



**URALITA GROUP**  
**CNMV HALF-YEARLY FINANCIAL REPORT**  
**FIRST HALF 2010**  
**MANAGEMENT REPORT**

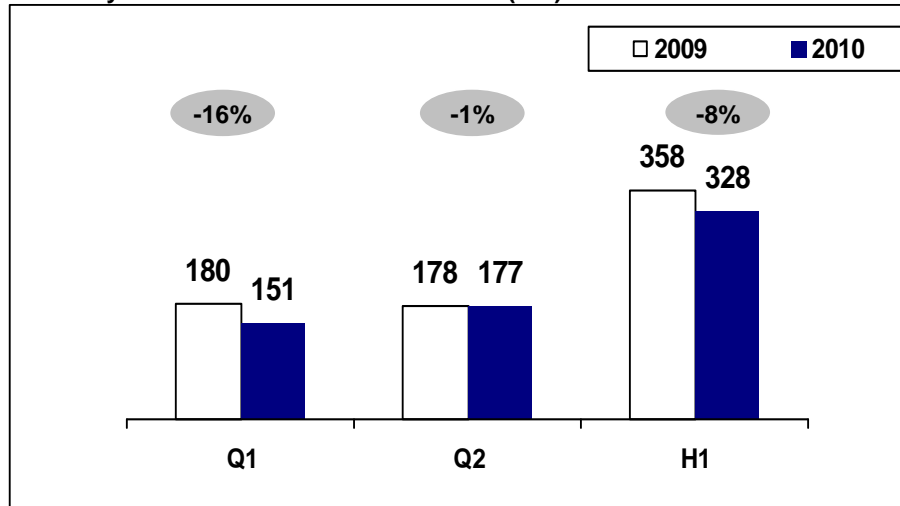
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- *Sales recovery in the second quarter, mainly in international markets, compared to a first quarter heavily impacted by bad weather conditions that interrupted many construction projects.*
  - *By business segment, the best evolution took place in Interior Solutions, mainly due to the high international exposure of the insulation business. In turn, Pipes activity was impacted by cuts in civil works and infrastructures expenditure in Spain, while Roof Tiles continued to experience the effect of low construction activity in Spain.*
  - *The activity improvement in the second quarter lead to H1 2010 sales of 328 million euros (-8% vs. H1 2009, compared to -16% in the first quarter) and 41 million euros EBITDA (-14 % vs. H1 2009, compared to -16% in the first quarter).*
  - *Uralita achieved 2,3M€ net attributable profit in Q2 2010, for a total amount of 2,7M€ in H1 2010, a figure similar to that reached in the same period of 2009. Debt remained in line with that at the beginning of the year, with a 2.55 Debt/EBITDA ratio at the end of the H1 2010.*
  - *For the second half, and although the visibility in some markets is still limited, we expect a consolidation of the recovery of those international markets that are increasing their activity in recent months.*
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## 1. KEY FIGURES OF THE PROFIT & LOSS STATEMENT

	H1 09	H1 10	Difference
<b>SALES</b>	358.5	328.3	-8.4%
<b>EBITDA</b>	47.8	41.1	-14.0%
<b>NET ATTRIBUTABLE PROFIT</b>	2.6	2.7	2.6%

## 2. SALES EVOLUTION BY GEOGRAPHY AND BUSINESS SEGMENT

Quarterly evolution of consolidated sales (M€)



**H1 2010 sales amounted to 328.3 million EUR** (-8.4% vs. H1 2009). After a first quarter with a low level of activity due to bad weather conditions, Q2 2010 showed signs of activity and sales recovery, mainly in international markets. Thus, the Q2 2010 sales practically reached those of Q2 2009.

Sales evolved differently by geographical area: in Western and Central Europe – Uralita’s largest region, accounting for 42% of sales in H1 2010-, sales were reduced a 4.6%, mainly due to lower Pipes sales in France. Spain (38% of sales) experienced the largest sales drop, with a 17.0% reduction mainly in the Roof Tiles and Pipes businesses. Finally, in Eastern Europe (20% of sales), sales increased by 3.9% compared to H1 2009 due to higher level of activity and the positive currency effect against the euro.

Sales evolution by region (M€)

	H1 09	H1 10	Difference
<b>WESTERN AND CENTRAL EUROPE</b>	145.4	138.7	-4.6%
<b>SPAIN</b>	150.8	125.2	-17.0%
<b>EASTERN EUROPE, RUSSIA AND TURKEY</b>	61.8	64.2	3.9 %
<b>TOTAL</b>	358.0	328.1	-8.4 %

