenia	100.00%	100.00%	29,000	44,787	12,544	32,243	5,616	
Ursa Novoterm Sarajevo d.o.o.	Bosnia	100.00%	100.00%	13	38	16	22	5	
Ursa Beograd d.o.o.	Yugoslavia	100.00%	100.00%	15	68	41	27	14	
Ursa Zagreb d.o.o.	Croatia	100.00%	100.00%	140	1,209	1,311	(102)	(210)	
Ursa Dämmsysteme Austria GmbH	Austria	100.00%	100.00%	46,249	56,348	10,247	46,101	8,662	10,466
Ursa CZ s.r.o	The Czech Republic	100.00%	100.00%	943	2,681	1,518	1,163	958	
Ursa SK s.r.o	Slovak Republic	100.00%	100.00%	-	700	430	270	250	
Ursa Benelux BVBA	Belgium	100.00%	100.00%	18,399	34,089	18,469	15,620	7,776	2,778
Ursa Deutschland GmbH	Germany	100.00%	100.00%	61,950	105,141	25,590	79,551	17,329	
Ursa Salgótarjáni RT.	Hungary	100.00%	100.00%	19,229	48,762	16,243	32,519	19,591	5,408
OOO Ursa Serpukhow	Russia	100.00%	100.00%	13,487	56,290	22,209	34,081	6,142	
OOO Ursa Chudowo	Russia	100.00%	100.00%	35,847	42,712	(9,218)	51,930	2,650	23,767
Ursa Industry GMBH	Germany	100.00%	100.00%	142	142	0	142	(7)	
Ursa Nordic AB	Sweden	100.00%	100.00%	11	131	96	35	24	
Ursa Enterprise	Ukraine	100.00%	100.00%	-	2,604	2,682	(78)	(529)	
Ursa Eurasia LLC	Russia	100.00%	100.00%	101	52,350	35,312	17,038	18,444	
Ursa Polska Sp. z.o.o.	Poland	100.00%	100.00%	7,883	30,145	10,218	19,927	10,069	
Ursa Romania SRL	Romania	100.00%	100.00%	3	2,875	2,167	708	969	
OÜ Pfeleiderer Baltic	Estonia	100.00%	100.00%	2	85	43	42	33	
Ursa Swiss GmbH	Switzerland	100.00%	100.00%	16	52	19	33	16	
PIPE SYSTEMS									
Uralita Sistemas de Tuberías, S.A.	Madrid	100.00%	100.00%	52,093	141,317	89,224	52,093	4,359	
Epe France, S.A.R.L.	France	100.00%	100.00%	1,948	2,199	251	1,948	314	
ROOFING									
Uralita Iberia, S.L.	Madrid	100.00%	100.00%	1,457	5,424	3,966	1,458	(39)	
Uralita Tejados, S.A.	Madrid	53.00%	53.00%	50,811	139,303	43,433	95,870	5,565	
Cerámica Collado, S.A.	Albacete	100.00%	53.00%	15,673	15,268	12,167	3,101	(30)	12,963
Campos Fábrica Cerámica, S.A.R.L.	Portugal	100.00%	53.00%	(1,299)	8,166	9,928	(1,762)	(1,341)	
Lusoceram Empreendimentos Cerâmicos, S.A.	Portugal	99.97%	53.00%	7,417	34,816	29,199	5,617	(1,277)	3,023

Thousands of euros (continuation)

By business segment	Location	Direct holding (%)	Group holding	Carrying amount	Assets	Liabilities	Patrimonio Equity	Profit (loss) for the year	Unrealised capital gain
GYP SUM									
Yesos Ibéricos, S.A.	Madrid	59.31%	59.31%	25,752	244,375	67,224	177,151	43,010	
Episa, S.L.	Portugal	100.00%	60.94%	2	367	159	208	65	
Algiss Explotaciones Mineras, S.L.	Madrid	100.00%	59.35%	11,000	11,308	88	11,220	232	
OTHER SUBSIDIARIES									
Uralita Holding BV.	Netherlands	100.00%	100.00%	1,342	136,645	133,773	2,872	264	
Uralita B.V.	Netherlands	100.00%	100.00%	1,136	128,948	127,685	1,263	(42)	
Fibrocementos NT, S.A.	Madrid	100.00%	100.00%	60,573	79,916	15,597	64,319	3,090	
Rocmat, E.U.R.L.	France	100.00%	100.00%	255	1,722	1,467	255	(519)	
Chamberí Reinsurance, S.A.	Luxem-bourg	100.00%	100.00%	1,225	5,039	3,814	1,225	0	
Cerámicas Sanitarias Reunidas, S.A.	Madrid	100.00%	100.00%	698	719	21	698	(78)	

