

# **URALITA GROUP**

## **Consolidated financial statements for 2009**

*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 29). In the event of a discrepancy, the Spanish-language version prevails.*

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 29). In the event of a discrepancy, the Spanish-language version prevails.

**URALITA GROUP**

**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008**

(Thousands of euros)

|   | <b>2009</b>      | <b>2008</b>      |
|---|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>   | <b>818,797</b>   | <b>807,820</b>   |
| Goodwill on consolidation - (Note 5)                                    | 56,478           | 56,478           |
| Intangible assets - (Note 6)  | 17,289           | 17,585           |
| Property, plant and equipment - (Note 7)                                | 588,708          | 582,460          |
| Deferred tax assets - (Note 22)   | 139,845          | 133,144          |
| Non-current financial assets - (Note 9)                                 | 16,477           | 18,153           |
| <b>CURRENT ASSETS</b>   | <b>273,494</b>   | <b>330,075</b>   |
| Inventories - (Note 10)   | 59,212           | 104,756          |
| Trade and other receivables - (Note 11)                                 | 26,080           | 54,827           |
| Other current financial assets - (Note 11)                              | 124,343          | 138,004          |
| Cash and cash equivalents   | 58,954           | 25,017           |
| Current tax assets  | 3,932            | 6,257            |
| Other current assets  | 973              | 1,214            |
| <b>NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE - (Note 8)</b>        | <b>17,970</b>    | <b>9,715</b>     |
| <b>TOTAL ASSETS</b>   | <b>1,110,261</b> | <b>1,147,610</b> |
| <b>EQUITY - (Note 12)</b>   | <b>454,120</b>   | <b>472,448</b>   |
| Share capital   | 142,200          | 142,200          |
| Reserves of the Parent  | 55,602           | 35,832           |
| Reserves of consolidated companies                                      | 186,479          | 185,224          |
| Treasury shares   | (28,933)         | (19,627)         |
| Valuation adjustments   | (4,951)          | (4,392)          |
| Profit for the year attributable to the Parent                          | 10,056           | 40,256           |
| Translation differences   | (30,029)         | (25,125)         |
| <b>Equity attributable to shareholders of the Parent</b>                | <b>330,424</b>   | <b>354,368</b>   |
| <b>Non-controlling interests</b>  | <b>123,696</b>   | <b>118,080</b>   |
| <b>NON-CURRENT LIABILITIES</b>  | <b>336,953</b>   | <b>251,046</b>   |
| Non-current bank borrowings and other financial liabilities - (Note 15) | 247,430          | 147,358          |
| Hedging instruments - (Note 15)   | 6,556            | 6,169            |
| Provisions - (Note 13)  | 36,510           | 57,541           |
| Deferred income - (Note 16)   | 16,500           | 14,276           |
| Deferred tax liabilities - (Note 22)                                    | 3,230            | 3,589            |
| Other non-current financial liabilities - (Note 14)                     | 23,408           | 18,798           |
| Other non-current liabilities - (Note 14)                               | 3,319            | 3,315            |
| <b>CURRENT LIABILITIES</b>  | <b>319,188</b>   | <b>424,116</b>   |
| Current bank borrowings and other financial liabilities - (Nota 15)     | 37,231           | 114,326          |
| Hedging instruments - (Note 15)   | 517              | -                |
| Other current financial liabilities - (Note 11)                         | 107,433          | 118,620          |
| Trade payables - (Note 17)  | 119,092          | 126,641          |
| Current tax liabilities   | 2,529            | 5,951            |
| Other current liabilities (Note 17)                                     | 52,386           | 58,578           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                     | <b>1,110,261</b> | <b>1,147,610</b> |

The accompanying Notes 1 to 29 are an integral part of the consolidated balance sheet at 31 December 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 29). In the event of a discrepancy, the Spanish-language version prevails.

**URALITA GROUP**  
**CONSOLIDATED INCOME STATEMENTS FOR 2009 AND 2008**

(Thousands of euros)

|   | <b>2009</b>    | <b>2008</b>   |
|---|----------------|---------------|
| Revenue - <b>(Note 19.1)</b>  | 704,664        | 988,742       |
| Other operating income - <b>(Note 19.2)</b>                                   | 14,104         | 13,204        |
| Changes in inventories of finished goods and work in progress                 | (24,837)       | (4,477)       |
| Procurements - <b>(Note 19.3)</b>   | (229,130)      | (358,811)     |
| Staff costs - <b>(Note 19.3)</b>  | (149,069)      | (192,107)     |
| Depreciation and amortisation charge  | (47,055)       | (45,753)      |
| Other operating expenses - <b>(Note 19.3)</b>                                 | (227,312)      | (311,362)     |
| <b>PROFIT FROM OPERATIONS</b>   | <b>41,365</b>  | <b>89,436</b> |
| Finance costs - <b>(Note 19.4)</b>  | (17,308)       | (16,280)      |
| Finance income  | 3,405          | 3,085         |
| Net exchange differences  | (201)          | (9,723)       |
| Result of companies accounted for using the equity method                     | 434            | 486           |
| Gains on disposal and revaluation of non-current assets                       | 2,193          | 174           |
| Net impairment losses   | (4,023)        | (1,152)       |
| Other gains or losses   | -              | 524           |
| <b>PROFIT BEFORE TAX</b>  | <b>25,865</b>  | <b>66,550</b> |
| Income tax expense incurred in the year - <b>(Note 22.3)</b>                  | (2,819)        | (4,463)       |
| Prior years' income tax adjustments - <b>(Note 22.3)</b>                      | (3,456)        | (10,112)      |
| <b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>                         | <b>19,590</b>  | <b>51,975</b> |
| <b>LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS, AFTER TAX - (Note 2.4)</b> | <b>(3,725)</b> | <b>(241)</b>  |
| <b>PROFIT FOR THE YEAR</b>  | <b>15,865</b>  | <b>51,734</b> |
| Attributable to:  |                |               |
| <b>Shareholders of the Parent</b>   | <b>10,056</b>  | <b>40,256</b> |
| <b>Non-controlling interests</b>  | <b>5,809</b>   | <b>11,478</b> |
|   | <b>15,865</b>  | <b>51,734</b> |
| <b>EARNINGS PER SHARE</b> (euros per share)                                   |                |               |
| <b>Basic and diluted (Note 23)</b>  | <b>0.05</b>    | <b>0.20</b>   |

The accompanying Notes 1 to 29 are an integral part of the consolidated income statement for 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 29).  
In the event of a discrepancy, the Spanish-language version prevails

**URALITA GROUP**  
**CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR 2009 AND 2008**

(Thousands of euros)

|  | 2009    |            |                    | 2008     |            |                     |
|--|---------|------------|--------------------|----------|------------|---------------------|
|  | Amount  | Tax effect | Net                | Amount   | Tax effect | Net                 |
| <b>CONSOLIDATED PROFIT FOR THE YEAR</b>                      |         |            | <b>15,865</b>      |          |            | <b>51,734</b>       |
| Attributable to the Parent                                   |         |            | 10,056             |          |            | 40,256              |
| Attributable to non-controlling interests                    |         |            | 5,809              |          |            | 11,478              |
| <br><b>INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY</b> |         |            | <br><b>(6,863)</b> |          |            | <br><b>(17,756)</b> |
| Cash flow hedges   | (2,782) | 823        | (1,959)            | (2,102)  | 556        | (1,546)             |
| Translation differences                                      | (4,904) | -          | (4,904)            | (16,210) | -          | (16,210)            |
| <br><b>TRANSFERS TO PROFIT OR LOSS</b>                       |         |            | <br><b>1,401</b>   |          |            | <br><b>(126)</b>    |
| Cash flow hedges   | 1,878   | (477)      | 1,401              | (180)    | 54         | (126)               |
| <br><b>TOTAL RECOGNISED INCOME</b>                           |         |            | <br><b>10,403</b>  |          |            | <br><b>33,852</b>   |
| Attributable to the Parent                                   |         |            | 4,594              |          |            | 22,374              |
| Attributable to non-controlling interests                    |         |            | 5,809              |          |            | 11,478              |
|  |         |            | <u>10,403</u>      |          |            | <u>33,852</u>       |

The accompanying Notes 1 to 29 are an integral part of the consolidated statement of recognised income and expense for 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 29). In the event of a discrepancy, the Spanish-language version prevails.

**URALITA GROUP**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 2009 AND 2008**

(Thousands of euros)

|  | Share capital  | Share premium | Reserves of the Parent | Reserves of consolidated companies | Treasury shares | Valuation adjustments | Profit for the year attributable to the Parent | Translation differences | Equity attributable to the Parent | Non-controlling interests | EQUITY         |
|--|----------------|---------------|------------------------|------------------------------------|-----------------|-----------------------|--|-------------------------|-----------------------------------|---------------------------|----------------|
| Balances at 31 December 2007           | 142,200        | 43,574        | 38,038                 | 138,633                            | -               | (2,720)               | 85,424   | (8,915)                 | 436,234                           | 117,143                   | 553,377        |
| Income and expenses recognised in 2008 |                |               |                        |                                    |                 | (1,672)               | 40,256   | (16,210)                | 22,374                            | 11,478                    | 33,852         |
| Distribution of 2007 profit            |                | (43,574)      | (2,206)                | 46,713                             |                 |                       | (85,424)                                       |                         | (84,491)                          | (10,540)                  | (95,031) (*)   |
| Acquisition of treasury shares         |                |               |                        |                                    | (19,627)        |                       |  |                         | (19,627)                          |                           | (19,627)       |
| Other                                  |                |               |                        | (122)                              |                 |                       |  |                         | (122)                             | (1)                       | (123)          |
| <b>Balances at 31 December 2008</b>    | <b>142,200</b> | <b>-</b>      | <b>35,832</b>          | <b>185,224</b>                     | <b>(19,627)</b> | <b>(4,392)</b>        | <b>40,256</b>                                  | <b>(25,125)</b>         | <b>354,368</b>                    | <b>118,080</b>            | <b>472,448</b> |
| Income and expenses recognised in 2009 |                |               |                        |                                    |                 | (558)                 | 10,056   | (4,904)                 | 4,594                             | 5,809                     | 10,403         |
| Distribution of 2008 profit            |                |               | 19,770                 | 1,184                              |                 |                       | (40,256)                                       |                         | (19,302)                          |                           | (19,302) (*)   |
| Acquisition of treasury shares         |                |               |                        |                                    | (9,307)         |                       |  |                         | (9,307)                           |                           | (9,307)        |
| Other                                  |                |               |                        | 71                                 | 1               | (1)                   |  |                         | 71                                | (193)                     | (122)          |
| <b>Balances at 31 December 2009</b>    | <b>142,200</b> | <b>-</b>      | <b>55,602</b>          | <b>186,479</b>                     | <b>(28,933)</b> | <b>(4,951)</b>        | <b>10,056</b>                                  | <b>(30,029)</b>         | <b>330,424</b>                    | <b>123,696</b>            | <b>454,120</b> |

(\*) Dividends distributed by the Parent and dividends distributed by subsidiaries to non-controlling interests.

The accompanying Notes 1 to 29 are an integral part of the consolidated statement of changes in equity for 2009.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 29). In the event of a discrepancy, the Spanish-language version prevails.

**URALITA GROUP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR 2009 AND 2008**

(Thousands of euros)

|  | <b>2009</b>     | <b>2008</b>      |
|--|-----------------|------------------|
| <b>OPERATING ACTIVITIES</b>  |                 |                  |
| Profit before tax  | 25,865          | 66,550           |
| Adjustments for:   |                 |                  |
| Depreciation and amortisation of property, plant and equipment and intangible assets | 47,055          | 46,089           |
| Other adjustments  | 20,045          | 39,609           |
| Cash from operating activities before changes in working capital                     | 92,965          | 152,248          |
| Decrease / (Increase) in working capital   | 84,258          | (10,978)         |
| Cash generated by operations   | 177,223         | 141,270          |
| Other amounts received (paid) relating to operating activities                       | (32,284)        | (12,368)         |
| Income taxes paid  | (13,168)        | (36,820)         |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      | <b>131,771</b>  | <b>92,082</b>    |
| <b>INVESTING ACTIVITIES</b>  |                 |                  |
| Investments:   |                 |                  |
| · Property, plant and equipment and intangible assets                                | (66,346)        | (152,664)        |
| · Financial assets   | (2,035)         | (27,118)         |
| Disposals:   |                 |                  |
| · Property, plant and equipment and intangible assets                                | 4,519           | 6,083            |
| · Other non-current assets   | 1,024           | 742              |
| Dividends received   | 487             | 438              |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      | <b>(62,351)</b> | <b>(172,519)</b> |
| <b>FINANCING ACTIVITIES</b>  |                 |                  |
| Dividends paid   | (23,611)        | (90,723)         |
| Interest paid  | (13,887)        | (12,355)         |
| Purchase of treasury shares  | (9,307)         | (19,627)         |
| Proceeds from bank borrowings  | 117,858         | 109,473          |
| Repayment of bank borrowings   | (106,536)       | -                |
| Other financial liabilities  | -               | 97,568           |
| <b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>                                   | <b>(35,483)</b> | <b>84,336</b>    |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                                       | <b>33,937</b>   | <b>3,899</b>     |
| Cash and cash equivalents at beginning of year                                       | 25,017          | 21,118           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                      | <b>58,954</b>   | <b>25,017</b>    |

The accompanying Notes 1 to 29 are an integral part of the consolidated statement of cash flows for 2009.

## **Notes to the Consolidated Financial Statements for 2009**

### **1. Group activities**

The Parent, Uralita, S.A. ("the Company" or "the Parent") is the head of a group of companies the object of which, taken as a whole, is the manufacture and marketing of construction materials.

The Parent was incorporated in Spain on 6 August 1920 in accordance with the Spanish Public Limited liability Companies Law. Its registered office is at Paseo de Recoletos, 3, Madrid.

Uralita, S.A. is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements.

The Group carries on its business through the companies detailed in Appendix 1, with a presence in the following business areas which in turn are the primary reporting segments:

- Insulation
- Gypsum
- Roof tiles
- Pipes

### **2. Basis of presentation of the financial statements and basis of consolidation**

#### **2.1. Basis of presentation**

The Uralita Group's consolidated financial statements for 2009 were formally prepared by the Parent's directors at its meeting held on 24 March 2010 on the basis of the accounting records kept by the Company and by the other Group companies so that they present fairly the Group's consolidated equity and financial position at 31 December 2009 and the results of its operations, the expenses and income recognised during the year, the changes in consolidated equity and the consolidated cash flows in the year then ended.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002, of 19 July, of the European Parliament and of the Council. In Spain, the requirement to present consolidated financial statements in accordance with IFRSs as approved by the European Union was also regulated by Final Provision Eleven of Law 62/2003, of 30 December, on Tax, Administrative, Labour and Social Security Measures. The principal mandatory accounting policies and measurement bases applied, as well as the alternative treatments permitted by the relevant standards in this connection, are summarised in Note 4. No standards were applied early.

The 2009 consolidated financial statements of the Group and the 2009 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. The Parent's directors consider that the aforementioned financial statements will be approved without any material changes. The Group's consolidated financial statements for 2008 were approved by the shareholders at the Annual General Meeting of Uralita, S.A. on 13 May 2009.

These financial statements are presented in euros, the functional currency of the Parent. Foreign operations are recognised in accordance with the policies established in Note 2.3-c below.

## 2.2. Adoption of new standards and interpretations issued

### Standards and interpretations applicable in 2009

In 2009 new accounting standards came into force and were therefore taken into account when preparing the consolidated financial statements for 2009.

The following standards have been applied to these consolidated financial statements but did not have a significant impact on the figures reported or the presentation and disclosure of these consolidated financial statements, either because they did not imply significant changes or they referred to information which did not affect the Group:

- IFRS 8, Operating Segments
- Revision of IAS 23, Borrowing Costs
- Revision of IAS 1, Presentation of Financial Statements
- Amendments to IFRS 2, Share-based payment
- Amendments to IAS 39 and IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 13, Customer Loyalty Programmes
- IFRIC 14 – IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation

The Group has also been applying the following standards and interpretations, since their entry into force on 1 January 2009, which did give rise to a change in accounting policy or changes in disclosure/presentation for the Group.

- Revision of IAS 1, Presentation of Financial Statements

The revised standard provides the option of presenting all income and expense items in a single statement with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group chose the latter option.

IAS 1 also introduces new reporting requirements (presenting the balance sheet for a different period) when the entity applies an accounting policy retrospectively, makes a restatement or reclassifies items in previously issued financial statements. As explained in Note 2.4, as a result of classifying a certain business line as a discontinued operation at 1 January 2009, for comparison purposes the income and expenses related thereto at 31 December 2008 were restated under "Loss for the Year from Discontinued Operations Net of Tax". However, the comparative balance sheet at 31 December 2007 was not included since the aforementioned restatement did not affect the balance sheets prepared in previous years.

- Amendments to IFRS 7, Financial Instruments - Disclosures

The fundamental amendments to IFRS 7 relate to the requirement to provide enhanced disclosures about fair value measurements and liquidity risk, the most significant of the former being the obligation to make disclosures about financial instruments measured at fair value using a fair value hierarchy.

### Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because the date on which they will come into force is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union.

| Standards, amendments and interpretations                  |   | Obligatory application in years beginning on or after: |
|--|---|--|
| <b>Approved for use in the European Union:</b>             |   |  |
| Revision of IFRS 3   | Business Combinations                                       | 1 July 2009  |
| Amendments to IAS 27                                       | Changes in Ownership Interests                              | 1 July 2009  |
| Amendments to IAS 39                                       | Eligible Hedged Items                                       | 1 July 2009  |
| Amendments to IAS 32                                       | Classification of Rights Issues                             | 1 February 2010  |
| IFRIC 12 (1)   | Service Concession Arrangements                             | 1 April 2009   |
| IFRIC 15 (1)   | Agreements for the Construction of Real Estate              | 1 January 2010   |
| IFRIC 17   | Distributions of Non-cash Assets to Owners                  | 1 November 2009  |
| IFRIC 18   | Transfers of Assets from Customers                          | 1 November 2009  |
| <b>Not yet approved for use in the European Union (2):</b> |   |  |
| IFRS 9   | Financial Instruments: Classification and Measurement       | 1 January 2013   |
| 2009 Improvements to IFRSs                                 | Non-Urgent Amendments to IFRSs                              | Various (mainly 1 January 2010)                        |
| Amendments to IFRS 2                                       | Share-based Payment Transactions among Group Entities       | 1 January 2010   |
| Revision of IAS 24   | Related Party Disclosures                                   | 1 January 2011   |
| Amendments to IFRIC 14                                     | Prepayments of a Minimum Funding Requirement                | 1 January 2011   |
| IFRIC 19   | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010  |

(1) Date of obligatory application as approved in the Official Journal of the European Union, which differs from the original date set by the IASB

(2) Standards and interpretations not yet adopted by the European Union at the date of formal preparation of these consolidated financial statements

The Parent's directors assessed the impact of the above-mentioned standards and interpretations and concluded that they will not have a material effect on these consolidated financial statements.

