

Report prepared by the Board of Directors of Uralita, S.A. pursuant to Article 116 bis of the Spanish Securities Market Law

1.1 Introduction

1.1.1 Pursuant to Article 116 bis of the Spanish Securities Market Law 24/1988, of 28 July, the Board of Directors of Uralita, S.A. ("**the Company**" or "**Uralita**") prepared this report which includes the following information:

- (a) the capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by them and the percentage of the share capital that they represent;
- (b) restrictions on the transferability of securities;
- (c) significant direct or indirect ownership interests in the share capital;
- (d) restrictions on voting rights;
- (e) side agreements;
- (f) rules applicable to the appointment and replacement of the members of the managing body and to the amendment of the Bylaws;
- (g) the powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares;
- (h) the significant agreements that have been entered into by the Company and which come into force, are modified or are terminated in the event of a change in control of the Company as a result of a takeover bid, and the effects thereof, except when the disclosure thereof is seriously detrimental to the Company; and
- (i) agreements between the Company and its directors, management or employees which provide for termination benefits when the latter resign or are dismissed without justification or if the employment relationship ends as a result of a takeover bid.

1.1.2. The information contained in this report was equally included, pursuant to the aforementioned Article 116 bis of the Spanish Securities Market Law, in the Directors' Report accompanying the Company's financial statements for 2008.

1.2. Capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations conferred by the shares and the percentage of share capital that they represent

1.2.1. Pursuant to Article 5 of the Bylaws, Uralita's share capital consists of 197,499,807 fully subscribed and paid shares of seventy-two cents (EUR 0.72) par value each, all of which are of the same class and series, with the same voting and dividend rights, represented by book entries. These shares are listed on the Madrid, Barcelona and Valencia Stock Markets and included in the Spanish Stock Market Interconnection System.

1.2.2. At the date of this report, no securities have been issued that may be converted into Company shares.

1.3. Restrictions on the transferability of securities

There are no restrictions on the transferability of the Company's shares, without prejudice to the securities market law which is applicable to it as a listed company and, in particular, to the regulations concerning the notification of significant ownership interests or takeover bids.

1.4. Significant direct or indirect ownership interests in the share capital

- 1.4.1. The direct and indirect significant ownership interests at 31 December 2008 in the Company's share capital is as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
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

- 1.4.2. The shareholders mentioned in section 8.4.1 above are members of the Company's Board of Directors. In addition to those named in the foregoing table, Jorge Alarcón Alejandro, director of the Company, directly holds six hundred (600) Company voting rights, representing 0.005% of its share capital; Álvaro Rodríguez-Solano Romero, José Antonio Carrascosa Ruiz, Javier González Ochoa and José Ignacio Olleros Piñero, all directors of the Company, each directly hold one hundred and fourteen (114) Company voting rights, representing in each case 0.000865% of the Company's share capital.

1.5. Restrictions on voting rights

In accordance with Article 17 of the Bylaws, owners of 15 or more shares who are registered in the relevant accounting records at least five days before the Annual General Meetings is to be held shall be entitled to attend the meetings. Article 17 also establishes that every 15 shares shall carry the right to one vote. There is no other restriction on voting rights and, in particular, there is no restriction which has the objective of limiting the maximum number of voting rights that may be issued by a single shareholder or which makes it difficult to take control of the Company through the acquisition of its shares outstanding.

1.6. Side agreements

- 1.6.1. The Company is aware of a family succession plan ("the Family Succession Plan") at Nefinsa, S.A. ("**Nefinsa**"), the owner of 79.063% of Uralita's share capital, which was entered into on 10 June 2008 by all Nefinsa shareholders, i.e. Emilio Serratosa Ridaura, Javier Serratosa Luján and Gonzalo Serratosa Luján. The Family Succession Plan came into force on the same date on which it was signed and it replaces the previous agreement dated 3 March 2000. The Family Succession Plan contains an agreement in clause 4.4 relating to the put option in favour of the shareholders who are parties to the agreement that constitutes a side agreement since it regulates matters related to the transferability of Nefinsa shares. Clause 4.4 was the subject of publication by Nefinsa, among others, through Significant Event no. 95485 dated 4 July 2008.

In addition, on 26 November 2008, Nefinsa's individual shareholders signed an addendum to the Family Succession Plan, which introduced a change in the aforementioned clause 4.4, whereby the put option may only be exercised with the unanimous agreement of the parties. This requirement for unanimous agreement will remain in force until 1 January 2012.

1.7. Rules applicable to the appointment or replacement of the members of the managing body and to the amendment of the Company's Bylaws

- 1.7.1. The rules applicable to the appointment or replacement of the members of the Board of Directors are included in Articles 21 and 22 of the Bylaws and in Articles 7, 8 and 16 of the Board of Directors Regulations.

On 25 March 2008, the Board of Directors approved the introduction of certain changes in Board Regulations for the purpose of adapting them to the good governance recommendations provided for in the Unified Code published by the Spanish National

Securities Market Commission on 19 May 2006. As a result, the contents of Articles 7, 8 and 16 of the Board Regulations were modified with effect from 25 March 2008.