The Uralita Group Management Report 2007

Statements for the year ended
31 December 2007

1. RESULTS

In 2007, Uralita achieved record figures in building materials, with sales totalling €1,094.9 million (+8.9% vs. 2006). Sales made outside Spain accounted for 53% of the total, with Eastern Europe and Russia making the largest contribution.

Uralita posted EBITDA of €224.0 million, up 25.7% from 2006, with an EBITDA margin of 20.5% (+2.8pp). The increase came mainly on the back of the performance of the insulation and pipes businesses as the rest of the businesses saw a slight decrease in their margins. As a result of geographical diversification, approximately 60% of Uralita's EBITDA in 2007 was generated abroad.

Net profit rose to €105.5 million, with an EBITDA margin of 9.6%. This represents a significant improvement on the 2006 margin (+2.6pp), again making the Group stand out as one of the most profitable in the sector.

Net profit attributable to the controlling company amounted to €85.4 million, a gain of 80.6% on 2006 and a new record for Uralita.

Lastly, net financial debt rose to €136.6 million primarily as a result of higher investment in organic growth, the dividend payment charged

against 2006 results (100% payout) and the purchase of Imerys' tiles business in Spain and Portugal. Despite this slight increase, Uralita has the financial capacity to grow via acquisitions (Debt/EBITDA ratio = 0.6)

2. RESULTS BY BUSINESS

Sales in the insulation business totalled €542.4 million (+9.4% vs. 2006). Owing to increases in volume and price, greater utilisation of glass wool plants and a reduction in logistics and structural costs, Ursa® posted EBITDA of €130.4 million (+49.3% vs. 2006) with a margin of 24.0%, a new record for the business and 6.4pp improvement on 2006.

The insulation sector fared very well in 2007, particularly during the first half of the year. This positive performance can be attributed to a steady flow of new building, an exceptionally mild winter in Eastern Europe and increased demand for building and reform insulation products in Western Europe. In 2007, there was a strong drive to cut energy consumption in Western European countries, auguring a sustained increase in demand for insulation in the future.

The gypsum division posted €246.3 million in sales, a gain of 5.1% on 2006, with both lines showing uneven performance. Gypsum board

penetration in Spain continued to grow in 2007 by an estimated 18% (+1pp vs. 2006). In turn, the powdered gypsum market shrunk approximately 6% due to decreased building activity in Spain. EBITDA stood at €67.4 million, down 2.4% from 2006. This reduction was due primarily to the increased supply cost for gypsum board in the last quarter as product imports increased and part of the plan for 2008 was moved up. Product imports will continue in 2008 given the saturation of the Valdemoro plant and in preparation for the opening of the new plant in Gelsa (Zaragoza) in 2009.

Sales in the tiles business rose 4.1% to €107.2 million. Part of this growth can be attributed to the acquisition of Imerys' tile business in Spain and Portugal in September. Sales in Spain were affected by market conditions while in Portugal, a new commercial policy undertaken by the division increased sales beyond sector growth. EBITDA stood at €16.7 million, down 1.5% from 2006, due to a more competitive environment, which was in part offset by the effort to reduce overhead costs undertaken in previous years.

Sales in the pipes division rose to €198.8 million (+17.9%) thanks to increased volume and greater penetration of the division's key solutions. EBITDA totalled €15.9 million (+44.4%), with an EBITDA margin of 8.0%. In addition to increased sales and margins, profitability was also boosted by ongoing efforts to streamline industrial efficiency.

3. EVENTS AFTER THE BALANCE SHEET DATE

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

4. OUTLOOK

In 2008, Uralita expects the construction market to gradually decline in Spain, remain unchanged in Central European markets and grow somewhat more moderately in Eastern Europe. In addition, supply of some of our products, such as insulation and gypsum board products, is likely to increase.