## 2.3. Basis of consolidation

### a. Subsidiaries

"Subsidiaries" are defined as companies included in the scope of consolidation over which the Parent, directly or indirectly, exercises effective control by virtue of ownership of the majority of the voting power in their representation and decision-making bodies and over which the Parent has the capacity to exercise control. In accordance with IAS 27, control is presumed to exist when the Parent, has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The financial statements of the subsidiaries are fully consolidated. Accordingly, all balances and effects of the transactions between consolidated companies were eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group, including most notably the recognition of recoverable tax assets, which are not recognised by certain subsidiaries.

The share of third parties of the Group's equity and profit is presented under "Non-controlling Interests" in the consolidated balance sheet and "Profit Attributable to Non-controlling Interests" in the consolidated income statement, respectively.

Where applicable, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or until the effective date of disposal, as appropriate.

Appendix I to these notes to the consolidated financial statements details the subsidiaries and information thereon (including the name, country of incorporation, proportion of ownership interest of the Parent).

b. Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. Usually this capacity arises because it holds -directly or indirectly- between 20% and 50% of the voting power of the investee.

The impact of the Group's associates on the consolidated financial statements is not material.

c. Translation differences

On consolidation, the various items in the balance sheets and income statements of the Group companies with a functional currency other than the euro were translated to euros as follows:

- Assets and liabilities were translated using the official exchange rates prevailing at year-end.
- Share capital and reserves were translated using historical exchange rates.
- Income statement items were translated to euros at the average exchange rates for the year.

The exchange differences arising from the use of these criteria were included under "Equity – Translation Differences". These translation differences will be recognised as income or expenses in the period in which the investment that gave rise to the differences is realised or disposed of in full or in part.

d. Changes in the scope of consolidation

In July 2008 Yesos Ibéricos S.A. (59.31% owned by the Group) acquired the entire share capital of Escayolas Marín S.L., a company located in Spain which engages in the mining and sale of gypsum. Its acquisition cost amounted to EUR 7,469 thousand. The first-time consolidation difference was allocated to the rights to operate the quarries owned by the company acquired (see Note 6).

The contribution of this acquisition to the balance sheet at 31 December 2009 and the 2009 income statement is not material.

In 2009 there were no changes in the scope of consolidation.

## **2.4. Comparative information**

In 2009 the Group decided to abandon the sale in the French market of certain piping business materials, operation manufactured in the factory in Cerdanyola del Valles (Barcelona). As a result, this plant which itself constituted a business line, is under closure.

Post-tax loss for the year of the discontinued operation is disclosed under "Loss for the Year from Discontinued Operations Net of Tax" in the consolidated income statements for 2009 and 2008 (which were restated for comparison purposes and, accordingly, differ from those approved by the shareholders at the Annual General Meeting).

The detail of the post-tax loss for the year of the discontinued operation for 2009 and 2008 is as follows.

Thousands of euros

|  | 2009           | 2008         |
|--|----------------|--------------|
| Revenue  | 6,933          | 18,259       |
| Procurements   | (4,361)        | (12,316)     |
| Staff costs (including costs arising from the factory's closure) | (4,155)        | (1,898)      |
| Depreciation and amortisation charge                             | (346)          | (336)        |
| Other operating expenses   | (2,133)        | (3,926)      |
| Finance costs  | (9)            | (127)        |
| Net impairment losses  | (1,250)        | -            |
| <b>Loss before tax</b>   | <b>(5,321)</b> | <b>(344)</b> |
| Income tax   | 1,596          | 103          |
| <b>Loss for the year</b>   | <b>(3,725)</b> | <b>(241)</b> |

The cash flows of the discontinued operation for 2009 and 2008 were as follows:

Thousands of euros

|   | 2009           | 2008           |
|---|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 | <b>314</b>     | <b>(44)</b>    |
| <b>Loss for the year before tax</b>                         | <b>(5,321)</b> | <b>(344)</b>   |
| <b>Adjustments for:</b>                                     | <b>4,283</b>   | <b>463</b>     |
| Depreciation and amortisation charge                        | 346            | 336            |
| Other adjustments   | 3,937          | 127            |
| <b>Changes in working capital</b>                           | <b>1,398</b>   | <b>338</b>     |
| <b>Other cash flows from operating activities</b>           | <b>(46)</b>    | <b>(501)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 | <b>(55)</b>    | <b>(2,575)</b> |
| Group companies   | (17)           | (2,386)        |
| Property, plant and equipment and intangible assets         | (38)           | (189)          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 | <b>(259)</b>   | <b>2,618</b>   |
| Proceeds from issue of borrowings from Group companies      | 3,455          | 4,809          |
| Repayment of bank borrowings                                | (3,714)        | (2,191)        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>-</b>       | <b>-</b>       |
| <b>Cash and cash equivalents at beginning of year</b>       | <b>-</b>       | <b>-</b>       |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             | <b>-</b>       | <b>-</b>       |

The items of property, plant and equipment associated with the discontinued operation and which the Parent's directors consider will be used in other operations are recognised in the consolidated balance sheet at 31 December 2009 at the lower of their acquisition cost and their recoverable amount. The carrying amount of the items of property, plant and equipment that may not be put to alternative use was written down in full.

## 2.5. Working capital deficiency

The accompanying consolidated balance sheet at 31 December 2009 discloses a working capital deficiency of EUR 45,694 thousand. The Group's directors consider that this situation is not a certain going-concern risk given the liquidity available to the Group (see Note 15) and the obtainment of positive cash flows as evidenced by the business projections, which were prepared using conservative assumptions in terms of market performance (see Note 5).

## 3. Distribution of profit

At its meeting held on 24 March 2010, the Board of Directors of Uralita, S.A. resolved to pay a dividend of EUR 0.032021 per share out of 2009 profit.

The distribution of the profit for 2009 that the Parent's directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

|                          | Thousands of euros |
|--------------------------|--------------------|
| Dividends                | 6,324              |
| To unrestricted reserves | 84,674             |
| 2009 profit              | 90,998             |

This dividend will be paid in April 2010 and is subject to approval by the shareholders at the Annual General Meeting. This amount was not recognised as a liability in the accompanying consolidated balance sheet at 31 December 2009.

The liquidity statement, prepared in accordance with legal requirements, reflecting the availability of cash at the date of the resolution and which evidenced the existence of sufficient liquidity, was as follows:

|                          | Thousands of euros |
|--------------------------|--------------------|
| Loans to Group companies | 374,300            |
| Available cash           | 17,559             |
| <b>TOTAL</b>             | <b>391,859</b>     |

## 4. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

### 4.1. Goodwill on consolidation

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.
- If it is attributable to specific intangible assets, recognising it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.
- The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognised when it has been acquired for consideration and therefore represents a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

Goodwill is not amortised. Until 1 January 2004, the date of transition to IFRSs, goodwill was amortised systematically and, therefore, the goodwill related to earlier acquisitions was included at its carrying amount at the date of transition. At the end of each reporting period, goodwill is tested for impairment to determine whether it has suffered any permanent loss in value that reduces its recoverable amount to below its carrying amount. If there is any impairment, the goodwill is written down with a charge to the consolidated income statement. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

To perform the aforementioned impairment test, the goodwill is allocated to one or more cash-generating units. The recoverable amount of each cash-generating unit is determined as the greater of the value in use and the net selling price that would be obtained in a transaction.

#### 4.2. Intangible assets

Intangible assets, which comprise mainly computer software, trademarks and rights to operate quarries, are initially recognised at acquisition or development cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Also, the acquisition cost includes the allocations of the purchase cost of acquired companies. At 31 December 2009 and 2008, these allocations were EUR 8,613 thousand and EUR 6,755 thousand, respectively, in relation to the acquisition in 2008 of Escayolas Marín, S.A. and were allocated to the rights to operate the quarries (see Note 2.3-d).

All the intangible assets of the Uralita Group are considered to have finite useful lives and are amortised on a straight-line basis over those useful lives using methods similar to those used to depreciate property, plant and equipment, on the basis of estimated useful lives generally of three to five years, except for rights to operate quarries, the estimated useful life of which is considered to be the shorter of the operating right concession term and the depletion period of the minerals mined.

#### 4.3. Property, plant and equipment

The items included in "Property, Plant and Equipment" are stated at acquisition cost less any accumulated depreciation and any recognised impairment losses. Acquisition cost includes, in some cases, revaluations carried out in the past pursuant to the applicable legislation, including Royal Decree Law 7/1996 (see Note 12.3).

Also, the acquisition cost includes the allocations of the purchase cost of acquired companies, the detail of which at 31 December 2009 and 2008 is as follows:

|                              |             |             | Thousands of euros  |                 |
|------------------------------|-------------|-------------|---------------------|-----------------|
|                              |             |             | <b>BALANCES AT:</b> |                 |
| <b>Company</b>               | <b>Year</b> | <b>Item</b> | <b>31/12/09</b>     | <b>31/12/08</b> |
| CT Cobert Telhas, S.A.       | 2001        | Land        | 1,750               | 1,750           |
| CT Cobert Telhas, S.A.       | 2001        | Buildings   | 441                 | 469             |
| Tejas Cobert, S.A.           | 1993        | Land        | 240                 | 240             |
| Tejas Cobert, S.A.           | 1993        | Buildings   | 439                 | 487             |
| Ursa Ibérica Aislantes, S.A. | 1989        | Land        | 5,001               | 5,001           |
| Ursa Ibérica Aislantes, S.A. | 1989        | Buildings   | 873                 | 993             |
| <b>TOTAL</b>                 |             |             | <b>8,744</b>        | <b>8,940</b>    |

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.

Upkeep and maintenance costs are charged to the income statement for the year in which they are incurred.

In-house work on non-current assets is recognised at accumulated cost (external costs, internal costs calculated on the basis of in-house consumption of warehouse materials, and manufacturing costs incurred).

The borrowing costs incurred on specific- or general-purpose financing used for assets whose construction period exceeds one year are included in the cost of the items of property, plant and equipment.

The cost of property, plant and equipment is depreciated on a straight-line basis over the years of estimated useful life, as follows:

|                              | Years of estimated useful life |
|------------------------------|--------------------------------|
| Buildings                    | 33 / 50                        |
| Plant                        | 10 / 20                        |
| Machinery                    | 10 / 20                        |
| Tools                        | 5 / 8                          |
| Furniture and other fixtures | 10 / 15                        |
| Computer hardware            | 4                              |
| Transport equipment          | 6 / 7                          |

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

#### 4.4. Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less estimated costs to sell and depreciation of such assets ceases from the time they are classified as "Non-Current Assets Classified as Held for Sale".

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should normally be expected to be completed 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 amounts of its tangible and intangible assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less estimated 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

#### 4.6. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### Finance leases

When the consolidated companies act as the lessee, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a liability for the same amount (which will be the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus, where applicable, the price of exercising the purchase option). These assets are depreciated using similar criteria to those applied to the items of property, plant and equipment that are owned.

The finance income and charges arising under finance lease agreements are credited and charged, respectively, to the consolidated income statement so as to reflect a constant periodic rate of return over the term of the agreements.

### Operating leases

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognised as an expense on a straight-line basis.

## **4.7. Inventories**

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

Finished goods and work in progress are measured at the lower of production cost (actual average cost), which includes raw materials, direct labour and production overheads, and market value.

Obsolete, defective or slow-moving inventories have been reduced to realisable value.

## **4.8. Financial assets and liabilities**

### Trade receivables

The financial assets held by the Group relate basically to accounts receivable of the consolidated companies recognised in the accompanying consolidated balance sheets under "Trade and Other Receivables". These assets are recognised at their nominal value (which does not vary substantially from their amortised cost), net of the related allowance for any doubtful debts.

### Other non-current financial assets

"Other Financial Assets" includes mainly guarantee deposits measured at the present value of the recoverable amount, less any related impairment losses.

### Cash and cash equivalents

Cash comprises both cash and demand deposits at banks. Cash equivalents are short-term investments with a maturity of less than three months that are not subject to a significant risk of changes in value. Consequently, they are recognised at their nominal value. In 2009 these assets earned average annual interest at 2.9% (2008: 4%).

### Financial liabilities

- Non-current debt instruments and other marketable securities

Debt instruments and other marketable securities are measured at amortised cost using the effective interest method, net of direct issue costs. Amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. Any changes between the initial amount and the maturity amount not attributable to principal repayments are recognised in the consolidated income statement for the year.

- Bank loans

Interest-bearing bank loans are recognised at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or repayment and direct issue costs are recognised in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

- Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value, which is equal to their fair value.

- Derivative financial instruments and hedge accounting

The Group's activities expose it mainly to the financial risks of changes in foreign exchange rates and interest rates. The Group uses foreign currency swaps and interest rate hedges to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group policies approved by the Parent's directors, which provide written principles on the use of financial derivatives.

At the inception of the hedge, the Group designates and formally documents the hedging relationship and the objective and strategy for undertaking the hedge. Hedge accounting only applies when the hedge is expected to be highly effective at inception and in subsequent years in offsetting the changes in the fair value or cash flows attributable to the hedged risk during the life of the hedge (prospective analysis) and the actual effectiveness of the hedge, which can be reliably calculated, is within a range of 80-125% (retrospective analysis).

The Group does not hedge forecast transactions, but rather only firm financing commitments: if the cash flows of forecast transactions were hedged, the Group would assess whether such transactions were highly probable and whether they were exposed to changes in cash flows that might ultimately affect profit for the year.

If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. Conversely, for hedges that do not result in recognition of a non-financial asset or a non-financial liability, amounts deferred in equity are recognised in the consolidated income statement in the same period as that in which the hedged item affects net profit or loss.

Changes in the fair value of financial instruments that are designated and effective as fair value hedges are recognised in the consolidated income statement together with the related changes in the fair value of the hedged item attributable to the risk being hedged.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

To determine the fair value of the derivatives the Group uses valuations issued by financial institutions using the valuation techniques detailed in Note 15.

#### **4.9. Current/Non-current classification**

In the accompanying consolidated balance sheets, financial assets and liabilities due to be settled within 12 months are classified as current items and those due to be settled within more than 12 months as non-current items.

#### **4.10. Retirement benefits**

Uralita, S.A. and certain of the consolidated Spanish subsidiaries have undertaken to make supplementary retirement and other payments to certain employee groups, retirees and disabled individuals.

The Spanish companies have taken out external policies with Spanish non-Group insurance companies to cover the aforementioned obligations. These defined contribution policies guarantee that the related benefits are paid in full at no additional cost for the companies, except, in the case of Uralita, S.A., for the costs arising from changes in the estimates of salary variables and social security pensions.

The line item "Provisions" on the liability side of the consolidated balance sheets at 31 December 2009 and 2008 for the consolidated foreign companies includes the amounts considered sufficient to meet the obligations accrued at that date in this connection (see Note 13). The liabilities are estimated using actuarial procedures at each year-end and changes are recognised in the consolidated income statement for the year.

The amount of the obligations held by the consolidated companies, if any, in the defined contribution plans is charged to the consolidated income statement for the year. The amounts charged in this connection in 2009 and 2008 were not material.

#### **4.11. Termination benefits**

Under current legislation, the Group is required to pay termination benefits to employees terminated without just cause. Costs relating to these benefits are recognised in the year in which termination is agreed with the employees in question.

When a restructuring plan is approved by the Parent's directors, made public and communicated to employees, the Group recognises the provisions required to meet any future payments resulting from the application of these plans on the basis of the best cost estimates available based on the related actuarial studies.

At 31 December 2009 and 2008, the liabilities relating to termination plans currently under implementation are recognised under "Provisions" in the accompanying consolidated balance sheets at those dates.

#### **4.12. Provisions**

The Group's consolidated financial statements include all the provisions covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies that is certain as to its nature but uncertain as to its amount and/or timing. They include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

##### Litigation and/or claims in process

At the end of 2009 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and the Parent's directors consider that the outcome of litigation and claims will not have a material effect that is not provided for in the financial statements for the years in which they are settled.

##### Provisions for warranty costs

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the best estimate of the Parent's directors of the expenditure required to settle the Group's liability.

#### **4.13. Deferred income**

“Deferred Income” relates mainly to non-refundable grants related to assets, which are measured at the amount granted and are allocated to income under “Other Operating Income” in proportion to the period depreciation on the subsidised assets, except in the case of non-depreciable assets, the grants for which are allocated to profit or loss in the year in which the assets are disposed of or derecognised.

#### **4.14. Revenue and expense recognition**

Sales of goods are recognised when substantially all the risks and rewards of ownership have been transferred, which usually coincides with delivery of the goods sold.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### **4.15. Income tax; deferred tax assets and liabilities**

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

The tax benefits resulting from tax loss and tax credit carryforwards are recognised under “Income Tax Expense Incurred in the Year” in the accompanying consolidated income statements.

In addition, “Deferred Tax Assets” and “Deferred Tax Liabilities” in the consolidated balance sheets include the effect of temporary differences measured at the amount expected to be recoverable or payable on differences between the carrying amounts of assets and liabilities and their tax bases. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill, the amortisation of which is not deductible for tax purposes, or from the initial recognition (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

The impact of possible changes in the income tax rate on deferred tax assets and liabilities is included in the consolidated income statements under “Prior Years' Income Tax Adjustments”.

#### **4.16. Earnings per share**

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding, where applicable, the average number of shares of the Parent held by the Group companies. Since the Group does not have any dilutive potential ordinary shares, the basic and diluted earnings per share for 2009 and 2008 coincide.