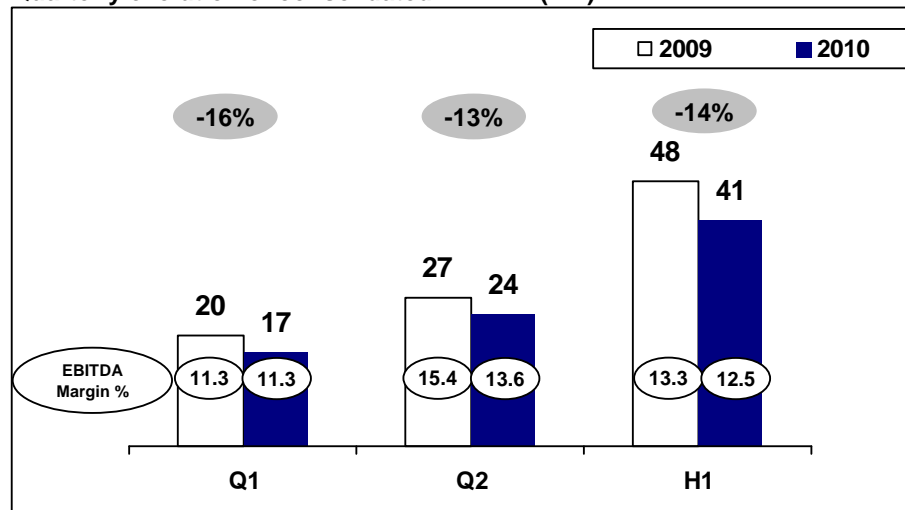
By business segment, Interior Solutions, which includes the insulation and gypsum businesses, practically maintained (-1.6%) its sales driven by insulation activity in Europe and, to a lesser extent, by the launch of new plaster board products. In turn, Pipes was strongly affected by the lower activity in the infrastructures sector in Spain, which led to a 32.7% sales decline compared to H1 2009. Finally, Roof Tiles was affected by low levels of activity in Spain, mainly in new residential construction.

**Evolution of sales by business segment (M€)**

	H1 09	H1 10	Difference
INTERIOR SOLUTIONS	267.3	262.9	-1.6 %
PIPES	63.9	43.0	-32.7%
ROOF TILES	26.9	22.2	-17.5 %
<b>TOTAL</b>	<b>358.0</b>	<b>328.1</b>	<b>-8.4 %</b>

**3. EVOLUTION OF CONSOLIDATED EBITDA, NET PROFIT AND DEBT**

**Quarterly evolution of consolidated EBITDA (M€)**

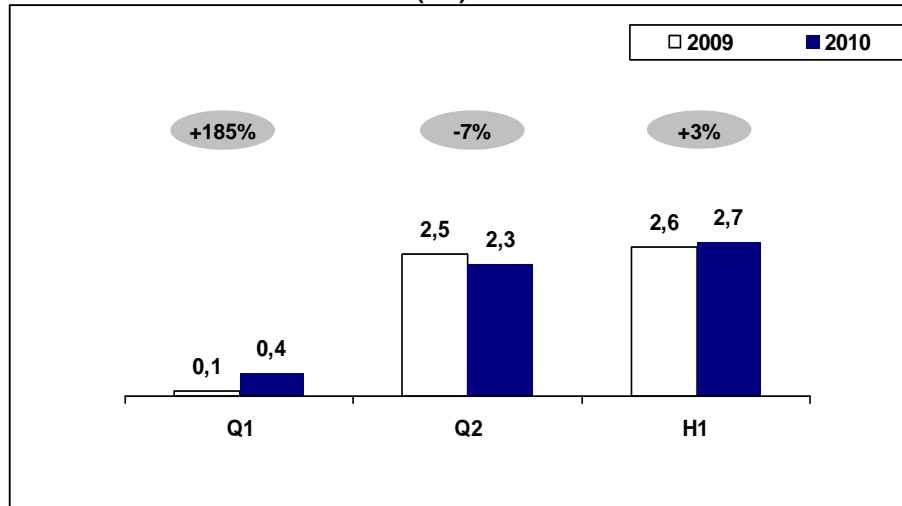


EBITDA experienced a positive evolution thanks to the greater sales volume and to the contention of fixed costs, that were significantly reduced in 2009. Thus, Q2 2010 EBITDA amounted to 24.0 million euros (17.1 in Q1 2010), while the **total H1 2010 accumulated EBITDA was 41.1 million euros** (-14.0% compared to 2009).

H1 2010 EBITDA margin was 12.5%, slightly below (-0,8 percentage points) than in H1 2009. This reduction was mainly due to the negative impact of raw materials cost (especially polystyrene, the base raw material in XPS insulation production) and the lower profitability of Pipes due to the sharp drop in sales.

**H1 2010 operating EBIT (EBITDA less depreciation) amounted to 16.6 million euros** compared to 24.5 million euros in H1 2009, mainly due to EBITDA reduction, since H1 2010 depreciation was similar to that of H1 2009.

**Evolution of Net Attributable Profit (M€)**



Thanks to the EBITDA improvement, the attributable net profit of Q2 of 2010 reached 2.3 million euros, slightly (-7%) lower than that of Q2 2009, driving to a H1 2010 **net attributable profit of 2.7 million euros**, 3% greater than that of 2009.

Finally, Uralita maintained a strict cash control and optimization, which kept the level of debt almost unchanged in the first half of 2010. At the end of H1 2010, the **net debt was 244 million euros**, resulting in a 2.55 Debt/EBITDA ratio, despite the EBITDA reduction.

#### **4. IMPORTANT EVENTS AND IMPACT ON THE FIRST HALF 2010**

The main events during the first half were the following:

1. Gradual recovery of construction activity in some countries and deceleration in others (notably Spain and Balkan area), whose impact is implicit in the sales evolution
2. Revaluation of currencies against the euro at Eastern countries where URSA ® operates and whose impact is implicit in the business sales

#### **5. KEY RISKS AND UNCERTAINTIES FOR THE SECOND HALF 2010**

1. Slowdown in the recovery of construction activity in markets where Uralita operates, due to a delay in economic recovery and a downturn in the access to financing in these countries
2. Increases in some raw materials costs, with the possible difficulty to transfer them to the end price