Against this backdrop, Uralita expects to benefit from:

- Its sizeable exposure to growth markets: namely Eastern Europe and Russia.
- The favourable positioning of its products in non-residential building, renovations and civil engineering where performance is different from that of new residential building.
- The strength of its products, which not only underpin efforts to increase sustainability and energy efficiency (insulation products), but are also competitive vis-à-vis rival products (e.g. gypsum board, large-diameter plastic pipes).

Therefore, although the new plants will not be brought online this year, sales growth is expected to be more moderate than in 2007 with profit levels at similar high levels.

5. RESEARCH AND DEVELOPMENT

In 2007, the Group spent €0.8 million on R&D projects.

6. TREASURY SHARES

At 31 December 2007, no controlling company shares were held as treasury shares and no transactions involving treasury shares were carried out in the year.

7. 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.

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

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

8. REPORT OF THE BOARD OF DIRECTORS OF URALITA, S.A. PURSUANT TO ARTICLE 116 BIS OF THE SECURITIES MARKET ACT

8.1. Introduction

The Board of Directors of Uralita, S.A. (the "Company" or "Uralita"), pursuant to article 116 bis of Law 24/1988 of 28 July, the Securities Market Act, presents this report in which the following information is contained:

- The Company's capital structure, including securities that are not traded on an EU-regulated market, noting, if applicable, the various share classes held and the rights and obligations conferred, in addition to the percentage of share capital represented, by each;
- Any restrictions on the transferability of securities;

- Significant shareholdings, both direct and indirect;
- Any restriction on voting rights;
- Shareholders' agreements;
- Regulations governing the appointment and replacement of members of the administrative body and the modification of the Company Bylaws;
- The powers of members of the Board of Directors and, in particular, those relating to the ability to issue and buy back shares;
- Any significant agreements that have been entered into by the Company that are coming into force, have been modified or are terminating in the event of a change in control of the Company due to a public tender offer, and the effects thereof, except when disclosure thereof is seriously detrimental to the Company; and
- Any agreements between the Company and its directors and managers or employees that provide for severance pay should they resign or be unfairly dismissed or if the employment relationship concludes on account of a public tender offer.

Pursuant to article 116 bis of the Securities Market Act, the information contained in this report has also been included in the Management Report that accompanies the Company's annual accounts for 2007.

8.2. The Company's capital structure, including securities that are not traded on an EU-regulated market, noting, if applicable, the various share classes held and the rights and obligations conferred, in addition to the percentage of share capital represented, by each.

Pursuant to article 5 of the Company Bylaws, Uralita's share capital is composed of 197,499,807 shares, each of which has a par value of seventy-two euro cents (€0.72), is of a single class and series, has the same voting and dividend rights, is represented by book entries and is fully subscribed and paid up. Said shares are listed for trading on the Madrid, Barcelona and Valencia Stock Exchanges and are part of the SIBE (Continuous Market).

As of the date of this report, securities entitled to conversion into shares of the Company have not been issued.

8.3. Any restrictions on the transferability of securities

There are no restrictions on the transferability of Company shares, notwithstanding any securities market regulations to which it is subject as a listed company or, in particular, those governing the notification of significant shareholdings or public offerings for the purchase of shares.

8.4. Significant shareholdings, both direct and indirect

At 31 December 2007, all significant shareholdings, both direct and indirect, in the Company are as follows:

Name or corporate name of shareholder	Number of direct shares	Number of indirect shares	Total % of share capital
Nefinsa, S.A.	10,409,958	-	79.063
Caja de Ahorros de Salamanca y Soria	690,383	-	5.240
Atalaya Inversiones, S.R.L.	658,333	-	5.000

The shareholders cited under Section 8.3 above are members of the Board of Directors of the Company. In addition to those cited in the table above, Javier Echenique Landiribar and Jorge Alarcón Alejandro, both directors of the Company, hold five thousand (5,000) and six hundred (600) company shares with voting rights, directly and respectively, which represent 0.038 and 0.005% of the Company's share capital, respectively.