#### 4.17. Foreign currency transactions and balances

Transactions in currencies other than the functional currency of each company are recognised in the functional currency by applying the exchange rates prevailing at the date of the transaction. During the year, the differences that arise between the balances translated at the exchange rate prevailing at the date of the transaction and the balances translated at the exchange rate prevailing at the date of collection or payment are recorded as finance costs or finance income in the consolidated income statement.

Also, balances receivable or payable at 31 December each year denominated in currencies other than the functional currencies in which the financial statements of the consolidated companies are denominated are translated to euros at the year-end exchange rates. Any gains or losses arising on such translation are recognised in the consolidated income statement for the year.

The exchange differences for intra-Group long-term loans are included under "Translation Differences" in the consolidated balance sheet, since it is considered that these loans form part of the investment in the subsidiary.

In order to hedge its exposure to certain foreign currency risks, the Group arranges forwards and options on currencies other than the euro (see Note 4.8 for details of the Group's accounting policies in respect of such derivative financial instruments).

#### 4.18. Consolidated statements of cash flows

The following terms, with the meanings specified, are used in the consolidated statements of cash flows, which were prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the amount and composition of the equity and borrowings of the Group companies that are not operating activities.

#### 4.19. CO<sub>2</sub> emission allowances

The Group recognises CO<sub>2</sub> emission allowances as non-amortisable intangible assets. The allowances received at zero cost under the related National Allocation Plans are measured at the market price prevailing on the date on which they are received, and an item of deferred income is recognised for the same amount.

This deferred income is transferred to "Other Operating Income" in the income statement as the CO<sub>2</sub> emissions to which it relates are made.

The obligation to deliver emission allowances for the CO<sub>2</sub> emissions made during the year is recognised as a provision under "Provisions" in the consolidated balance sheet, and the related cost is recorded under "Other Operating Expenses" in the consolidated income statement. This obligation is measured at the same amount as that at which the CO<sub>2</sub> emission allowances to be delivered to cover the obligation are recognised under "Intangible Assets".

In November 2008 the available emission allowances were sold to a non-Group company at their market price, which was paid in cash. At the same time as the sale, an agreement was entered into with the purchaser whereby the Group undertook to repurchase the same number of emission allowances at a fixed price in December 2012. The account payable at that date, measured at its present value, and the future repurchase right, measured initially at the same amount, were recognised under "Other Non-Current Liabilities" and "Intangible Assets", respectively, in the consolidated balance sheets at 31 December 2009 and 2008.

At 31 December each year, the Group recognises the appropriate adjustments to write down the carrying amount of the allowances if their market value is lower and to reflect the interest cost relating to the account payable indicated in the preceding paragraph.

#### 4.20. Environmental situation

The consolidated companies treat remuneration paid to personnel engaged exclusively in environmental functions, the goods consumed and purchases required to conduct any activities in this connection and the removal of waste arising from activities in operation as environmental expenses. Other amounts relating to environmental activities are treated as an investment.

Furthermore, the consolidated companies make provisions to meet any liabilities likely to arise and any determinable obligations relating to activities having an impact on the environment.

#### 4.21. Accounting judgments and estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors.

In the consolidated financial statements for 2009 and 2008 estimates were made by the Parent's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets
- The useful life of the property, plant and equipment and intangible assets
- The distribution of the cost of the business combinations
- The calculation of provisions and the probability of occurrence of and the amount of liabilities which are uncertain as their amount and contingent liabilities
- The assumptions used in measuring the fair value of certain financial instruments
- The assessment of the recoverability of deferred tax assets

These estimates were made on the basis of the best information available at 31 December 2009 and 2008 on the events analysed. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effect of the change in estimates in the related consolidated income statements.

#### 4.22. Changes in accounting estimates and policies and correction of fundamental errors

The effect of any change in accounting estimates is recognised under the same income statement line item as that in which the expense or income based on the previous estimate had been recognised.

Corrections of fundamental errors are recognised retrospectively by changing the information.

### 5. Goodwill on consolidation

The goodwill existing at 31 December 2009 did not change during the year and arose from the acquisition of ownership interests in the following subsidiaries:

|   | Thousands of euros |
|---|--------------------|
| OA0 URSA Chudovo  | 23,767             |
| URSA Dämmssysteme Austria GmbH  | 10,296             |
| URSA Salgotarjan Rt.  | 9,831              |
| Cerámicas Collado, S.A. and Campos Fábrica Cerámica, S.A.R.L.                                   | 12,963             |
| Balance at 31 December 2007   | 56,857             |
| Definitive allocation relating to Cerámicas Collado, S.A. and Campos Fábrica Cerámica, S.A.R.L. | (379)              |
| <b>Balance at 31 December 2008 and 2009</b>   | <b>56,478</b>      |

The goodwill relating to Chudovo, Austria and Salgotarjan was acquired prior to 1 January 2004 (see Note 4.1) and was allocated to the various cash-generating units of the Insulation Division (see Note 20). This goodwill was recognised at the carrying amount thereof at that date (see Note 4.1).

In 2007 the Group's Roof Tile Division jointly acquired all of the share capital of Cerámicas Collado, S.A. and Campos Fábrica Cerámica, S.A.R.L. At 31 December 2007, as permitted by IFRS 3, the definitive allocation of this goodwill had not been recognised as it was being assessed by the Group. In 2008 the measurement of the assets and liabilities of the acquired companies was completed and the impact of the definitive allocation was not material. Consequently, the Company did not restate the comparative information for 2007.

Group management has implemented an annual procedure to identify any possible impairment of the costs of the assets recognised and goodwill with respect to the recoverable amount thereof. The procedure for the impairment test is as follows:

- Management of each Business Unit prepares, on an annual basis, a five-year business plan for each cash-generating unit, by market and by activity. The main components of this plan are as follows:
  - Earnings projections
  - Projected investment and working capital

The projections are prepared for each business unit on the basis of recent performance and include Group management's best estimates concerning the future performance of the most significant internal and external economic variables.

- The business plans are reviewed and ultimately approved by the Group's Management Committee.
- The main variables affecting the calculation of the aforementioned projections are as follows:
  - The applicable discount rate, taken to be the weighted average cost of capital; the main variables affecting the calculation thereof are the cost of liabilities, the tax rate and the specific risks associated with the assets.
  - The growth rate used to extrapolate the projected cash flows beyond the period covered by budgets or forecasts. The growth rate considered in all the markets in which the Group carries on its activities is zero.

The value in use of each cash-generating unit was calculated as the present value of the cash flows resulting from the financial projections discounted at rates that take into account the assets' specific risks, the average cost of the liabilities and the Group's target financial structure. The discount rates used in 2009 were 6.32% for countries in the Euro Zone, 10.67% for Russia and between 8.56% and 11.72% for Eastern Europe. The discounts rates used in 2008 ranged between 6% and 7% for countries in the Euro Zone and between 8% and 11% for countries outside the Euro Zone.

The assumptions applied in the financial projections take into account the present market situation in the segments or countries in which the Group operates. In this connection, in 2009 activity in the European construction industry was severely affected by the financial and economic crisis (fall in the demand for housing and other business activities in this industry in general). Falls were more moderate in the Western European markets and more acute in the Eastern European and Russian markets.

Since 2008 the Group is implementing a plan to optimise its industrial structure to adapt to the new market conditions (see Note 7). The optimisation plan is based on its future business plans, which reflect conservative growth and profitability assumptions until 2012 at the earliest.

On the basis of the findings of the aforementioned analysis, no material adjustments had to be made to the carrying amounts of the goodwill at 31 December 2009 and 2008.

## **6. Intangible assets**

The detail of and the changes in the balance of "Intangible Assets" in the consolidated balance sheets at 31 December 2009 and 2008 were as follows:

Thousands of euros

|                                     | 2009                    |                                     |                                   |                   |   |                         |               |
|-------------------------------------|-------------------------|-------------------------------------|-----------------------------------|-------------------|---|-------------------------|---------------|
|                                     | Development expenditure | CO <sub>2</sub> emission allowances | Concessions, licences and patents | Computer software | Agreement for acquisition of CO <sub>2</sub> allowances | Other intangible assets | TOTAL         |
| <b>COST</b>                         |                         |                                     |                                   |                   |   |                         |               |
| Balances at 31 December 2008        | 801                     | 1,703                               | 15,384                            | 19,060            | 3,200   | 655                     | 40,803        |
| Additions                           | 1,107                   | 3,990                               | 1,905                             | 366               |   | 645                     | 8,013         |
| Disposals                           |                         | (2,944)                             | (830)                             | (6)               |   |                         | (3,780)       |
| Translation differences             |                         |                                     | (17)                              | (70)              |   | 1                       | (86)          |
| Reclassifications and other         |                         | (2,537)                             | (1,476)                           | (199)             |   | 814                     | (3,398)       |
| <b>Balances at 31 December 2009</b> | <b>1,908</b>            | <b>212</b>                          | <b>14,966</b>                     | <b>19,151</b>     | <b>3,200</b>  | <b>2,115</b>            | <b>41,552</b> |

| <b>ACCUMULATED AMORTISATION</b>     |            |  |              |               |  |            |               |
|-------------------------------------|------------|--|--------------|---------------|--|------------|---------------|
| Balances at 31 December 2008        | 795        |  | 5,787        | 15,797        |  | 547        | 22,926        |
| Disposals                           |            |  | (830)        | (6)           |  |            | (836)         |
| Impairment losses recognised        | 8          |  | 752          | 1,583         |  | 299        | 2,642         |
| Translation differences             |            |  | (18)         | (43)          |  | (2)        | (63)          |
| Reclassifications and other         |            |  | (688)        | (665)         |  | (64)       | (1,417)       |
| <b>Balances at 31 December 2009</b> | <b>803</b> |  | <b>5,003</b> | <b>16,666</b> |  | <b>780</b> | <b>23,252</b> |

| <b>IMPAIRMENT</b>                       |  |  |  |  |              |       |              |
|---|--|--|--|--|--------------|-------|--------------|
| Balances at 31 December 2008            |  |  |  |  | 532          | (240) | 292          |
| Impairment losses recognised/(reversed) |  |  |  |  | 479          |       | 479          |
| Reclassifications and other             |  |  |  |  |              | 240   | 240          |
| <b>Balances at 31 December 2009</b>     |  |  |  |  | <b>1,011</b> |       | <b>1,011</b> |

| <b>CARRYING AMOUNT</b>                  |              |            |              |              |              |              |               |
|---|--------------|------------|--------------|--------------|--------------|--------------|---------------|
| Balances at 31 December 2008            | 6            | 1,703      | 9,597        | 3,263        | 2,668        | 348          | 17,585        |
| Additions                               | 1,107        | 3,990      | 1,905        | 366          |              | 645          | 8,013         |
| Disposals                               |              | (2,944)    |              |              |              |              | (2,944)       |
| Period amortisation                     | (8)          |            | (752)        | (1,583)      |              | (299)        | (2,642)       |
| Impairment losses recognised/(reversed) |              |            |              |              | (479)        |              | (479)         |
| Translation differences                 |              |            | 1            | (27)         |              | 3            | (23)          |
| Reclassifications and other             |              | (2,537)    | (788)        | 466          |              | 638          | (2,221)       |
| <b>Balances at 31 December 2009</b>     | <b>1,105</b> | <b>212</b> | <b>9,963</b> | <b>2,485</b> | <b>2,189</b> | <b>1,335</b> | <b>17,289</b> |

Thousands of euros

|                                      | 2008                    |                                     |                                   |                   |   |                         |               |
|--------------------------------------|-------------------------|-------------------------------------|-----------------------------------|-------------------|---|-------------------------|---------------|
|                                      | Development expenditure | CO <sub>2</sub> emission allowances | Concessions, licences and patents | Computer software | Agreement for acquisition of CO <sub>2</sub> allowances | Other intangible assets | TOTAL         |
| <b>COST</b>                          |                         |                                     |                                   |                   |   |                         |               |
| Balances at 31 December 2007         | 801                     | 10                                  | 8,085                             | 24,976            |   | 574                     | 34,446        |
| Change in the scope of consolidation |                         |                                     | 6,755                             |                   |   | 37                      | 6,792         |
| Additions                            |                         | 8,096                               | 1,105                             | 957               | 3,200   | 266                     | 13,624        |
| Disposals                            |                         | (6,292)                             |                                   |                   |   |                         | (6,292)       |
| Translation differences              |                         |                                     | (519)                             | (374)             |   | (187)                   | (1,080)       |
| Reclassifications and other          |                         | (111)                               | (42)                              | (6,499)           |   | (35)                    | (6,687)       |
| <b>Balances at 31 December 2008</b>  | <b>801</b>              | <b>1,703</b>                        | <b>15,384</b>                     | <b>19,060</b>     | <b>3,200</b>  | <b>655</b>              | <b>40,803</b> |

| ACCUMULATED AMORTISATION            |            |  |              |               |  |            |               |
|-------------------------------------|------------|--|--------------|---------------|--|------------|---------------|
| Balances at 31 December 2007        | 795        |  | 5,095        | 20,853        |  | 682        | 27,425        |
| Impairment losses recognised        |            |  | 784          | 1,596         |  | 80         | 2,460         |
| Translation differences             |            |  | (222)        | (159)         |  | (9)        | (390)         |
| Reclassifications and other         |            |  | 130          | (6,493)       |  | (206)      | (6,569)       |
| <b>Balances at 31 December 2008</b> | <b>795</b> |  | <b>5,787</b> | <b>15,797</b> |  | <b>547</b> | <b>22,926</b> |

| IMPAIRMENT                              |  |  |  |  |            |              |            |
|---|--|--|--|--|------------|--------------|------------|
| Balances at 31 December 2007            |  |  |  |  |            |              |            |
| Impairment losses recognised/(reversed) |  |  |  |  | 532        | (240)        | 292        |
| <b>Balances at 31 December 2008</b>     |  |  |  |  | <b>532</b> | <b>(240)</b> | <b>292</b> |

| CARRYING AMOUNT                         |          |              |              |              |              |            |               |
|---|----------|--------------|--------------|--------------|--------------|------------|---------------|
| Balances at 31 December 2007            | 6        | 10           | 2,990        | 4,123        |              | (108)      | 7,021         |
| Change in the scope of consolidation    |          |              | 6,755        |              |              | 37         | 6,792         |
| Additions                               |          | 8,096        | 1,105        | 957          | 3,200        | 266        | 13,624        |
| Disposals                               |          | (6,292)      |              |              |              |            | (6,292)       |
| Period amortisation                     |          |              | (784)        | (1,596)      |              | (80)       | (2,460)       |
| Impairment losses recognised/(reversed) |          |              |              |              | (532)        | 240        | (292)         |
| Translation differences                 |          |              | (297)        | (215)        |              | (178)      | (690)         |
| Reclassifications and other             |          | (111)        | (172)        | (6)          |              | 171        | (118)         |
| <b>Balances at 31 December 2008</b>     | <b>6</b> | <b>1,703</b> | <b>9,597</b> | <b>3,263</b> | <b>2,668</b> | <b>348</b> | <b>17,585</b> |

The increase due to the change in the scope of consolidation in 2008 included the allocation to quarry operating rights of the first-time consolidation difference arising from the acquisition of Escayolas Marín, S.L. (see Note 2.3-d). This allocation was based on the volume of mineable minerals (determined by a third-party expert) measured at current prices. The concession is for 30 years, extendible to 90 years, following an application for renewal.

The most significant additions and disposals in 2009 and 2008 relate to CO<sub>2</sub> emission allowance transactions (see Note 4.19).

“Agreement for Acquisition of CO<sub>2</sub> Allowances” includes the transaction for the sale of rights and the obligation for their repurchase in 2012 (see Note 4.19).

The most important item included in "Reclassifications and Other" in 2009 relates to the delivery of the CO<sub>2</sub> emission allowances on the settlement of emissions in 2008.

At 31 December 2008, no in-house costs had been capitalised to intangible assets. The amount capitalised to intangible assets in 2009 was not material.

All the items have finite useful lives and are amortised using the method explained in Note 4.2.

The amount of fully amortised intangible assets in use at 31 December 2009 was not material.

According to the estimates made by the Group, no impairment of intangible assets has taken place that might have reduced their recoverable amount to below the carrying amount recognised at 31 December 2009 and 2008.

The research and development expenditure recognised as an expense in the consolidated income statement for 2009 amounted to EUR 732 thousand (2008: EUR 565 thousand).