The rules applicable to the appointment and replacement of Uralita's directors, following the aforementioned adaptation to the good governance recommendations contained in the Unified Code, are briefly summarised below:

(a) Appointment and designation of directors:

- (i) The directors are appointed by the shareholders at the Annual General Meeting or by the Board of Directors using their power of co-optation, in conformity with the Spanish Companies Law.
- (ii) The following parameters, among others, are established to appoint a director:
 - (A) natural persons who are aged 70 or more may not be appointed or re-appointed as directors, nor may natural persons who have exceeded this age be representatives of legal entities; and
 - (B) the mandate of the directors will have a term of three years according to the current wording of Article 22 of the Bylaws, although they may be re-appointed one or more times. Exceptionally, in accordance with Article 8 of the Board of Directors Regulations, it is established that independent directors shall not retain their status of directors for a continuous period of more than twelve years.
- (iii) The proposals to appoint or re-appoint directors that are submitted to the shareholders at the Annual General Meeting by the Board of Directors, and the appointment agreements adopted by the Board through its power of co-optation, shall be approved by the Board of Directors:
 - (A) upon the proposal of the Remuneration and Nomination Committee, in the case of independent directors; and
 - (B) following a report of the Remuneration and Nomination Committee, in the case of the other directors.
- (iv) All proposals, whether to appoint or ratify, must contain a concise explanation of the character of the director who is to be nominated or ratified.
- (v) The Board of Directors and the Remuneration and Nomination Committee will ensure that:
 - (A) the nomination of directors is made to persons who, in addition to fulfilling the legal and bylaw requirements, have the ability, experience and professional prestige required to discharge their functions; and
 - (B) the selection procedures do not entail an implicit bias that could hamper the selection of female members.
- (vi) Orientation programmes shall be established to enable new directors to gain sufficient knowledge of the Company and its Group rapidly.

(b) Removal and replacement of directors:

- (i) The removal of directors forms part of the responsibilities attributable to the shareholders at the Annual General Meeting. However, as established in the procedures to appoint and re-appoint directors, the Remuneration and Nomination Committee shall have the power to submit to the Board removal proposals which are considered appropriate so that, once approved, the Board may in turn submit the proposals for approval by the shareholders at the Annual General Meeting.
- (ii) With respect to independent directors, a special protection situation is established in line with the good governance recommendations provided for in the Unified Code, whereby the Board of Directors may not propose the removal of any

independent director before completion of the period under the Bylaws for which they were appointed, unless the Board considers there is just cause to do so, based on a report by the Remuneration and Nomination Committee.

- (iii) In accordance with Article 8.2 of the Board of Directors Regulations, the directors are obliged to tender their resignation to the Board and resign in the following cases:
- (A) When they reach the age of 70.
 - (B) When they become subject to any incompatibility or prohibition established by law.
 - (C) When they have been seriously reprimanded by the Remuneration and Nomination Committee for having infringed any of their obligations as directors.
 - (D) When they may put the Company's interests at risk or adversely affect its repute and reputation. In this connection if a director is prosecuted or has a court order issued against him initiating trial proceedings for any of the offences set out in Article 124 of the Spanish Companies Law, the Board will examine the case as soon as possible and, in view of his specific circumstances, will decide whether or not the director should continue in his position.
 - (E) When, as independent directors, they have remained in the discharge of their duties for a continuous period of more than twelve years.
 - (F) When, as nominee directors, the shareholder they represent sells his entire shareholding or when the shareholder reduces his shareholding to a level which requires the reduction of the number of his nominee directors.
- (iv) Directors who retire or resign before their mandates expire must explain the reasons for retiring or resigning from their position in a letter addressed to all members of the Board.

1.7.2. The general procedure for amending the Bylaws is regulated by Article 144 of the Spanish Companies Law, and the change must be approved by the shareholders at the Annual General Meeting with the quorum and, where appropriate, majority vote, provided for in Article 103 of that Law. Article 5 (h) of the Annual General Meeting Regulations expressly enables the shareholders to amend the Company's Bylaws.

1.8. Powers of the members of the Board of Directors and, in particular, powers relating to the possibility of issuing or repurchasing shares

1.8.1. Pursuant to Article 25 of the Bylaws, the Board of Directors acts as the Company's representative and has the broadest powers to manage, administer and represent the Company. The Board may carry out all manner of acts of administration, disposition or encumbrance and execute all manner of agreements with no more limitations than those determined by the powers attributed to the shareholders at the Annual General Meetings. Article 4 of the Board Regulations provides full details of the powers reserved for the Board to exercise.

The Company does not have an Executive Committee, nor does it formally have a CEO, although the Chairman of the Board discharges the duties of the Company's Chief Executive Officer, for which reason he was delegated powers with a scope similar to that of a CEO. No powers of attorney have been issued to the other members of the Company's Board of Directors.

1.8.2. With regard to the possibility of issuing or purchasing shares, on 7 May 2008 the shareholders at the Annual General Meeting authorised the Board of Directors, for the purposes of Article 75 of the Spanish Companies Law, to acquire Uralita shares, up to the limit permitted by Law, through purchase and sale and subject to the requirements of the applicable provisions. The authorisation was extended to acquisitions which, within the limits indicated, are carried out by Uralita's subsidiaries. The acquisition cost will be the market price on the Stock Exchange on the date of acquisition or the price

authorised, if applicable, by the stock market regulatory body. This authorisation will last 18 months and by virtue thereof the authorisation granted at the Annual General Meeting on 17 May 2007 was rendered null and void.

1.9. Significant agreements entered into by the Company which will come into force, be modified or terminate in the event of a change in control over the Company resulting from a takeover bid, and their effects, except when dissemination thereof may be seriously detrimental to the Company

The Company has not entered into any significant agreements that come into force or may be modified or terminated in the event of a change in control as the result of a takeover bid.

1.10. Agreements between the Company and its directors, management personnel or employees which provide for termination benefits when the latter resign or are dismissed without justification or if the employment relationship ends as a result of a takeover bid

There are no agreements between the Company and its directors, management personnel or employees that provide for termination benefits when the latter resign or are dismissed without justification or if the employment relationship ends as a result of a takeover bid.