8.5. Restrictions on voting rights

Pursuant to article 17 of the Company Bylaws, Shareholders who own fifteen shares or more that are entered in the appropriate register at least five days before the date of the Meeting shall have the right of attendance at General Shareholders' Meetings. It is further established in said article that shareholders are entitled to one vote for every fifteen shares held. The foregoing notwithstanding, there are no other restrictions on voting rights nor any that specifically seek to limit the number of maximum voting rights that may be exercised by a single shareholder or hinder any takeover of the Company through the acquisition of its shares on the market.

8.6. Shareholders' agreements

The Company is aware of one shareholders' agreement by which it is affected within Nefinsa, S.A. ("Nefinsa"), which owns 79.063% of Uralita's share capital. The agreement was signed on 23 October 2007 by all of Nefinsa's shareholders, i.e., Emilio Serratosa Ridaura, Javier Serratosa Luján, Gonzalo Serratosa Luján and Edamy, S.L., and entered into force on 3 December 2007, the same day notification thereof was sent to the Spanish Securities and Exchange Commission (CNMV).

In the agreement, the parties agree to combine the voting rights of syndicated shareholders at the General Shareholders' Meeting and

on the Board of Directors of Nefinsa, in accordance with the criteria previously established by the members of the syndicate. As a result, the syndicated shareholders are making a concerted action to exercise control of Nefinsa and Uralita. Syndicated shareholders who are also Company directors must adhere to the instructions issued by members of the syndicate, providing these do not contravene the pursuit of the Company's interests nor the obligations deriving from the post for which they were appointed.

In 2007, Uralita became aware of another agreement that existed prior to the agreement described under Section 0 above that was signed on 3 May 2007 by all Nefinsa shareholders. To the Company's knowledge, the shareholders of Nefinsa rendered their prior agreement null and void as of 7 September 2007.

8.7. Regulations governing the appointment and replacement of members of the administrative body and the modification of the Company Bylaws

The regulations governing the appointment and replacement of members of the Board of Directors are outlined under articles 21 and 22 of the Company Bylaws, as well as under articles 7, 8 and 16 of the Board of Directors' Regulations.

The Board of Directors approved on the same date specific modifications to Board Regulations in order to bring them in line with the good governance recommendations outlined in the Unified Code published by the Spanish Securities and Exchange Commission (CNMV) on 19 May 2006. As a result, the content of articles 7, 8 and 16 of the Board Regulations have thus been modified.

We have briefly summarised below the regulations governing the appointment and replacement of the Directors of Uralita that, as pre-

viously stated, have been brought in line with the good governance recommendations outlined in the Unified Code:

• *Nomination and appointment of directors:*

Directors are appointed at the General Shareholders' Meeting or by the Board of Directors exercising its co-option right in accordance with the provisions of the Spanish Companies Act.

The following guidelines for appointing a Director, among others, are hereby established:

- Persons aged seventy or over may not be appointed or re-elected as Directors, nor may they serve as the representatives of corporate entities; and
- In accordance with the current wording of article 22 of the Company Bylaws, the term of office of a Director shall be for six years, although he/she may be re-elected one or more times. Notwithstanding, according to article 8 of the Board of Directors' Regulation, revised in line with the good governance recommendations outlined in the Unified Code, independent directors may not remain as such for any consecutive period of time in excess of twelve years.

Proposals for the appointment or re-election of Directors submitted by the Board of Directors to the General Shareholders' Meeting, as well as any appointment resolutions adopted by the Board itself when exercising its power to co-opt, shall be approved by the Board of Directors:

- On the proposal of the Nomination and Remuneration Committee, in the case of independent directors; and
- Subject to a report from the Nomination and Remuneration Committee in all other cases.

All proposals, whether for nomination or ratification, must contain a concise explanation regarding the character of the director whose nomination or ratification is proposed.

The Board of Directors and the Nomination and Remuneration Committee shall ensure that:

- Directors are persons who, in addition to meeting legal and statutory requirements, possess the skills, experience and professional prestige appropriate to the exercising of their functions; and
- The process of filling Board vacancies has no implicit bias against female candidates;

Training programmes to help new Directors become promptly and sufficiently acquainted with the Company and its Group are hereby established.