## **7. Property, plant and equipment**

The detail of and the changes in the balance of “Property, Plant and Equipment” in the consolidated balance sheets at 31 December 2009 and 2008 were as follows:

Thousands of euros

|  | 2009               |                     |                                     |  |  |                  |
|--|--------------------|---------------------|-------------------------------------|--|--|------------------|
|  | Land and buildings | Plant and machinery | Other fixtures, tools and furniture | Advances and property, plant and equipment in the course of construction | Other items of property, plant and equipment | TOTAL            |
| <b>COST</b>                                      |                    |                     |                                     |  |  |                  |
| Balances at 31 December 2008                     | 248,201            | 713,956             | 55,436                              | 91,247   | 23,807                                       | 1,132,647        |
| Additions  | 3,570              | 24,298              | 1,555                               | 34,509   | 697  | 64,629           |
| Disposals  | (3,158)            | (23,247)            | (3,030)                             | (1)  | (1,347)                                      | (30,783)         |
| Translation differences                          | (6,585)            | (1,664)             | (10)                                | 5,360  | (43)   | (2,942)          |
| Transfer to assets classified as held-for-sale   | (26,683)           | (1,853)             |                                     |  |  | (28,536)         |
| Transfer from assets classified as held-for-sale | 2,200              |                     |                                     |  |  | 2,200            |
| Reclassifications and other                      | 28,053             | 18,987              | 2,698                               | (50,539)   | (1,290)                                      | (2,091)          |
| <b>Balances at 31 December 2009</b>              | <b>245,598</b>     | <b>730,477</b>      | <b>56,649</b>                       | <b>80,576</b>  | <b>21,824</b>                                | <b>1,135,124</b> |
| <b>ACCUMULATED DEPRECIATION</b>                  |                    |                     |                                     |  |  |                  |
| Balances at 31 December 2008                     | 76,203             | 406,279             | 38,988                              |  | 17,894                                       | 539,364          |
| Disposals  | (2,146)            | (19,174)            | (2,568)                             |  | (1,193)                                      | (25,081)         |
| Impairment losses recognised                     | 5,751              | 35,234              | 2,635                               |  | 793  | 44,413           |
| Translation differences                          | 50                 | (362)               | (1)                                 |  | 23   | (290)            |
| Transfer to assets classified as held-for-sale   | (18,037)           | (633)               |                                     |  |  | (18,670)         |
| Reclassifications and other                      | 17,326             | (17,329)            | 1,243                               |  | (1,016)                                      | 224              |
| <b>Balances at 31 December 2009</b>              | <b>79,147</b>      | <b>404,015</b>      | <b>40,297</b>                       |  | <b>16,501</b>                                | <b>539,960</b>   |
| <b>IMPAIRMENT</b>                                |                    |                     |                                     |  |  |                  |
| Balances at 31 December 2008                     | 1,077              | 3,329               | 235                                 |  | 6,182  | 10,823           |
| Disposals  | (45)               | (2,564)             | (182)                               |  | (18)   | (2,809)          |
| Impairment losses recognised/(reversed)          |                    |                     |                                     |  | (681)  | (681)            |
| Translation differences                          |                    |                     |                                     |  | (272)  | (272)            |
| Reclassifications and other                      | (222)              | 1                   |                                     |  | (384)  | (605)            |
| <b>Balances at 31 December 2009</b>              | <b>810</b>         | <b>766</b>          | <b>53</b>                           |  | <b>4,827</b>                                 | <b>6,456</b>     |
| <b>CARRYING AMOUNT</b>                           |                    |                     |                                     |  |  |                  |
| Balances at 31 December 2008                     | 170,921            | 304,348             | 16,213                              | 91,247   | (269)  | 582,460          |
| Additions  | 3,570              | 24,298              | 1,555                               | 34,509   | 697  | 64,629           |
| Disposals  | (967)              | (1,509)             | (280)                               | (1)  | (136)  | (2,893)          |
| Period depreciation                              | (5,751)            | (35,234)            | (2,635)                             |  | (793)  | (44,413)         |
| Impairment losses recognised/(reversed)          |                    |                     |                                     |  | 681  | 681              |
| Translation differences                          | (6,635)            | (1,302)             | (9)                                 | 5,360  | 206  | (2,380)          |
| Transfer to assets classified as held-for-sale   | (8,646)            | (1,220)             |                                     |  |  | (9,866)          |
| Transfer from assets classified as held-for-sale | 2,200              |                     |                                     |  |  | 2,200            |
| Reclassifications and other                      | 10,949             | 36,315              | 1,455                               | (50,539)   | 110  | (1,710)          |
| <b>Balances at 31 December 2009</b>              | <b>165,641</b>     | <b>325,696</b>      | <b>16,299</b>                       | <b>80,576</b>  | <b>496</b>                                   | <b>588,708</b>   |

|  | 2008               |                     |                                     |  |  |                  |
|--|--------------------|---------------------|-------------------------------------|--|--|------------------|
|  | Land and buildings | Plant and machinery | Other fixtures, tools and furniture | Advances and property, plant and equipment in the course of construction | Other items of property, plant and equipment | TOTAL            |
| <b>COST</b>                                    |                    |                     |                                     |  |  |                  |
| Balances at 31 December 2007                   | 235,010            | 654,938             | 62,893                              | 44,079   | 22,487                                       | 1,019,407        |
| Change in the scope of consolidation           | 1,070              | 1,865               | 110                                 | 36   | 327  | 3,408            |
| Additions                                      | 9,313              | 59,819              | 2,842                               | 78,089   | 764  | 150,827          |
| Disposals                                      | (161)              | (10,273)            | (954)                               | (5)  | (845)  | (12,238)         |
| Translation differences                        | (4,029)            | (15,714)            | (20)                                | (1,647)  | (502)  | (21,912)         |
| Transfer to assets classified as held-for-sale | (2,885)            | (546)               |                                     |  |  | (3,431)          |
| Reclassifications and other                    | 9,883              | 23,867              | (9,435)                             | (29,305)   | 1,576  | (3,414)          |
| <b>Balances at 31 December 2008</b>            | <b>248,201</b>     | <b>713,956</b>      | <b>55,436</b>                       | <b>91,247</b>  | <b>23,807</b>                                | <b>1,132,647</b> |
| <b>ACCUMULATED DEPRECIATION</b>                |                    |                     |                                     |  |  |                  |
| Balances at 31 December 2007                   | 70,951             | 374,701             | 49,049                              |  | 17,545                                       | 512,246          |
| Change in the scope of consolidation           |                    | 1,642               |                                     |  | 2  | 1,644            |
| Disposals                                      | (8)                | 2,186               | (12,022)                            |  | (969)  | (10,813)         |
| Impairment losses recognised                   | 5,684              | 34,366              | 2,622                               |  | 957  | 43,629           |
| Translation differences                        | (283)              | (5,818)             | (6)                                 |  | (272)  | (6,379)          |
| Reclassifications and other                    | (141)              | (798)               | (656)                               |  | 631  | (963)            |
| <b>Balances at 31 December 2008</b>            | <b>76,203</b>      | <b>406,279</b>      | <b>38,988</b>                       |  | <b>17,894</b>                                | <b>539,364</b>   |
| <b>IMPAIRMENT</b>                              |                    |                     |                                     |  |  |                  |
| Balances at 31 December 2007                   | 1,100              | 10,073              | 235                                 |  | 820  | 12,228           |
| Disposals                                      |                    | (4)                 |                                     |  |  | (4)              |
| Impairment losses recognised/(reversed)        | 10                 | (6,317)             |                                     |  | 5,249  | (1,058)          |
| Translation differences                        | (33)               | (1)                 |                                     |  | (309)  | (343)            |
| Reclassifications and other                    |                    | (422)               |                                     |  | 422  |                  |
| <b>Balances at 31 December 2008</b>            | <b>1,077</b>       | <b>3,329</b>        | <b>235</b>                          |  | <b>6,182</b>                                 | <b>10,823</b>    |
| <b>CARRYING AMOUNT</b>                         |                    |                     |                                     |  |  |                  |
| Balances at 31 December 2007                   | 162,959            | 270,164             | 13,609                              | 44,079   | 4,122  | 494,933          |
| Change in the scope of consolidation           | 1,070              | 223                 | 110                                 | 36   | 325  | 1,764            |
| Additions                                      | 9,313              | 59,819              | 2,842                               | 78,089   | 764  | 150,827          |
| Disposals                                      | (153)              | (12,455)            | 11,068                              | (5)  | 124  | (1,421)          |
| Period depreciation                            | (5,684)            | (34,366)            | (2,622)                             |  | (957)  | (43,629)         |
| Impairment losses recognised/(reversed)        | (10)               | 6,317               |                                     |  | (5,249)                                      | 1,058            |
| Translation differences                        | (3,713)            | (9,895)             | (14)                                | (1,647)  | 79   | (15,190)         |
| Transfer to assets classified as held-for-sale | (2,885)            | (546)               |                                     |  |  | (3,431)          |
| Reclassifications and other                    | 10,024             | 25,086              | (8,780)                             | (29,305)   | 524  | (2,451)          |
| <b>Balances at 31 December 2008</b>            | <b>170,921</b>     | <b>304,347</b>      | <b>16,213</b>                       | <b>91,247</b>  | <b>(268)</b>                                 | <b>582,460</b>   |

In 2008 the Group's Insulation Division acquired the glass wool business of the Turkish company Özpör for EUR 35 million. The remaining additions in 2009 and 2008 relate to the construction of new production plants, the implementation of new manufacturing technologies and increased capacity, mainly in the Insulating Products and Gypsum Divisions.

All the items of property, plant and equipment are for the Group's own use and there are no assets leased out under operating leases.

The borrowing costs capitalised to "Property, Plant and Equipment" at 31 December 2009 and 2008 amounted to EUR 3,215 thousand and EUR 2,366 thousand. The amounts capitalised in 2009 and 2008 amounted to EUR 849 thousand and EUR 2,366 thousand, respectively.

Fully depreciated property, plant and equipment in use at 31 December 2009 and 2008 amounted to EUR 234,166 thousand and EUR 235,142 thousand, respectively.

The items temporarily idle and the property, plant and equipment retired from active use at 31 December 2008 amounted to approximately EUR 43 million and related to the Roof Tile Division. There were no significant changes in this amount in 2009.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

The carrying amount at 31 December 2009 of the assets held under finance leases was EUR 3,774 thousand (31 December 2008: EUR 4,292 thousand).

At 31 December 2009 and 2008, there were no restrictions on title to the property, plant and equipment.

The property, plant and equipment outside Spain relate in full to the items assigned to the activity of the consolidated foreign subsidiaries. The carrying amount of these items at 31 December 2009 totalled EUR 328,649 thousand (31 December 2008: EUR 320,118 thousand).

At 31 December 2009, "Property, Plant and Equipment in the Course of Construction" included EUR 15,130 thousand (31 December 2008: EUR 12,408 thousand) for which the Group negotiated postponed delivery of goods by suppliers due to the situation of the market in the second half of 2008. At 31 December 2009, the indemnity payments and other costs payable to the suppliers in this connection were not material. The Parent's directors consider that no additional losses will be incurred as a result of these delays, once the postponed investment plans have recommenced, since the Group anticipates that its investment plans will be resumed in 2012/2013.

At 31 December 2009, there were no other noteworthy contractual commitments for the acquisition of property, plant and equipment.

#### Impairment losses

The slowdown in the markets of certain cash-generating units in 2008 and 2009 highlighted an excess production capacity, which has had a significant effect on the cash generation prospects of these units. These circumstances have led to a reorganisation of the production capacity of the related cash-generating units which is currently underway.

At the end of 2008 and 2009, the Group drew up business plans and projections of its business activities based on assumptions similar to those referred to in Note 5.

As a result of the slowdown in the performance of the markets in 2008 and 2009, mainly in the Spanish residential market, the Group decided to adapt the capacity of the Roof Tile Division to the new demand situation by closing five factories in Spain.

A plant was also closed in Hungary as part of the optimisation plan to tailor the size of the Group to the Eastern European market.

Based on the business activity projections and plans prepared, it is not necessary to recognise any impairment losses in addition to those already recognised at 31 December 2009.

The detail, by cash-generating unit, of the impairment losses recognised at 31 December 2009 and 2008 and the changes in 2009 and 2008 is as follows:

Thousands of euros

|                                    | Insulation<br>Western<br>Europe | Insulation<br>Hungary | Roof tiles | Other | TOTAL   |
|------------------------------------|---------------------------------|-----------------------|------------|-------|---------|
| <b>Balance at 31 December 2007</b> | 6,317                           | 4,461                 | -          | 1,450 | 12,228  |
| Impairment losses recognised       | -                               | -                     | 4,384      | 1,045 | 5,429   |
| Impairment losses reversed         | (6,317)                         | -                     | -          | (170) | (6,487) |
| Translation differences            | -                               | -                     | -          | (347) | (347)   |
| <b>Balance at 31 December 2008</b> | -                               | 4,461                 | 4,384      | 1,978 | 10,823  |
| Disposal of non-current assets     |                                 | (2,808)               |            | (1)   | (2,809) |
| Impairment losses recognised       |                                 |                       |            | 912   | 912     |
| Impairment losses reversed         |                                 |                       | (880)      | (713) | (1,593) |
| Translation differences            |                                 |                       |            | (272) | (272)   |
| Other                              |                                 |                       |            | (605) | (605)   |
| <b>Balance at 31 December 2009</b> | -                               | 1,653                 | 3,504      | 1,299 | 6,456   |

The impairment losses recognised and reversed were included under “Net Impairment Losses” in the consolidated income statements.

#### 8. Non-current assets classified as held for sale

This item includes mainly the land and buildings not used as part of the business activities and which the Group is currently selling. The changes in 2008 and 2009 were as follows:

|   | Thousands of euros |
|---|--------------------|
| Balance at 31 December 2007               | 5,997              |
| Transfer of property, plant and equipment | 3,431              |
| Adjustments to market value               | 287                |
| <b>Balance at 31 December 2008</b>        | <b>9,715</b>       |
| Transfer of property, plant and equipment | 9,866              |
| Transfer to property, plant and equipment | (2,200)            |
| Additions                                 | 594                |
| Other                                     | (5)                |
| <b>Balance at 31 December 2009</b>        | <b>17,970</b>      |

The additions in 2009 relate to properties received from customers as payment of trade payables and were recognised at the lower of the debt offset and the fair value of the item received.

At 31 December 2009, the Group had entered into sales commitments for some of the properties classified as held-for-sale subject to conditions precedent, the occurrence of which is outside their scope of action. However, the Parent’s directors consider that a firm sale will take place in 2010.

In 2009 the items of the established disposal plan that proved to be difficult to execute were reclassified as property, plant and equipment in use.

The Company is reviewing its strategy and sales plans for the other items of property in this heading in order to adapt them to the new situation of the real estate market in the Iberian Peninsula, which in 2009 slowed the Group's sales plans. It is considered that once the plans have been re-assessed the sale of the property will go ahead in the next twelve months at a recoverable amount greater than their carrying amount.

## 9. Non-current financial assets

The detail of “Non-Current Financial Assets” at 31 December 2009 and 2008 and of the changes in the years then ended are as follows:

|   | Thousands of euros                                |                          |                  |                   |           |               |
|---|---|--------------------------|------------------|-------------------|-----------|---------------|
|   | Investments accounted for using the equity method | Other equity investments | Guarantees given | Non-current loans | Other     | TOTAL         |
| Balance at 31 December 2007   | 1,044   | 149                      | 2,246            | 2,500             | 62        | 6,001         |
| Result of companies accounted for using the equity method               | 486   | -                        | -                | -                 | -         | 486           |
| Dividends received from companies accounted for using the equity method | (438)   | -                        | -                | -                 | -         | (438)         |
| Additions   | -   | 30                       | 15,303           | -                 | 14        | 15,347        |
| Write-offs  | -   | -                        | (689)            | -                 | (46)      | (735)         |
| Translation differences   | -   | -                        | (6)              | -                 | -         | (6)           |
| Reclassifications and other   | -   | -                        | 1                | (2,500)           | (3)       | (2,502)       |
| <b>Balance at 31 December 2008</b>                                      | <b>1,092</b>                                      | <b>179</b>               | <b>16,855</b>    | <b>-</b>          | <b>27</b> | <b>18,153</b> |
| Result of companies accounted for using the equity method               | 434   | -                        | -                | -                 | -         | 434           |
| Dividends received from companies accounted for using the equity method | (487)   | -                        | -                | -                 | -         | (487)         |
| Additions   | -   | -                        | 100              | -                 | 50        | 150           |
| Write-offs  | -   | (96)                     | (1,643)          | -                 | (34)      | (1,773)       |
| <b>Balance at 31 December 2009</b>                                      | <b>1,039</b>                                      | <b>83</b>                | <b>15,312</b>    | <b>-</b>          | <b>43</b> | <b>16,477</b> |

The guarantees given at 31 December 2009 relate mostly to guarantees given in relation to judgments handed down in litigation against Uralita, S.A. which were appealed by the Group. “Provisions” in the accompanying consolidated balance sheet at that date (see Note 13) includes the amount necessary to cover any possible losses deriving from the final outcome of these lawsuits.

## 10. Inventories

The detail of “Inventories” at 31 December 2009 and 2008 is as follows:

|                                     | Thousands of euros |                |
|-------------------------------------|--------------------|----------------|
|                                     | 31/12/09           | 31/12/08       |
| Goods held for resale               | 3,091              | 5,625          |
| Raw materials and other supplies    | 22,191             | 37,522         |
| Finished goods and work in progress | 33,930             | 61,609         |
| <b>TOTAL</b>                        | <b>59,212</b>      | <b>104,756</b> |

## 11. Trade and other receivables and other current financial assets

### Trade and other receivables

The detail of “Trade and Other Receivables” in the consolidated balance sheet is as follows:

|  | Thousands of euros |               |
|--|--------------------|---------------|
|  | 31/12/09           | 31/12/08      |
| Trade receivables for sales and services | 8,439              | 33,711        |
| VAT to be offset or refundable           | 15,386             | 18,524        |
| Other tax receivables                    | 247                | 140           |
| Social security taxes refundable         | 49                 | 22            |
| Other                                    | 1,959              | 2,430         |
| <b>TOTAL</b>                             | <b>26,080</b>      | <b>54,827</b> |

### Current financial assets

The detail of "Current Financial Assets" is as follows:

|   | Thousands of euros |                |
|---|--------------------|----------------|
|   | 31/12/09           | 31/12/08       |
| Transfer of rights not yet due from customers | 124,141            | 137,748        |
| Loans and advances to employees               | 52                 | 123            |
| Short-term deposits and guarantees            | 150                | 133            |
| <b>TOTAL</b>                                  | <b>124,343</b>     | <b>138,004</b> |

At 31 December 2009, several consolidated companies had entered into a collection rights assignment agreement with the entity GC Compass Spain 2, Fondo de Titulización de Activos, managed by Gesticaixa and authorised by the Spanish National securities Market Commission (CMNV), expiring in April 2013 with a limit of EUR 175 million. The Group entered into an agreement with the aforementioned entity for the administration of these transferred rights until final settlement thereof by the customers. Under this agreement, the Group companies assign on a monthly basis collection rights to customers who fulfil certain requirements. The collection rights assigned in 2009 and 2008 amounted to EUR 650 million and EUR 597 million, respectively.

The accounts assigned may be settled in cash by the financial institution except for an amount retained as a guarantee against doubtful debts, dilution and other incidents. The EUR 105,313 thousand financed at 31 December 2009 (31 December 2008: EUR 116,390 thousand) are recognised under "Other Current Financial Liabilities" in the consolidated balance sheet.

The cost associated with this financing is recognised in "Finance Costs" in the consolidated income statement (see Note 19.4).

## **12. Equity**

### **12.1. Share capital**

At 31 December 2009 and 2008 the Parent's share capital amounted to EUR 142,199,861 and was represented by 197,499,807 shares of EUR 0.72 par value each. All the shares are fully subscribed and paid and are listed on the Madrid, Valencia and Bilbao stock exchanges. The market price per share at 2009 year-end was EUR 4.08.

The only shareholder of the Parent with an ownership interest of more than 10% is Nefinsa, S.A., which had an effective ownership interest of 79.061% at 31 December 2009 and 2008.

### **12.2. Reserves of the Parent**

The breakdown of "Reserves of the Parent" in the accompanying consolidated balance sheets at 31 December 2008 and 2007 is as follows:

|                       | Thousands of euros |               |
|-----------------------|--------------------|---------------|
|                       | 31/12/09           | 31/12/08      |
| Legal reserve         | 28,440             | 28,440        |
| Unrestricted reserves | 27,162             | 7,392         |
| <b>TOTAL</b>          | <b>55,602</b>      | <b>35,832</b> |

### Legal reserve

At 31 December 2009, the allocations made by Uralita, S.A. to the legal reserve amounted to 20% of the share capital.

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. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

### Unrestricted reserves

In the financial statements of the Parent, Uralita, S.A., the unrestricted reserves at 31 December 2009 amounted to EUR 84,236 thousand, of which EUR 28,634 thousand (net of the related tax effect) related to the reserve created for the transition to the New Spanish Chart of Accounts, which was eliminated on consolidation as it had no impact on the Group's consolidated financial statements.

## 12.3. Reserves of consolidated companies

The detail, by company, of the reserves contributed to the equity attributable to the shareholders of the Parent as a result of the consolidation process is as follows:

|  | Thousands of euros |                |
|--|--------------------|----------------|
|  | 31/12/09           | 31/12/08       |
| Yesos Ibéricos, S.A.   | 98,179             | 74,304         |
| Ursa Insulation, S.A.  | 38,075             | (36,140)       |
| Fibrocementos NT, S.A.   | 35,256             | 29,882         |
| URSA Dämmssysteme Austria GmbH                                 | 2,985              | 954            |
| Uralita Tejados, S.A.  | (5,072)            | 409            |
| Uralita Sistemas de Tuberías, S.A.                             | (14,509)           | (19,430)       |
| Uralita Iberia, S.L.   | (21,037)           | (20,525)       |
| Ursa International GmbH  | (33,675)           | (19,186)       |
| Cerámicas Sanitarias Reunidas, S.A.                            | (53,932)           | (53,946)       |
| OA0 Ursa Chudovo (*)   | -                  | 31,780         |
| OOO Ursa Serpuchow (*)   | -                  | 22,168         |
| Ursa France S.A. (*)   | -                  | 4,275          |
| Uralita Holding BV (*)   | -                  | 2,276          |
| Ursa Eurasia LLC (*)   | -                  | (8,160)        |
| Other: positive or negative amounts of less than EUR 1 million | (1)                | -              |
| Consolidation adjustments of the Parent                        | 140,210            | 176,563        |
| <b>TOTAL</b>   | <b>186,479</b>     | <b>185,224</b> |

(\*) At 31 December 2009, the reserves contributed by these companies were consolidated in Ursa Insulation, S.A.

Of the total reserves of the subsidiaries at 31 December 2009, EUR 34,184 are restricted reserves, before taking into account consolidation adjustments. EUR 5,396 thousand of this amount relate to the revaluation reserve arising from Royal Decree-Law 7/1996. From the date on which the tax authorities have reviewed and approved the balance of the aforementioned reserve, or once the three-year period for review has expired, this balance can be used, free of tax, to offset accounting losses. From 1 January 2007 the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised. If the balance of this account were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

## 12.4. Treasury shares of the Parent

The changes in "Treasury Shares" in 2009 and 2008 were as follows:

|                                    | Number of shares | Cost of acquisition (thousands of euros) | Nominal value per share (euros) | Average acquisition price (euros) | % of subscribed capital |
|------------------------------------|------------------|--|---------------------------------|-----------------------------------|-------------------------|
| Balance at 31 December 2007        | -                | -  | -                               | -                                 | -                       |
| Net purchases                      | 3,845,236        | 19,627                                   |                                 |                                   |                         |
| <b>Balance at 31 December 2008</b> | <b>3,845,236</b> | <b>19,627</b>                            | <b>0.72</b>                     | <b>5.10</b>                       | <b>1.95</b>             |
| Net purchases                      | 2,258,611        | 9,306                                    |                                 |                                   |                         |
| <b>Balance at 31 December 2009</b> | <b>6,103,847</b> | <b>28,933</b>                            | <b>0.72</b>                     | <b>4.74</b>                       | <b>3.09</b>             |

At the date of preparation of these financial statements, the Board of directors of the Parent had not yet made a decision in relation to the ultimate use of the aforementioned treasury shares.

## 12.5. Valuation adjustments

### Cash flow hedges

"Valuation Adjustments" includes the amount, net of the related tax effect, of changes in value of the financial derivatives designated as cash flow hedges (see Note 15), the detail being as follows:

Thousands of euros

|  |                |
|--|----------------|
| Balance at 31 December 2007                | (2,720)        |
| Transfer to income under Finance Costs (*) | (126)          |
| Changes in fair value (*)                  | (1,546)        |
| <b>Balance at 31 December 2008</b>         | <b>(4,392)</b> |
| Transfer to income under Finance Costs (*) | 1,400          |
| Changes in fair value (*)                  | (1,959)        |
| <b>Balance at 31 December 2009</b>         | <b>(4,951)</b> |

(\*) Amounts net of the related tax effect.

## 12.6. Profit for the year attributable to the Parent

The contribution, by company, to the consolidated profit attributable to the Parent in 2009 and 2008 was as follows:

Thousands of euros

|  | 2009          | 2008          |
|--|---------------|---------------|
| Uralita, S.A.  | (9,188)       | (25,747)      |
| Yesos Ibéricos, S.A.   | 12,111        | 23,893        |
| Ursa International GmbH  | 8,557         | 8,511         |
| Ursa Dämmssysteme Austria GmbH                                       | 2,996         | 7,494         |
| Fibrocementos NT, S.A.   | 2,266         | 5,373         |
| Ursa Insulation, S.A.  | (1,043)       | 9,255         |
| Uralita Iberia, S.L.   | (1,183)       | (512)         |
| Uralita Sistemas de Tuberías, S.A.                                   | (1,636)       | 4,920         |
| Uralita Tejados, S.A.  | (2,889)       | (5,662)       |
| Ursa France S.A. (*)   |               | 7,388         |
| Ursa Eurasia LLC (*)   |               | 5,340         |
| OOO Ursa Serpuchow (*)   |               | 3,303         |
| OAo Ursa Chudovo (*)   |               | 2,050         |
| Uralita Holding BV (*)   |               | (5,366)       |
| Other: positive or negative contributions of less than EUR 1 million | 65            | 16            |
| <b>TOTAL</b>   | <b>10,056</b> | <b>40,256</b> |

(\*) In 2009 the results contributed by these companies were consolidated in Ursa Insulation, S.A.

## 12.7. Translation differences

The translation differences arise in translating to euros the balances and transactions in the functional currencies of the consolidated companies when these functional currencies are currencies other than the euro (see Note 2.3-c).

The detail, by company, of the translation differences is as follows:

|  | Thousands of euros |                 |
|--|--------------------|-----------------|
|  | 31/12/09           | 31/12/08        |
| Ursa Polska Sp. z.o.o. (Poland)                                | (253)              | (2,957)         |
| Ursa Isi (Turkey)  | (1,208)            | (1,045)         |
| Ursa Eurasia LLC (Russia)                                      | (2,216)            | (1,329)         |
| Ursa Salgotarjan, Rt. (Hungary)                                | (4,058)            | (2,104)         |
| OOO Ursa Serpuchow (Russia)                                    | (8,367)            | (7,114)         |
| OAo Ursa Chudovo (Russia)                                      | (13,396)           | (11,342)        |
| Other: positive or negative amounts of less than EUR 1 million | (531)              | 766             |
| <b>TOTAL</b>   | <b>(30,029)</b>    | <b>(25,125)</b> |

## 12.8. Non-controlling interests

The detail, by company, of the balance of "Non-Controlling Interests" in the consolidated balance sheets at 31 December 2009 and 2008 and of the changes therein in 2009 and 2008 is as follows:

|                                    | Thousands of euros   |                       |                |
|------------------------------------|----------------------|-----------------------|----------------|
|                                    | Yesos Ibéricos, S.A. | Uralita Tejados, S.A. | TOTAL          |
| Balance at 31 December 2007        | 72,083               | 45,060                | 117,143        |
| Dividends for 2007                 | (8,619)              | (1,922)               | (10,541)       |
| Profit (loss) for 2007             | 16,394               | (4,916)               | 11,478         |
| <b>Balance at 31 December 2008</b> | <b>79,858</b>        | <b>38,222</b>         | <b>118,080</b> |
| Profit (loss) for 2009             | 8,297                | (2,488)               | 5,809          |
| Other                              | (12)                 | (181)                 | (193)          |
| <b>Balance at 31 December 2009</b> | <b>88,143</b>        | <b>35,553</b>         | <b>123,696</b> |

## 12.9. Capital management

The Parent's directors manage with the following objectives:

- To guarantee the development of the business according to the strategic plan.
- To undertake the business diversification envisaged in the investment plan.
- To ensure the creation of value for shareholders.

In order to achieve these objectives the directors are assessing the various financing options available on the market to cover the financing requirements that are not covered by the funds generated by the business.

The Group uses a gearing ratio (financial debt/equity ratio) to control the financial structure and optimise the cost of borrowings, and considers that a ratio of around 100% would be sufficient to achieve the aforementioned objectives. The gearing ratio in 2009 was approximately 49.8% (2008: 50.1%).

### 13. Provisions

The detail of "Provisions" in the consolidated balance sheet at 31 December 2009 and 2008 and the changes in those years are as follows:

Thousands of euros

|                                    | Taxes        | Retirement benefits | Restructuring | CO <sub>2</sub> emissions | Other contingencies | TOTAL         |
|------------------------------------|--------------|---------------------|---------------|---------------------------|---------------------|---------------|
| Balance at 31 December 2007        | 5,220        | 2,047               | 2,744         | 9                         | 37,497              | 47,517        |
| Additions                          | 289          | -                   | 23,461        | 1,774                     | 4,731               | 30,255        |
| Reversals                          | (672)        | (3)                 | (593)         | (376)                     | (6,752)             | (8,396)       |
| Amounts used                       | (1,730)      | (351)               | (1,431)       | -                         | (8,512)             | (12,024)      |
| Translation differences            | -            | -                   | -             | -                         | (93)                | (93)          |
| Reclassifications and other        | 750          | 199                 | 106           | 1,727                     | (2,500)             | 282           |
| <b>Balance at 31 December 2008</b> | <b>3,857</b> | <b>1,892</b>        | <b>24,287</b> | <b>3,134</b>              | <b>24,371</b>       | <b>57,541</b> |
| Additions                          | 349          | 133                 | 5,865         | 817                       | 4,480               | 11,644        |
| Reversals                          | (270)        | -                   | (93)          | (669)                     | (1,471)             | (2,503)       |
| Amounts used                       | (1,718)      | (98)                | (22,777)      | -                         | (3,602)             | (28,195)      |
| Translation differences            | 1            | -                   | -             | -                         | (2)                 | (1)           |
| Reclassifications and other        | 58           | -                   | 264           | (1,300)                   | (998)               | (1,976)       |
| <b>Balance at 31 December 2009</b> | <b>2,277</b> | <b>1,927</b>        | <b>7,546</b>  | <b>1,982</b>              | <b>22,778</b>       | <b>36,510</b> |

"Other Contingencies" includes mainly provisions that are considered necessary due to proceedings brought against the Group and other obligations assumed in relation to investees disposed of or liquidated. "Other Contingencies" includes specifically EUR 8,831 thousand as an estimate of the loss deriving from the decisions appealed against referred to in Note 9. The additions for 2009 relate to the re-estimated amounts of these obligations and forecasts concerning new proceedings arising in the year.

The Parent's directors consider that the outcome of the proceedings underway will be known around the end of 2010 and 2011 and that the final decision will not give rise to material payments in addition to those provided for.

The provision for retirement benefits includes the amounts deemed sufficient to meet the obligations accrued at that date in this connection at certain foreign consolidated companies (see Note 4.10).

The provision for restructuring relates to the estimated outstanding cost to finish in 2010 the plans implemented by the Group in 2009 to adjust the resources available to the current market demand.

The provision for CO<sub>2</sub> emission allowances is equivalent to the cost of the tonnes emitted in 2009 (valued at the market price of the emission allowances at 31 December 2009) and will be settled in 2010 upon the issue of CO<sub>2</sub> emission allowances (see Note 4.19).

Period provisions for 2009 were charged to the headings relating to the nature of the expense in the consolidated income statement for 2009.

The reversals represent the disappearance or settlement of the contingency that gave rise to the recognition of the related provision. The amount reversed in 2009 was credited to the consolidated income statement for 2009.

#### 14. Other non-current financial liabilities and other non-current liabilities

##### Other non-current financial liabilities

The detail at 31 December 2008 and 2009 was as follows:

|                                     | Thousands of euros |               |
|-------------------------------------|--------------------|---------------|
|                                     | 31/12/09           | 31/12/08      |
| Loans received from public agencies | 19,285             | 14,414        |
| Obligations under finance leases    | 4,123              | 4,384         |
| <b>TOTAL</b>                        | <b>23,408</b>      | <b>18,798</b> |

The loans received from public agencies are used to finance research and development projects and do not bear explicit interest. They are stated at their present value taking into consideration the subsidised implicit interest (see Note 16).

The most significant finance lease in force at 31 December 2009 and 2008 related to specialised facilities for supplying oxygen in Germany, which had the following characteristics at the aforementioned dates:

|  | Thousands of euros |              |
|--|--------------------|--------------|
|  | 31/12/09           | 31/12/08     |
| Amount payable within one year                                       | 564                | 564          |
| Amount payable within one to two years                               | 564                | 564          |
| Amount payable within three to five years                            | 1,692              | 1,692        |
| Amount payable in over five years                                    | 3,431              | 3,995        |
| <b>Total lease payments payable</b>                                  | <b>6,251</b>       | <b>6,815</b> |
| Less: future finance charges   | (2,116)            | (2,469)      |
| <b>Present value of lease obligations</b>                            | <b>4,135</b>       | <b>4,346</b> |
| Less: amount due for settlement within 12 months (current liability) | (342)              | (360)        |
| <b>Amount due for settlement after 12 months</b>                     | <b>3,793</b>       | <b>3,986</b> |

The lease was entered into four years ago for a term of 15 years and the effective interest rate at 31 December 2009 and 2008 was approximately 5.6%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

##### Other non-current liabilities

The balances at 31 December 2009 and 2008, amounting to EUR 3,319 and EUR 3,315, respectively, relate to the amount payable in December 2012 for the commitment to acquire CO<sub>2</sub> emission allowances at that date, as explained in Note 4.19.

#### 15. Bank borrowings and other financial liabilities

The detail of the balances of "Non-Current Bank Borrowings and Other Financial Liabilities" and "Current Bank Borrowings and Other Financial Liabilities" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

Thousands of euros

|                                 | 31 December 2009 |                   |               | 31 December 2008 |                   |                |
|---------------------------------|------------------|-------------------|---------------|------------------|-------------------|----------------|
|                                 | LIMIT            | AMOUNT DRAWN DOWN |               | LIMIT            | AMOUNT DRAWN DOWN |                |
|                                 |                  | Non-current       | Current       |                  | Non-current       | Current        |
| 2004 private placement of bonds |                  | 123,483           | -             |                  | 123,484           | -              |
| 2009 syndicated loan            |                  | 108,000           | 12,000        |                  | -                 | -              |
| Credit facilities               | 77,300           | -                 | 9,520         | 118,500          | -                 | 86,115         |
| Bank loans                      |                  | 18,000-           | 6,000         |                  | 24,000            | 6,000          |
| Unmatured discounted bills      | 79,900           | -                 | 9,711         | 51,900           |                   | 22,211         |
| Less: Issue costs               |                  | (2,053)           | -             |                  | (126)             | -              |
| <b>TOTAL</b>                    |                  | <b>247,430</b>    | <b>37,231</b> |                  | <b>147,358</b>    | <b>114,326</b> |

The private bond placement took place in November 2004 for institutional investors on the US market, and was instrumented in two tranches: the first at seven years for a value of USD 129 million, and the second at ten years for a value of USD 23 million (at a fixed interest rate).

The placement was made in US dollars and at fixed US market interest rates (5.11% for the first tranche and 5.53% for the second). The interest rate and currency rate risks associated with the total bond issue were hedged with the appropriate hedging instruments (see Note 4.8), establishing a floating interest rate tied to Euribor and a fixed interest rate for the exchange of the notional amounts at maturity. The aforementioned exchange rate was set at USD 1.231/EUR 1. For information purposes, the official euro/dollar exchange rate established by the European Central Bank at 31 December 2009 was USD 1.4406/EUR 1. Additional interest rate hedges were also arranged to limit Euribor fluctuations.

The bonds were issued by the consolidated subsidiary Uralita BV, located in The Netherlands. The transaction establishes the covenants that are habitual in financing of this kind, including the achievement of certain financial and profitability parameters. The Parent's directors consider that the current and prospective degree of achievement of these parameters will not result in any significant changes to the current terms and conditions of the transaction.

The syndicated loan was arranged in the first half of 2009 with a group of banks for EUR 120 million, maturing in May 2012 with half-yearly repayments, the detail of which is as follows:

Thousands of euros

|                  |                |
|------------------|----------------|
| 12 November 2010 | 12,000         |
| 12 May 2011      | 24,000         |
| 12 November 2011 | 42,000         |
| 12 May 2012      | 42,000         |
| <b>Total</b>     | <b>120,000</b> |

The loan bears interest tied to Euribor and has the personal guarantee of the Group companies. Also, Uralita, S.A. has provided a security interest over the Tejas Cobert, S.A. shares and a promise to provide a security interest over the Yesos Ibéricos, S.A. shares. The consolidated companies Uralita Holding BV and Ursa Insulation, S.A. provided security interests over the Ursa France SAS and Ursa Benelux BVBA shares, respectively.

The agreement envisages the achievement of certain financial and profitability parameters. The Parent's directors consider that the current and prospective degree of achievement of these parameters will not result in any significant changes to the current terms and conditions of the transaction.

The short-term loans and credit facilities bear interest tied to Euribor. All the consolidated companies' borrowings are unsecured.

The most significant loans and credit facilities are denominated in euros.

## Derivative financial instruments

The Group arranges over-the-counter derivative financial instruments with Spanish and international banks with high credit ratings.