Removal and replacement of Directors:

- The removal of Directors is also part of the remit of the General Shareholders' Meeting. However, as with the procedures for the appointment or re-election of Directors, the Nomination and Remuneration Committee may propose to the Board a dismissal it deems advisable so that the latter may, upon approval, in turn submit the proposal to the General Shareholders' Meeting for approval.
- In accordance with the good governance recommendations outlined in the Unified Code, independent Directors are given special protection whereby the Board of Directors may not propose the dismissal of any independent Director until the end of the bylaw-stipulated term for those who have been appointed, unless there is just cause to do so, as determined by the Board and following a report from the Nomination and Remuneration Committee.

- Under article 8.2 of the Board of Directors' Regulations, Directors must offer to resign and formally tender their resignation to the Board of Directors in the following cases:
- They reach seventy.
- When they are affected by any of the legally specified incompatibilities or disqualifications.
- When they have received a serious warning from the Nomination and Remuneration Committee for having breached their obligations as Directors.
- When they jeopardise the interests of the Company or damage its prestige and reputation. In this respect, the moment a director is indicted or tried for any of the crimes stated in article 124 of the Spanish Companies Act, the Board shall examine the matter as promptly as possible and, depending on the particular circumstances, decide whether or not the director should be called on to resign.
- When, in the case of independent Directors, they have held their position for a consecutive period of twelve years.
- When, in the case of proprietary Directors, the shareholder they represent sells its entire shareholding or when said shareholder reduces its shareholding to a level that requires a reduction in the number of its proprietary Directors.
- When a Director steps down or resigns prior to completing his/her term of office, he/she must explain in a letter addressed to all members of the Board the reasons why he/she is stepping down or resigning from his/her post.

Any modification to the Company Bylaws is governed by article 144 of the Spanish Compa-

nies Act, which requires approval thereof by the General Shareholders' Meeting, with the majorities stipulated under article 103 of said Act. Section (h) of article 5 of the Rules of the General Shareholders' Meeting gives the express power to the Board to modify the Company Bylaws.

8.8. Powers of the members of the Board of Directors and, in particular, those relating to the ability to issue and buy back shares

Pursuant to article 25 of the Company Bylaws, the Board of Administration shall represent the Company and have the broadest powers to manage, administer and represent the Company, and may carry out proceedings of any kind, whether they be of administration, disbursement or encumbrance, and execute contracts of any kind, subject only to the limitations determined by the powers that lie with the General Shareholders' Meetings. Article 4 of the Board Regulations lists all of the powers exercised exclusively by the Board.

The Company does not have an Executive Committee nor does it formally have a Chief Executive Officer. The Chairman of the Board, however, serves as the highest-ranking executive of the Company and as such, he has been delegated powers of a scope similar in nature to that which would be delegated to a Chief Executive Officer. No specific powers have been conferred upon the remaining members of the Board of Directors of the Company.

As for the ability to purchase or issue shares, the General Shareholders' Meeting held on 17 May 2007 authorised, for purposes of article 75 of the Spanish Companies Act, the derivative acquisition by purchase, subject to the requirements of applicable provisions, of shares of Uralita up to the legally permitted limit. This authorisation also covers any acquisitions within the cited limit that may be made by subsi-

diaries of Uralita. The price of acquisition shall be the market price quoted on the stock exchange on the date of acquisition, or such price as may be authorised by the competent stock market body. This authorisation shall be valid for eighteen months and supersedes the authorisation granted at the General Shareholders' Meeting on 22 June 2006.

8.9. Significant agreements that have been entered into by the Company that are coming into force, have been modified or are terminating in the event of a change in control of the Company due to a public tender offer, and the effects thereof, except when disclosure is seriously detrimental to the Company

There are no significant agreements that have been entered into by the Company that are

coming into force, have been modified or are terminating in the event of a change in control of the Company due to a public tender offer.

8.10. Agreements between the Company and its directors and managers or employees that provide for severance pay should they resign or be unfairly dismissed or if the employment relationship concludes on account of a public tender offer

There are no agreements between the Company and its directors and managers or employees that provide for severance pay should they resign or be unfairly dismissed or if the employment relationship concludes on account of a public tender offer.

Edición y diseño: ELBA Grupo de Comunicación, S.L.

Depósito Legal: X-000000000000