The main objective of these derivatives is to reduce the impact of increases in floating interest rates (Euribor) and the euro/dollar exchange rate on the Group's borrowings.

As permitted by IAS 39, the Group opted to classify its derivatives as interest rate cash flow hedges and as fair value hedges.

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

To determine the fair value of the derivatives, the Company discounts the expected cash flows based on market conditions with respect to the euro and dollar interest rate curves at the measurement date.

The detail of the derivatives arranged by the Group at 31 December 2009 is as follows:

| <b>Hedged risk</b>                                      | <b>Instrument</b>   | <b>Maturity</b> | <b>Nominal amount<br/>(thousands<br/>of euros)</b> |
|---|---------------------|-----------------|--|
| USD exchange rate and interest rate - Private placement | Cross Currency swap | 03/11/14        | 123,483  |
| Euro interest rate - Private placement                  | Interest rate swap  | 3/11/2014       | 123,483  |
| EUR interest rate – Turkey loan                         | Interest rate swap  | 15/09/10        | 30,000   |

The Group has hedged the fair value of the fixed-rate private bond placement in USD using a cross-currency swap, which is totally effective.

The purpose of the Group's hedging strategy is to convert fixed-rate flows in USD arising from the private placement into fixed-rate flows in EUR in order to minimise foreign currency and interest rate risks. The cross-currency swap is used to exchange fixed-rate flows in USD for floating-rate flows in EUR. The Group receives a fixed interest rate from the bank in exchange for a floating-rate payment (6-month Euribor) for the same nominal amount.

The euro interest rate is hedged through a euro interest rate swap (IRS). Through IRSs, interest rates are swapped so that the Group receives a floating interest rate (6-month Euribor) from the bank in exchange for a fixed interest rate payment in euros. The IRS was designated as a cash flow hedge.

Also, in October 2008 an IRS was arranged which expires in 2010 in order to limit the interest rate fluctuations on the loan obtained to finance the aforementioned acquisitions of non-current assets in Turkey (see Note 7). This financing is tied to 1-month Euribor plus a spread. Under the terms and conditions of the swap, the Group receives 1-month Euribor and pays a fixed interest rate of 3.975% every 6 months until September 2010. This derivative is effective as a cash flow hedge.

The fair values (before the related tax effect) of the derivatives outstanding at 31 December 2009 and 2008 were as follows:

Thousands of euros

| Structure  | Fair value      |                 | Nominal amount outstanding (year-end) |                |                |                  |
|--|-----------------|-----------------|---------------------------------------|----------------|----------------|------------------|
|  | 31/12/09        | 31/12/08        | 2008                                  | 2009           | 2010           | Subsequent years |
| Cross-currency swap – Fair value hedge             | (12,801)        | (9,359)         | 123,483                               | 123,483        | 123,483        | 18,684           |
| Interest rate swap – Cash flow hedge               | (6,556)         | (5,423)         | 123,483                               | 123,483        | 123,483        | 18,684           |
| <b>Total private placement</b>                     | <b>(19,357)</b> | <b>(14,782)</b> | <b>246,966</b>                        | <b>246,966</b> | <b>246,966</b> | <b>37,368</b>    |
| Interest rate swap (Turkey loan) – Cash flow hedge | (517)           | (746)           | 30,000                                | 24,000         | -              | -                |
| <b>TOTAL</b>                                       | <b>(19,874)</b> | <b>(15,528)</b> | <b>276,966</b>                        | <b>270,966</b> | <b>246,966</b> | <b>37,368</b>    |

The fair value of the cross-currency swap was recognised in the consolidated balance sheet symmetrically to the hedged item, i.e. against the fair value of the bond issue adjusted by its hedge.

The changes in the fair value of the hedged item (private placement) adjusted by the hedged risk are treated as a finance cost. The changes in the fair value of the cross-currency swap are also included symmetrically under “Finance Costs”.

The interest rate swaps are recognised at fair value, except for the accrued settlements, on the liability side of the consolidated balance sheet under “Hedging Instruments” at EUR 7,073 thousand and EUR 6,169 thousand at 31 December 2009 and 2008, respectively, and the changes in their value were recognised, net of the related tax effect, as a charge to equity under “Valuation Adjustments” amounting to EUR 4,951 thousand and EUR 4,392 thousand at 31 December 2009 and 2008, respectively.

In 2009 EUR 1,401 thousand (net of the related tax effect) were included in equity and were allocated to income as the interest on the financial liabilities hedged by the designated hedging relationships was paid. In this same connection, in 2008, EUR 126 thousand (net of the related tax effect) were deducted from equity.

### Sensitivity analysis

Following is a detail of the effect on the value of the derivatives of a change of +/- 100 basis points on the EUR and USD interest rate curves. The Group estimates that changes in the interest rate curves of this magnitude is the most likely scenario in 2009. However, in order to simplify this analysis, it was considered that the change in interest rates would take place at 2008 year-end and interest rates would then remain stable in 2009. The changes in the fair value of the derivatives arranged by the Group depend on the change in the USD/EUR exchange rate and on the long-term USD and EUR interest rate curves.

The fair values of the derivatives at 31 December 2009 and 2008 and their exposure to changes of +/- 100 basis points on the long-term interest rate curves were as follows:

| Euro interest rate | Thousands of euros |          |
|--------------------|--------------------|----------|
|                    | 31/12/09           | 31/12/08 |
| Fair value         | (19,874)           | (15,527) |
| +1%                | 2,874              | 4,252    |
| -1%                | (2,922)            | (4,332)  |

On the date of analysis, an increase of 100 basis points in the euro interest rate curve would have an impact of EUR 2,395 thousand on the cash flow hedge, through the interest rate swaps, and EUR 481 thousand on finance income, through the cross-currency swap. The changes in the euro interest rate give rise to an increase (or decrease) in the finance costs of the hedged item which is offset by the income (or costs) of the derivative instrument. Also, an increase of 100 basis points in the euro interest rate curve would have an impact of approximately EUR 380 thousand on finance income in 2010, due to the total of derivatives.

| Thousands of euros |          |          |
|--------------------|----------|----------|
| USD interest rates | 31/12/09 | 31/12/08 |
| Fair value         | (19,874) | (15,527) |
| +1%                | (2,549)  | (3,651)  |
| -1%                | 2,663    | 3,835    |

The changes in the USD interest rate only affect the cross-currency swap. Any changes in the fair value of the cross-currency swap due to changes in the USD interest rate are offset by opposite-sign changes in the fair value of the private placement. Consequently, all the changes arising from the USD interest rate are offset in profit or loss for the year.

The sensitivity of the derivative instruments to a 10% increase or decrease in the value of the USD is as follows:

| Thousands of euros    |          |          |
|-----------------------|----------|----------|
| EUR/USD exchange rate | 31/12/09 | 31/12/08 |
| Fair value            | (19,874) | (15,527) |
| +10%                  | 8,528    | 9,433    |
| -10%                  | (7,421)  | (8,169)  |

The changes in the EUR/USD exchange rate only affect the cross-currency swap. The changes in the fair value of the cross-currency swap arising from the exchange rate are offset by the exchange differences on the private placement. The exchange rate changes are offset in profit or loss for the year.

#### Valuation techniques and applicable assumptions to measure fair value

The fair value of financial assets and liabilities is calculated as followed:

- The fair value of financial assets and liabilities with standard terms and conditions and that are traded on active, liquid markets is calculated by reference to prices quoted in the market.
- The fair value of financial assets and liabilities (except derivative instruments) is calculated in accordance with the generally accepted valuation models on the basis of discounted cash flows using the prices of observable market transactions and the contributor prices of similar instruments.
- The fair value of interest rate derivatives is calculated by discounting cash flows on the basis of the implicit interest rate curves calculated on the basis of market conditions. In order to determine the fair value of options, the Group uses the Black and Scholes pricing model and its variants, using for this purpose market volatilities for the prices of executing these options and their maturities.

The following table presents an analysis of the financial instruments valued after they were initially recognised at fair value, grouped in levels 1 to 3 based on the degree to which their fair value is observable:

- Level 1: those measured using quoted prices (unadjusted) on active markets for identical assets or liabilities.
- Level 2: those measured using other inputs (not the quoted prices in level 1) observable for assets or liabilities, either directly (i.e. prices) or indirectly (i.e. price derivatives).
- Level 3: those measured using valuation techniques, including inputs for assets or liabilities that are not based on observable market data (non-observable input).

In accordance with this classification, the derivative liability instruments held by the Group at 31 December 2009 are at level 2 and their fair value at that date amounted to EUR 19.357 thousand.

## 16. Deferred income

The detail of "Deferred Income" at 31 December 2009 and 2008 and of the changes in 2009 and 2008 is as follows:

|                                       | Thousands of euros                      |                                  |  |                       |               |
|---------------------------------------|---|----------------------------------|--|-----------------------|---------------|
|                                       | Grants related to assets<br>(Note 4.13) | Subsidised interest<br>(Note 14) | CO <sub>2</sub> emission allowances<br>(Note 4.19) | Other deferred income | TOTAL         |
| Balance at 31 December 2007           | 5,275                                   | 3,131                            | -  | 3,888                 | 12,294        |
| Additions                             | 4,547                                   | 845                              | -  | 807                   | 6,199         |
| Amount allocated to income            | (1,417)                                 |                                  | (2,639)  | (395)                 | (4,451)       |
| Changes in the scope of consolidation | 79                                      |                                  | -  | -                     | 79            |
| Translation differences               | (9)                                     |                                  | 613  | -                     | 604           |
| Reclassifications and other           | 1                                       | (124)                            | 2,026  | (2,352)               | (449)         |
| <b>Balance at 31 December 2008</b>    | <b>8,476</b>                            | <b>3,852</b>                     | <b>-</b>   | <b>1,948</b>          | <b>14,276</b> |
| Additions                             | 2,218                                   | 1,978                            | 3,832  | 183                   | 8,211         |
| Amount allocated to income            | (997)                                   | (30)                             | (4,097)  | (1,544)               | (6,668)       |
| Translation differences               | -                                       | -                                | 376  | -                     | 376           |
| Reclassifications and other           | (2)                                     | 454                              | (108)  | (39)                  | 305           |
| <b>Balance at 31 December 2009</b>    | <b>9,695</b>                            | <b>6,254</b>                     | <b>3</b>   | <b>548</b>            | <b>16,500</b> |

## 17. Trade payables and other current liabilities

### Trade payables

"Trade Payables" includes the amounts outstanding for trade purchases, the detail of which is as follows:

|                              | Thousands of euros |                |
|------------------------------|--------------------|----------------|
|                              | 31/12/09           | 31/12/08       |
| Suppliers                    | 71,194             | 76,808         |
| Payables for transport       | 16,381             | 19,716         |
| Payables for energy supplies | 13,551             | 7,624          |
| Payables for other services  | 17,966             | 22,493         |
| <b>TOTAL</b>                 | <b>119,092</b>     | <b>126,641</b> |

The average payment period for these payables in 2009 was approximately 92 days (2008: 82 days).

### Other current liabilities

The detail at 31 December 2009 and 2008 is as follows:

|  | Thousands of euros |               |
|--|--------------------|---------------|
|  | 31/12/09           | 31/12/08      |
| Payables for non-current asset purchases | 13,449             | 20,788        |
| VAT payable                              | 5,789              | 2,447         |
| Tax withholdings payable                 | 2,816              | 3,113         |
| Other tax payables                       | 1,219              | 1,046         |
| Accrued social security taxes payable    | 3,136              | 3,331         |
| Other payables to public agencies        | 7                  | 60            |
| Remuneration payable                     | 12,828             | 13,152        |
| Provisions for current charges           | 11,032             | 10,739        |
| Other accounts payable                   | 651                | 2,072         |
| Prepayments and accrued income           | 1,459              | 1,830         |
|  | <b>52,386</b>      | <b>58,578</b> |

## 18. Guarantees

At 31 December 2009, the consolidated companies had received bank guarantees totalling EUR 48,727 thousand. Of this amount, EUR 3,312 thousand relate to proceedings filed against Uralita, S.A. and its subsidiaries, for which the required provisions were recognised, and the remainder to the activities of the consolidated companies.

The Parent's directors do not expect any material liabilities additional to those recognised in the accompanying consolidated balance sheet to arise as a result of the transactions described in this Note.

## 19. Income and expenses

As explained in Note 2.4, the consolidated income statement for 2008 was restated (and differs from that approved by the shareholders at the Annual General Meeting) to facilitate the comparison of information since in 2009 the Group discontinued the marketing of certain materials of the piping systems line of business in the French market and presented the results of the discontinued business as a single line item in the consolidated income statements for 2009 and 2008. Accordingly, in the following breakdowns of income and expenses the figures for 2008 were also restated.

"Staff Costs" and "Other Operating Costs" in the consolidated income statement for 2009 include a total amount of EUR 15,074 thousand for costs which do not arise in the normal course of business but are non-recurrent as they relate to the restructuring carried out by the Group in 2009 to adapt the available resources to market demand.

### 19.1. Revenue

The breakdown of "Revenue" in 2009 and 2008 is as follows:

|                              | Thousands of euros |                |
|------------------------------|--------------------|----------------|
|                              | 2009               | 2008           |
| Sales of goods and services  | 710,265            | 995,335        |
| Financial discounts on sales | (5,601)            | (6,593)        |
| <b>TOTAL</b>                 | <b>704,664</b>     | <b>988,742</b> |

### 19.2. Other operating income

The detail of "Other Operating Income" in 2009 and 2008 is as follows:

|  | Thousands of euros |               |
|--|--------------------|---------------|
|  | 2009               | 2008          |
| Non-core income  | 5,315              | 6,047         |
| Grants related to income                                       | 517                | 384           |
| Asset-related grants transferred to profit or loss (Note 4.13) | 997                | 1,417         |
| In-house work on non-current assets                            | 3,388              | 448           |
| Income from transactions involving CO2 emission allowances     | 3,887              | 4,780         |
| Other  | -                  | 128           |
| <b>TOTAL</b>   | <b>14,104</b>      | <b>13,204</b> |

### 19.3. Operating expenses

#### Procurements

The detail of "Procurements" is as follows:

|  | Thousands of euros |                |
|--|--------------------|----------------|
|  | 2009               | 2008           |
| Purchases  | 209,437            | 358,727        |
| Changes in inventories of goods held for resale, raw materials and other items | 15,271             | (7,650)        |
| Work performed by other companies  | 4,422              | 7,734          |
| <b>TOTAL</b>   | <b>229,130</b>     | <b>358,811</b> |

#### Staff costs

The detail of "Staff Costs" is as follows:

|                              | Thousands of euros |                |
|------------------------------|--------------------|----------------|
|                              | 2009               | 2008           |
| Wages and salaries           | 106,212            | 121,196        |
| Social security costs        | 26,991             | 33,264         |
| Restructuring costs          | 10,256             | 28,512         |
| Other employee benefit costs | 5,610              | 9,135          |
| <b>TOTAL</b>                 | <b>149,069</b>     | <b>192,107</b> |

The capitalised staff costs relating to work on non-current assets in 2009 and 2008 were not material.

The average number of employees in 2009 and 2008, by professional category, was as follows:

|   | 2009         |            |              | 2008         |            |              |
|---|--------------|------------|--------------|--------------|------------|--------------|
|   | Men          | Women      | TOTAL        | Men          | Women      | TOTAL        |
| Managers  | 78           | 15         | 93           | 94           | 23         | 117          |
| Graduates, other line personnel and supervisors | 435          | 176        | 611          | 624          | 242        | 866          |
| Sales personnel                                 | 321          | 108        | 429          | 477          | 92         | 569          |
| Clerical staff                                  | 126          | 223        | 349          | 1,037        | 142        | 1,179        |
| Manual workers                                  | 1,802        | 81         | 1,883        | 1,169        | 199        | 1,368        |
| <b>TOTAL</b>                                    | <b>2,762</b> | <b>603</b> | <b>3,365</b> | <b>3,401</b> | <b>698</b> | <b>4,099</b> |

The twelve directors of the Parent (acting on their own behalf or as representatives of shareholders) include two women.

The two non-director members (2008: 3) of the Management Committee are men.

## Other operating expenses

The detail of "Other Operating Expenses" is as follows:

|   | Thousands of euros |                |
|---|--------------------|----------------|
|   | 2009               | 2008           |
| Transport expenses                              | 59,478             | 86,935         |
| Utilities                                       | 65,083             | 81,219         |
| Repair and upkeep expenses                      | 18,614             | 28,689         |
| Leases  | 14,726             | 18,895         |
| Advertising                                     | 9,972              | 17,717         |
| Outsourced services                             | 8,006              | 10,447         |
| Communications                                  | 3,117              | 4,442          |
| Taxes other than income tax                     | 5,289              | 5,331          |
| Insurance premiums                              | 2,817              | 2,833          |
| Consultancy and audits                          | 3,593              | 6,394          |
| Impairment losses recognised for current assets | 4,019              | 6,953          |
| CO <sub>2</sub> emissions (Note 4.19)           | 2,098              | 3,659          |
| Other expenses                                  | 30,500             | 37,848         |
| <b>TOTAL</b>                                    | <b>227,312</b>     | <b>311,362</b> |

Certain properties used in the business activity were leased from non-Group lessors. Certain of the related leases cannot be terminated before expiry, unless an indemnity payment is made. The approximate amounts at 31 December 2009 and 2008 were as follows:

|                            | Thousands of euros |               |
|----------------------------|--------------------|---------------|
|                            | 2009               | 2008          |
| Within one year            | 6,656              | 9,866         |
| Between one and five years | 13,152             | 6,109         |
| Over five years            | 127                | 20            |
| <b>TOTAL</b>               | <b>19,935</b>      | <b>15,995</b> |

The operating lease payments recognised as an expense in 2009 amounted to EUR 10,891 thousand (2008: EUR 11,922 thousand).

"Other Operating Expenses" includes the fees for audit services provided to the various Group companies by the principal auditor and other entities related to the principal auditor. These fees amounted to EUR 603 thousand in 2009 (2008: EUR 774 thousand).

Additionally, the fees for other professional services provided to the Group companies by the principal auditor and by other entities related to the principal auditor in 2009 amounted to EUR 29 thousand (2008: EUR 308 thousand). The corporate governance report includes a description of the work of the Audit Committee and an explanation of the manner in which the objectivity and independence of the auditor is guaranteed when the auditor provides non-audit services.

In addition, the fees for financial audit services relating to other auditors participating in the audit of various Group companies in 2009 amounted to EUR 75 thousand (2008: EUR 38 thousand). The fees for other professional services provided by other auditors amounted to EUR 56 thousand in 2009 (2008: EUR 11 thousand).

#### 19.4. Finance costs

The detail of "Finance Costs" is as follows:

|  | Thousands of euros |               |
|--|--------------------|---------------|
|  | 2009               | 2008          |
| Interest on loans and debentures                               | 12,576             | 10,540        |
| Cost of the assignment of customer collection rights (Note 11) | 2,837              | 4,237         |
| Interest from bill discounting                                 | 497                | 412           |
| Interest on finance leases                                     | 348                | 366           |
| Other finance costs  | 1,050              | 725           |
| <b>TOTAL</b>   | <b>17,308</b>      | <b>16,280</b> |

#### 20. Segment reporting

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment.

##### Primary segments - business segments

The business lines described below were established on the basis of the Group's organisational structure at 2009 year-end, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2009 the Group engaged mainly in the following major lines of business:

- Insulation
- Pipes
- Roof tiles
- Gypsum

The business segments are basically defined by the various products with which they operate.

Income and expenses that cannot be specifically attributed to any line of business as they are the result of decisions affecting the Group as a whole or for other reasons are attributed to a "Corporate Unit" to which the consolidation adjustments and eliminations required to obtain the Group's consolidated financial statements based on the aggregated Divisions are also allocated.

The Parent's costs deemed to arise from services provided to subsidiaries are charged to the subsidiaries and are included in the results of the various Divisions. The other transactions of the Parent are included in "Corporate Unit".

##### Secondary segments - geographical segments

The Group carries on its business in:

- Spain
- Other European Union countries
- Other countries

### Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by the Divisions which are generated from the accounting and subsidiary records of the companies composing the various Divisions, in a similar way to the information used to prepare the accompanying consolidated financial statements.

The reporting structure is designed as if each Division were an autonomous business resulting from the consolidation or combination of the companies composing it and had its own separate equity.

For the purposes of comparative information the data relating to 2008 were restated due to the discontinued operation explained in Note 2.4

Segment information about these businesses is presented below:

|   | INSULATION |         | PIPES   |          | ROOF TILES |          | GYPSUM   |          | CORPORATE UNIT |           | CONSOLIDATED GROUP |          |
|---|------------|---------|---------|----------|------------|----------|----------|----------|----------------|-----------|--------------------|----------|
|   | 2009       | 2008    | 2009    | 2008     | 2009       | 2008     | 2009     | 2008     | 2009           | 2008      | 2009               | 2008     |
| NET SALES   | 398,714    | 507,987 | 111,778 | 164,141  | 53,140     | 85,280   | 140,112  | 230,622  | 920            | 712       | 704,664            | 988,742  |
| Cost of products sold                                 | 286,709    | 333,959 | 87,201  | 136,116  | 43,431     | 77,777   | 93,659   | 153,379  | (109)          | (39)      | 510,891            | 701,192  |
| GROSS MARGIN  | 112,005    | 174,028 | 24,577  | 28,025   | 9,709      | 7,503    | 46,453   | 77,243   | 1,029          | 751       | 193,773            | 287,550  |
| Logistics and commercial costs                        | 50,677     | 63,781  | 14,684  | 16,295   | 7,000      | 9,381    | 11,501   | 15,273   | (729)          | 691       | 83,133             | 105,421  |
| Change in operating provisions                        | (285)      | 1,212   | 1,531   | 1,551    | 779        | 1,188    | 2,082    | 3,001    | (88)           | 1         | 4,019              | 6,953    |
| COMMERCIAL MARGIN                                     | 61,613     | 109,035 | 8,362   | 10,179   | 1,930      | (3,066)  | 32,870   | 58,969   | 1,846          | 59        | 106,621            | 175,176  |
| Overheads and other expenses                          | 51,065     | 66,149  | 6,601   | 3,137    | 9,575      | 12,324   | 10,259   | 10,462   | 1,860          | 6,872     | 79,360             | 98,944   |
| Other income  | 12,604     | 9,157   | 302     | 462      | 2,134      | 2,814    | 956      | 1,547    | (1,892)        | (776)     | 14,104             | 13,204   |
| PROFIT FROM OPERATIONS                                | 23,152     | 52,043  | 2,063   | 7,504    | (5,511)    | (12,576) | 23,567   | 50,054   | (1,906)        | (7,589)   | 41,365             | 89,436   |
| FINANCIAL PROFIT (LOSS)                               | (15,391)   | (8,443) | (149)   | (1,138)  | (1,770)    | (853)    | 3,238    | 3,137    | 401            | (15,135)  | (13,671)           | (22,432) |
| Disposal and impairment of assets                     | 492        | 3,115   | 446     | 16       | 1,899      | (4,097)  | 14       | (12)     | (4,680)        | 524       | (1,829)            | (454)    |
| PROFIT (LOSS) BEFORE TAX                              | 8,253      | 46,715  | 2,360   | 6,382    | (5,382)    | (17,526) | 26,819   | 53,179   | (6,185)        | (22,200)  | 25,865             | 66,550   |
| Income tax  | (2,255)    | 410     | 424     | (3,937)  | (89)       | (6,684)  | 6,430    | 12,893   | 1,765          | 11,893    | 6,275              | 14,575   |
| PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | 10,508     | 46,305  | 1,936   | 10,319   | (5,293)    | (10,842) | 20,389   | 40,286   | (7,950)        | (34,093)  | 19,590             | 51,975   |
| Loss for the year from discontinued operations        | -          | -       | (3,725) | (241)    | -          | -        | -        | -        | -              | -         | (3,725)            | (241)    |
| PROFIT/LOSS FOR THE YEAR                              | 10,508     | 46,305  | (1,789) | 10,078   | (5,293)    | (10,842) | 20,389   | 40,286   | (7,950)        | (34,093)  | 15,865             | 51,734   |
|   |            |         |         |          |            |          |          |          |                |           |                    |          |
| Property, plant and equipment                         | 333,200    | 330,139 | 42,137  | 46,610   | 90,177     | 83,005   | 141,973  | 133,065  | (809)          | (644)     | 606,678            | 592,175  |
| Intangible assets                                     | 6,363      | 7,721   | 103     | 101      | 962        | 1,115    | 9,749    | 8,010    | 112            | 638       | 17,289             | 17,585   |
| Goodwill  | 43,894     | 43,894  | 0       | 0        | 12,584     | 12,584   | 0        | 0        | 0              | 0         | 56,478             | 56,478   |
| Other non-current assets                              | 37,005     | 34,330  | 15,633  | 15,176   | 8,236      | 7,251    | 4,185    | 4,413    | 104,940        | 92,627    | 169,999            | 153,797  |
| NON-CURRENT ASSETS                                    | 420,462    | 416,084 | 57,873  | 61,887   | 111,959    | 103,955  | 155,907  | 145,488  | 104,243        | 92,621    | 850,444            | 820,035  |
| NET WORKING CAPITAL                                   | (11,061)   | 25,212  | 14,025  | 35,655   | 2,064      | 19,277   | 13,090   | 27,062   | (9,307)        | (1,943)   | 8,811              | 105,263  |
| TOTAL INVESTMENT                                      | 409,401    | 441,296 | 71,898  | 97,542   | 114,023    | 123,232  | 168,997  | 172,550  | 94,936         | 90,678    | 859,255            | 925,298  |
| PROVISIONS  | 5,791      | 14,615  | 6,804   | 4,262    | 3,169      | 14,280   | 1,439    | 1,310    | 22,307         | 25,574    | 39,510             | 60,041   |
| DEFERRED INCOME                                       | 5,134      | 4,792   | 784     | 556      | 2,065      | 2,056    | 7,259    | 5,871    | 1,258          | 1,001     | 16,500             | 14,276   |
| NET FINANCIAL LIABILITIES                             | 235,571    | 97,989  | (330)   | (20,521) | 20,581     | 14,533   | (92,986) | (94,948) | 67,529         | 244,290   | 230,365            | 241,343  |
| OTHER LIABILITIES                                     | 33,700     | 10,348  | 35,834  | 51,073   | 12,562     | 11,427   | 36,668   | 64,059   | (4)            | 283       | 118,760            | 137,190  |
| EQUITY  | 129,205    | 313,552 | 28,806  | 62,172   | 75,646     | 80,936   | 216,617  | 196,258  | 3,846          | (180,470) | 454,120            | 472,448  |
| TOTAL FINANCING                                       | 409,401    | 441,296 | 71,898  | 97,542   | 114,023    | 123,232  | 168,997  | 172,550  | 94,936         | 90,678    | 859,255            | 925,298  |

The inter-segment sales are carried out at prevailing market prices.

## Geographical segment reporting

The detail of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

Thousands of euros

|                    | Revenue     |             | Profit/Loss<br>before tax |            | Total assets |           |
|--------------------|-------------|-------------|---------------------------|------------|--------------|-----------|
|                    | 2009        | 2008        | 2009                      | 2008       | 2009         | 2008      |
| Spain              | 282,        | 450,        | 5,028                     | 19,        | 398,         | 590,      |
| Other EU countries | 340,        | 404,        | 22,635                    | 42,        | 551,         | 425,      |
| Other countries    | 81,         | 133,        | (1,798)                   | 4,         | 159,         | 132,      |
| <b>TOTAL</b>       | <b>704,</b> | <b>988,</b> | <b>25,</b>                | <b>66,</b> | <b>1,</b>    | <b>1,</b> |

## **21. Risk management policy**

### Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing interest at a floating rate.

The objective of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise borrowing costs over several years whilst maintaining reduced income statement volatility.

Based on the Uralita Group's estimates and debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks.

### Foreign currency risk

Foreign currency fluctuations change the fair value of the private placement of USD 152 million. The objective of foreign currency risk management is to minimise the currency risk of debt denominated in foreign currencies through hedging transactions. The Group uses cross-currency swaps through which it exchanges USD and EUR flows.

The Group also reduces income statement volatility arising from other transactions in currencies other than the euro by using foreign currency forwards. However, at 31 December 2009, there were no outstanding forward transactions.

### Liquidity risk

The Parent and the Group manage their liquidity risk prudently, maintaining sufficient cash and marketable securities and arranging committed credit facilities for an amount sufficient to cater for their projected needs. Most of the credit facilities at 31 December 2009 are automatically renewable upon maturity. Notes 11 and 15 detail the amounts drawn down and undrawn against all the various sources of current financing at 31 December 2009.

The following table details the analysis of the liquidity of the Group's financial instruments and was prepared using net undiscounted cash flows. When the receivable or payable is not fixed, the amount was calculated using the implicit amounts calculated on the basis of the interest rate and the forward exchange rate curves.

## 2009

| <b>Non-derivative liabilities</b><br>(thousands of euros) | <b>1-3 months</b> | <b>3 months – 1 year</b> | <b>1-5 years</b> |
|---|-------------------|--------------------------|------------------|
| 2004 private placement of bonds                           | -                 | -                        | 123,483          |
| 2009 syndicated loan                                      | -                 | 12,000                   | 108,000          |
| Credit facilities   | 3,000             | 74,300                   | -                |
| Bank loans  | 3,000             | 3,000                    | 18,000           |
| Unmatured discounted bills                                | -                 | 79,900                   | -                |

| <b>Derivatives</b><br>(thousands of euros) | <b>Less than 1 month</b> | <b>1-3 months</b> | <b>3 months – 1 year</b> | <b>1-5 years</b> |
|--|--------------------------|-------------------|--------------------------|------------------|
| Cross-currency swap                        | -                        | -                 | 2,616                    | (16,594)         |
| Interest rate swap                         | 10                       | 536               | (2,984)                  | (3,171)          |

### Credit risk

Credit risk is the risk that a counterparty to a contract does not meet its contractual obligations, giving rise to a financial loss for the Group. The Group has adopted a policy of only trading with solvent third parties and obtaining sufficient guarantees to mitigate the risk of financial loss in the event of non-compliance. The Group only trades with entities on which it obtains information through independent company valuation agencies, other public sources of financial information or the information it obtains from its own relationships with customers.

Customer receivables relate to a large number of customers spread over different geographical areas. Credit relationships with customers and their solvency are assessed on an ongoing basis and credit guarantee insurance is arranged when it is considered necessary. The Group assesses non-payment risk prior to entering into contracts with customers. This assessment includes both a solvency study and supervision of contractual requirements from a financial and legal guarantee viewpoint. The correct performance of the debt is monitored constantly and the related valuation adjustments are made using financial criteria.

At 31 December 2009, the consolidated Group had trade receivables considered doubtful amounting to EUR 27,191 thousand for which it had made a provision for the same amount. Also, at that date there were past-due trade receivables for a nominal amount of EUR 5,980 thousand for which the provision made was EUR 3,318 thousand, which represents 55% of the total past-due balance and 109% of receivables older than 30 days.

The Group companies estimate the valuation adjustments of the trade receivables in accordance with standard criteria defined by the Group which combine individual analyses of the trade receivables and historic rates of default.

The provisions for these valuation adjustments recognised in 2009 amount to EUR 4,171 thousand (2008: EUR 5,872 thousand). These amounts were charged to "Other Operating Expenses" in the consolidated income statements.

The average credit period taken on sales of goods and services in 2009 and 2008 was approximately 80 days. In general, no interest is charged on the receivables.

The Group does not have significant exposure to credit risk as regards its customers or groups of customers with similar characteristics. Similarly, credit risk concentration is not significant. The Group has a securitisation programme, described in Note 11.

## 22. Tax matters

### 22.1. Consolidated tax group

Until 31 December 2007, the consolidated tax group included Uralita, S.A., as the Parent, and the Spanish subsidiaries that met the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups.

With effect from 1 January 2008, the tax group headed by Uralita, S.A. was dissolved as Nefinsa, S.A., the Parent's main shareholder (see Note 12), obtained an ownership interest of over 75% in the Parent, and the companies in the former tax group were included in the consolidated tax group headed by Nefinsa, S.A.

As a result of the foregoing, the tax loss and tax credit carryforwards at 31 December 2007 must be offset individually by the companies that contributed them to the dissolved group. Given the new conditions, in 2008 the tax benefit associated with these tax losses and tax credit carryforwards recognised by Uralita, S.A. was reassessed, on the basis of the expectations of their recoverability. The effect of this reassessment was recognised as an expense in 2008 under "Prior Years' Income Tax Adjustments" in the accompanying 2008 consolidated income statement.

Also, the companies composing the 62/95 Group have the right to offset their tax loss carryforwards and other contributed tax assets to the extent that they are not used by this group and, therefore, in the event of the elimination of the tax group they would keep these tax assets for the amounts recognised. Accordingly, the deferred tax assets shown in the consolidated balance sheets at 31 December 2009 and 2008 include an account receivable from Nefinsa for tax credits from 2009 and 2008, the detail of which is as follows:

|                          | Thousands of euros        |                           |
|--------------------------|---------------------------|---------------------------|
|                          | Receivable at<br>31/12/09 | Receivable at<br>31/12/08 |
| Uralita, S.A. tax credit | 11,727                    | 3,014                     |
| Subsidiaries tax credit  | 17,014                    | 3,338                     |
| <b>Total</b>             | <b>28,741</b>             | <b>6,352</b>              |

In order to regulate these situations within 62/95 Consolidated Group the companies composing it entered into an agreement establishing the procedure for offsetting these tax assets, expressly recognising the right to offset from the moment they were contributed and not used by the 62/95 Group.

The subsidiaries Ursa International GmbH and Ursa Deutschland GmbH form a tax group in Germany and file consolidated tax returns.

Also, Yesos Ibéricos, S.A. and Algiss, S.A. form a tax group in Spain and file consolidated tax returns.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

### 22.2. Years open for review by the tax authorities

At 31 December 2009, the dissolved and current consolidated tax groups had 2005 to 2009 open for review by the tax authorities for the main taxes applicable to them. In general, the other consolidated companies have the last four years open for review by the tax authorities for the main taxes applicable to them. The Parent's directors do not expect any tax liabilities to arise as a result of a review of the open years.

At 31 December 2009, tax assessments had been issued against certain companies in the consolidated tax group, which were signed on a contested basis and against which the appropriate appeals have been filed. Taking into account the provisions recognised by the Group in this connection (see Note 13), the Parent's directors consider that such liabilities as might arise from the assessments issued would not have a material effect.

### 22.3. Income tax recognised in the income statement

The reconciliation of the consolidated accounting profit to the income tax expense recognised in the consolidated income statement is as follows:

|  | Thousands of euros |               |
|--|--------------------|---------------|
|  | 2009               | 2008          |
| <b>PROFIT FOR THE YEAR -</b>   | <b>15,865</b>      | <b>51,734</b> |
| Income tax on profits from continuing operations   | 6,275              | 14,575        |
| Income tax on loss from discontinued operations  | (1,596)            | (103)         |
| <b>PROFIT BEFORE TAX (continuing and discontinued operations)</b>  | <b>20,544</b>      | <b>66,206</b> |
| Permanent differences (a)  | (12,205)           | (20,041)      |
| <b>UNADJUSTED TAXABLE PROFIT</b>   | <b>8,339</b>       | <b>46,165</b> |
| Offset of tax losses (b)   | (3,087)            | (8,637)       |
| <b>TAXABLE PROFIT</b>  | <b>5,252</b>       | <b>37,528</b> |
| Tax rate (c)   | 25.42%             | 24.24%        |
| <b>GROSS TAX PAYABLE</b>   | <b>1,335</b>       | <b>9,096</b>  |
| Tax credits  | (112)              | (4,736)       |
| Income tax incurred in the year (continuing and discontinued operations)                                       | 1,223              | 4,360         |
| Less taxes incurred in the year (discontinued operations)  | 1,596              | 103           |
| Prior years' income tax adjustments (d)  | 3,456              | 10,112        |
| <b>INCOME TAX EXPENSE FOR THE YEAR RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT (continuing operations)</b> | <b>6,275</b>       | <b>14,575</b> |

(a) Includes both permanent and temporary differences for which no deferred tax was recognised when generated.

(b) Relating to companies which had not recognised tax loss carryforwards.

(c) Weighted average tax rate applied by consolidated companies.

(d) In 2008 this relates to the restatement of the amount of deferred tax related to the available tax loss carryforwards, due to changed recovery expectations (see Note 22.1).

The table below presents the reconciliation of income tax for the year and tax payable:

|                                     | Thousands of euros |               |
|-------------------------------------|--------------------|---------------|
|                                     | 2009               | 2008          |
| Income tax expense for the year     | 4,679              | 14,472        |
| Effect of consolidation adjustments | 1,024              | (3,701)       |
| Deferred tax and others, net        | 7,091              | 16,544        |
| <b>TAX PAYABLE IN THE YEAR</b>      | <b>12,794</b>      | <b>27,315</b> |
| Spanish companies                   | 8,090              | 15,761        |
| Foreign companies                   | 4,704              | 11,554        |

Spanish income tax for 2009 and 2008 was calculated at 30% of the estimated taxable profit for the year, net of tax credits and tax relief. Taxes in other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

The changes, by country, in 2009 in the rates applicable by foreign consolidated companies when calculating income tax, are as follows:

|                | 2009 | 2008 |
|----------------|------|------|
| Russia         | 20%  | 24%  |
| Czech Republic | 20%  | 21%  |
| Slovenia       | 21%  | 22%  |

## 22.4. Deferred taxes

Pursuant to the tax legislation in force in the countries in which the consolidated companies are located, at 31 December 2009 and 2008 the Group recognised tax assets and liabilities arising from the differences which resulted from the different timing of recognition of income and expenses for tax and accounting purposes. Also, tax loss and tax credit carryforwards were recognised, since it is considered that there are reasonable guarantees as to their recoverability.

The detail of the main deferred tax assets and liabilities recognised by the Group at 31 December 2009 and 2008 and of the changes therein during the years then ended is as follows:

|   | Thousands of euros         |                                   |                       |               |                | LIABILITIES  |              |
|---|----------------------------|-----------------------------------|-----------------------|---------------|----------------|--------------|--------------|
|   | ASSETS                     |                                   |                       |               | TOTAL          |              | Deferred tax |
|   | Tax losses and tax credits |                                   | Temporary differences |               |                |              |              |
| Consolidated tax group companies  | Other entities             | Tax impact of conversion to IFRSs | Other                 |               |                |              |              |
| <b>Balance at 31 December 2007</b>  | <b>80,154</b>              | <b>15,877</b>                     | <b>725</b>            | <b>26,499</b> | <b>123,255</b> | <b>3,969</b> |              |
| Increases   | 6,528                      | 1,621                             |                       | 20,119        | 28,268         | 18           |              |
| Decreases   | -                          |                                   | (725)                 | (6,017)       | (6,742)        | (398)        |              |
| Offset of tax losses  | -                          | (2,051)                           | -                     | -             | (2,051)        | -            |              |
| Re-estimate due to change in the expectations of recoverability (Note 22.1) | (10,112)                   | -                                 | -                     | -             | (10,112)       | -            |              |
| Other   | (21)                       | 547                               | -                     | -             | 526            | -            |              |
| <b>Balance at 31 December 2008</b>  | <b>76,549</b>              | <b>15,994</b>                     | <b>-</b>              | <b>40,601</b> | <b>133,144</b> | <b>3,589</b> |              |
| Increases   | 8,904                      | 12,634                            | -                     | 111           | 21,649         | 159          |              |
| Decreases   | -                          | -                                 | -                     | (10,288)      | (10,288)       | (518)        |              |
| Offset of tax losses  | -                          | (2,417)                           | -                     | -             | (2,417)        | -            |              |
| Other   | (1,185)                    | (1,058)                           | -                     | -             | (2,243)        | -            |              |
| <b>Balance at 31 December 2009</b>  | <b>84,268</b>              | <b>25,153</b>                     | <b>-</b>              | <b>30,424</b> | <b>139,845</b> | <b>3,230</b> |              |

Of the EUR 139,845 thousand to which deferred tax assets amount at 31 December 2009, it is calculated that EUR 119,702 thousand will be realised or will reverse in a period of over twelve months.

The breakdown of deferred tax assets arising from temporary differences at 31 December 2009 and 2008 is as follows:

|  | Thousands of euros |               |
|--|--------------------|---------------|
|  | 31/12/09           | 31/12/08      |
| Non-tax deductible provisions in the year in which they are made                             | 13,491             | 17,123        |
| Differences in the recognition of income and expense   | 2,798              | 3,630         |
| Differences arising for tax and accounting purposes  | 2,611              | 2,297         |
| Tax effect of the change in hedging financial instruments                                    | 2,122              | 1,776         |
| Impairment losses on receivables and other financial assets                                  | 2,467              | 1,570         |
| Tax effect of valuation standardisation in foreign companies that do not apply IFRSs locally | -                  | 1,300         |
| Tax effect of consolidation adjustments  | 6,246              | 10,941        |
| Other  | 689                | 1,964         |
| <b>TOTAL</b>   | <b>30,424</b>      | <b>40,601</b> |

The Group evaluated the recoverability of deferred tax assets recognised at 31 December 2009 and 2008 in accordance with the business plans prepared using the criteria described in Notes 5 and 7.

## 23. Earnings per share

### 23.1. Basic earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

|   | 2009        | 2008        |
|---|-------------|-------------|
| Profit for the year attributable to the Parent (thousands of euros) | 10,056      | 40,256      |
| Average number of shares outstanding (thousands)                    | 192,468     | 195,626     |
| <b>Basic earnings per share (euros)</b>                             | <b>0.05</b> | <b>0.20</b> |

### 23.2. Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding in the year, adjusted by 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. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

In 2009 and 2008 diluted earnings per share coincided with basic earnings per share.

## 24. Related party transactions

In 2009 the dividends paid to shareholders with an ownership interest of more than 5% in the share capital totalled EUR 17,598 thousand (2008: 76,842 thousand).

Caja de Ahorros de Salamanca y Soria (Cajaduero), a shareholder of the Parent, contributed EUR 10 million as part of the group of banks with which the syndicated loan agreement was entered into in 2009, as explained in Note 15. Also, at 31 December 2009, the aforementioned bank granted the Company a short-term credit facility at market terms and conditions amounting to EUR 5 million, which had not been drawn down at 2009 year-end, and various guarantees with no set maturity date for a total of EUR 1,200 thousand. The overall borrowing cost incurred on these transactions amounted to EUR 196 thousand in 2009 (2008: EUR 16 thousand).

“Deferred Tax Assets” in the accompanying consolidated balance sheet at 31 December 2009 includes an account receivable from Nefinsa, S.A., the Company’s main shareholder, amounting to EUR 28,741 thousand, arising from the calculation of the income tax for 2009 and 2008 in accordance with the procedure established for the distribution of the tax charge for the year amongst the companies forming the tax group headed by Nefinsa, S.A. (see Notes 4.15 and 22).

## 25. Remuneration and other disclosures

The detail of the remuneration received in 2009 and 2008 by the directors of Uralita, S.A., is as follows:

|  | Thousands of euros |              |
|--|--------------------|--------------|
|  | 2009               | 2008         |
| Fixed remuneration                     | 1,338              | 1,415        |
| Variable remuneration                  | 250                | 233          |
| Bylaw-stipulated directors' emoluments | 216                | 866          |
| <b>TOTAL</b>                           | <b>1,804</b>       | <b>2,514</b> |

The Group does not have any pension or life insurance obligations to its directors, has not granted any advances or loans to them and has not provided any guarantees for them.

The remuneration received by the two (three in 2008) senior executives (excluding those who are simultaneously directors, whose remuneration is shown above) amounted to EUR 881 thousand in 2009 (2008: EUR 1,206 thousand)

In accordance with Law 26/2003, the Parent considers its principal activity to be that described in Note 1.

On the basis of the information received from the directors of Uralita, S.A., none of the situations described in Law 26/2003 relating to the holding of ownership interests by the directors in the share capital of companies engaging in an activity that is identical, similar or complementary to that which constitutes the core business of the Parent were disclosed. Also, they did not perform and are not currently performing any activity, as independent professionals or as employees, that is identical, similar or complementary to the activity that constitutes the core business of the Company.

The detail of the directors of Uralita, S.A. who are directors of other companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the core business of the Company is as follows:

- Javier Serratosa Luján  
- Ursa International, GmbH
- José Ignacio Olleros Piñero  
- Uralita B.V.  
- Uralita Holding B.V.  
- Chamberi Reinssurance, S.A.
- Alvaro Rodríguez-Solano Romero  
- Uralita B.V.  
- Uralita Holding B.V.  
- Chamberi Reinssurance, S.A.

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

The members of the managing bodies of the subsidiaries all represent Uralita, S.A., as the majority shareholder, except for those of certain subsidiaries in the Gypsum and Roof Tile Divisions, whose managing bodies include representatives of the minority shareholder which engages in activities similar to those that constitutes the company object of certain Uralita Group companies. The representatives of the Uralita Group and the minority shareholders on the aforementioned managing bodies do not hold ownership interests in the share capital of companies engaging in an activity that is identical, similar or complementary to the activity constituting the Group's core business, and do not hold positions of responsibility at other non-Group companies that engage in an activity similar to that of the Uralita Group.

## **26. Contingent liabilities**

At 31 December 2009, there were no contingent liabilities that might substantially alter the financial and equity position reflected in the accompanying consolidated financial statements.

## **27. Information on the environment**

Certain consolidated companies are obliged to comply with legislation relating to the prevention of pollution, reduction of emissions, recovery of areas and environmental protection and enhancement, which involve certain investments and expenses.

The carrying amounts of the systems, equipment and facilities included in property, plant and equipment assigned to the protection and enhancement of the environment amounted to EUR 10,668 thousand at 31 December 2009 (31 December 2008: EUR 8,524 thousand).

The expenses incurred in 2009 in environmental protection and enhancement amounted to EUR 2,937 thousand (2008: EUR 4,193 thousand), all of which were ordinary expenses. They related mainly to remuneration paid to employees engaged in environmental activities, waste collection and treatment, and environmental audits and certifications.

Environmental contingencies are monitored mainly by specialised Group employees, while third parties are responsible for performing environmental audits and waste management and disposal tasks. The assessments carried out did not disclose any possible effects on the companies' equity and profit, and no additional environmental contingencies are expected to arise from their business activities.

Environmental grants received in 2008 amounted to EUR 69 thousand. The Group did not receive any environmental grants in 2009.

**28. Events after the balance sheet date**

No significant events occurred after 31 December 2009 that might have a material effect on the accompanying consolidated financial statements.

**29. Explanation added for translation to English**

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

## APPENDIX 1 - SUBSIDIARIES OF THE URALITA GROUP 2009

Thousands  
of euros

| Companies by line of business       | Location       | Direct ownership interest | Controlling interest of the group | Carrying amount | Assets  | Liabilities | Equity    | Profit (Loss) for the year | Unrealised gains |
|-------------------------------------|----------------|---------------------------|-----------------------------------|-----------------|---------|-------------|-----------|----------------------------|------------------|
| <b>INSULATION</b>                   |                |                           |                                   |                 |         |             |           |                            |                  |
| Ursa Insulation, S.A.               | Madrid         | 100.00%                   | 100.00%                           | 4,594           | 530,357 | 535,373     | -5,016    | -2,515                     |                  |
| Ursa Ibérica Aislantes, S.A.        | Madrid         | 100.00%                   | 100.00%                           | 58,011          | 89,969  | 32,859      | 57,110    | -2,665                     | 5,873            |
| Ursa Italia S.R.L.                  | Italy          | 100.00%                   | 100.00%                           | 1,701           | 22,441  | 13,780      | 8,661     | 2,656                      |                  |
| Ursa France, S.A.S.                 | France         | 100.00%                   | 100.00%                           | 52,500          | 105,089 | 53,397      | 51,692    | 9,829                      |                  |
| Ursa U.K. LTD.                      | UK             | 100.00%                   | 100.00%                           | 2228            | 4,321   | 3,390       | 930.61134 | -2,896                     |                  |
| Ursa International GmbH             | Germany        | 100.00%                   | 100.00%                           | 115,431         | 114,286 | 30,028      | 84,258    | 7,510                      |                  |
| Ursa Eslovenija, d.o.o.             | Slovenia       | 100.00%                   | 100.00%                           | 29,000          | 44,422  | 13,182      | 31,240    | 2,387                      |                  |
| Ursa Novoterm Sarajevo d.o.o.       | Bosnia         | 100.00%                   | 100.00%                           | 13              | 45      | 11          | 34        | 8                          |                  |
| Ursa Beograd d.o.o.                 | Yugoslavia     | 100.00%                   | 100.00%                           | 15              | 533     | 507         | 26        | -11                        |                  |
| Ursa Zagreb d.o.o.                  | Croatia        | 100.00%                   | 100.00%                           | 140             | 1,418   | 1,392       | 26        | 22                         |                  |
| Ursa Dämmssysteme Austria GmbH      | Austria        | 100.00%                   | 100.00%                           | 46,250          | 54,955  | 14,188      | 40,767    | 3,144                      | 10,296           |
| Ursa CZ s.r.o                       | Czech Republic | 100.00%                   | 100.00%                           | 701             | 1,725   | 962         | 763       | 296                        |                  |
| Ursa SK s.r.o                       | Slovakia       | 100.00%                   | 100.00%                           | 134             | 216     | 199         | 17        | -29                        |                  |
| Ursa Benelux BVBA                   | Belgium        | 100.00%                   | 100.00%                           | 18,404          | 36,329  | 25,412      | 10,917    | -3,887                     |                  |
| Ursa Deutschland GmbH               | Germany        | 100.00%                   | 100.00%                           | 61,950          | 101,959 | 28,600      | 73,359    | 11,464                     |                  |
| Ursa Salgótarjáni RT.               | Hungary        | 100.00%                   | 100.00%                           | 19,422          | 48,871  | 38,076      | 10,795    | 3,115                      | 9,831            |
| OOO Ursa Serpukhov                  | Russia         | 100.00%                   | 100.00%                           | 32,893          | 73,405  | 44,067      | 29,338    | -2,202                     |                  |
| OA O Ursa Chudovo                   | Russia         | 100.00%                   | 100.00%                           | 75,700          | 27,600  | -22,715     | 50,315    | 4,872                      | 23,767           |
| Ursa Isi                            | Turkey         | 100.00%                   | 100.00%                           | 37909           | 37,369  | 9,009       | 28,360    | -6,763                     |                  |
| Ursa Enterprise                     | Ukraine        | 100.00%                   | 100.00%                           | -               | 1,773   | 6,984       | -5,211    | -1,469                     |                  |
| Ursa Eurasia LLC                    | Russia         | 100.00%                   | 100.00%                           | -               | 27,605  | 33,017      | -5,412    | -1,487                     |                  |
| Ursa Polska Sp. z o.o.              | Poland         | 100.00%                   | 100.00%                           | 1,796           | 39,786  | 34,471      | 5,315     | 884                        |                  |
| Ursa Romania SRL                    | Romania        | 100.00%                   | 100.00%                           | 1,004           | 1,852   | 1,683       | 169       | -689                       |                  |
| OÜ Pfeiderer Baltic                 | Estonia        | 100.00%                   | 100.00%                           | 2               | 70      | 46          | 24        | -13                        |                  |
| Ursa Swiss GmbH                     | Switzerland    | 100.00%                   | 100.00%                           | 0               | 22      | 0           | 22        | -4                         |                  |
| Uralita Holding B.V.                | Netherlands    | 100.00%                   | 100.00%                           | 953             | 268,830 | 112,641     | 156,189   | 15,806                     |                  |
| <b>PIPES</b>                        |                |                           |                                   |                 |         |             |           |                            |                  |
| Uralita Sistemas de Tuberías, S.A.  | Madrid         | 100.00%                   | 100.00%                           | 44,594          | 113,400 | 84,594      | 28,806    | -1,789                     |                  |
| UST France, S.A.R.L.                | France         | 100.00%                   | 100.00%                           | 2,285           | 2,035   | -92         | 2,127     | -136                       |                  |
| <b>ROOF TILES</b>                   |                |                           |                                   |                 |         |             |           |                            |                  |
| Uralita Iberia, S.L.                | Madrid         | 100.00%                   | 100.00%                           | 9,540           | 14,537  | 4,997       | 9,540     | -1,183                     |                  |
| Tejas Cobert, S.A.                  | Madrid         | 53.00%                    | 53.00%                            | 56,022          | 136,326 | 60,680      | 75,646    | -5,291                     |                  |
| Campos Fábrica Cerámica, S.A.R.L.   | Portugal       | 100.00%                   | 53.00%                            | -               | 7,100   | 9,885       | -2,785    | -574                       |                  |
| CT Cobert Telhas S.S.               | Portugal       | 99.97%                    | 53.00%                            | 11,413          | 54,039  | 48,232      | 5,807     | -6,250                     | 2,870            |
| <b>GYPSUM</b>                       |                |                           |                                   |                 |         |             |           |                            |                  |
| Yesos Ibéricos, S.A.                | Madrid         | 59.31%                    | 59.31%                            | 25,752          | 300,005 | 83,681      | 216,324   | 21,772                     |                  |
| Episa, S.L.                         | Portugal       | 100.00%                   | 60.94%                            | 2               | 560     | 111         | 449       | 114                        |                  |
| Algiss Explotaciones Mineras, S.L.  | Madrid         | 100.00%                   | 59.35%                            | 11,000          | 13,039  | 2,495       | 10,544    | -756                       |                  |
| Escayolas Marín S.L.                | Cuenca         | 100.00%                   | 100.00%                           | 10,518          | 3,267   | 2,080       | 1,187     | -357                       | 8,326            |
| <b>OTHER COMPANIES</b>              |                |                           |                                   |                 |         |             |           |                            |                  |
| Uralita B.V.                        | Netherlands    | 100.00%                   | 100.00%                           | 1,300           | 129,446 | 127,975     | 1,471     | 65                         |                  |
| Fibrocementos NT, S.A.              | Madrid         | 100.00%                   | 100.00%                           | 60,573          | 73,684  | 1,002       | 72,682    | 2,266                      |                  |
| Chamberí Reinsurance, S.A.          | Luxembourg     | 100.00%                   | 100.00%                           | 1,225           | 6,422   | 5,197       | 1,225     | -                          |                  |
| Cerámicas Sanitarias Reunidas, S.A. | Madrid         | 100.00%                   | 100.00%                           | 717             | 723     | 6           | 717       | -1                         |                  |