CREATON
NATURAL CLAY SETS THE TONE

Annual Report 2006

CREATON Group at a glance

Figures in EUR million	2005	2006	Change 2006/2005
Sales revenues	134.9	162.6	20.6 %
Total output	141.9	160.9	13.4 %
EBITDA	26.7	32.1	20.1 %
Operating profit (EBIT)	14.2	18.9	33.4 %
Earnings from ordinary activities	11.8	16.6	40.1 %
Net income for the year	7.3	11.1	51.7 %
Investments	13.5	5.9	–56.0 %
Balance sheet total	192.1	197.3	2.7 %
Share capital	89.6	98.9	10.5 %
Disbursement per preferred share in EUR	0.40	0.23	–42.5 %
Payroll as at Dec. 31	782	776	–0.8 %

CREATON AG is Germany's leading clay roofing tile manufacturer. The name CREATON stands for an extraordinarily broad product range, strong export orientation, cutting-edge, environmentally-friendly technologies and a consistent brand image. Etex, a construction materials holding company with worldwide operations headquartered in Brussels, Belgium, owns a majority stake in CREATON. Since the beginning of 2007 CREATON has also marketed the Etex clay roofing tile brands PFLEIDERER and MEINDL. The result is a strong brand alliance with a product range that is unique worldwide.

Key dates and information

Dates 2007	Interim report as at March 31	mid-May 2007
	General Meeting	June 27, 2007, 89312 Günzburg – Forum am Hofgarten
	Mid-year financial report as at June 30	August 2007
	Interim report as at September 30	mid-November 2007
Contact address Investor Relations:		Karsten Schüssler, CFO
		Phone: +49-8272-86-461
		Fax: +49-8272-86-511
		Internet: www.creaton.de
		E-Mail: investor-relations@creaton.de

◁ *Hotel in Lucerne, Switzerland, Plain tile "NOBLESSE"*

Contents

CREATON, MEINDL, PFLEIDERER – three brands under a single roof

With an eye to perfecting the cooperation between the clay roofing tile makers within our new group – the Etex Group – with effect from January 1, 2007, CREATON has taken over the entire distribution of Pfleiderer Dachziegel GmbH with the brands MEINDL and PFLEIDERER. The three strong product families CREATON, MEINDL and PFLEIDERER now present a united front on the market. For more information on the benefits created by the new CREATON brand alliance please consult the special section in this Annual Report on pages 28 to 31.

Preface by the Board of Management

Dear shareholders and friends of the company,

CREATON posted strong growth in 2006. Consolidated sales surged by 21 % to some EUR 163 million. What was particularly gratifying: Not only did we achieve an impressive increase outside Germany, inside the country we likewise scored double-digit growth after several years of consolidation. Our achievement was also reflected in improved earnings: Net income for the year rocketed by 52 % to EUR 11.1 million.

This pleasing performance is attributable to the surprisingly strong business in the second half of the year. The extremely mild winter and the revival in the construction sector – especially in the housing sector – meant we worked to full capacity in the normally quiet winter months and the inventories that we usually fill up during this period for the summer season remained largely empty.

CREATON benefited especially from the short-term boom in detached and two-family house construction. However, it was largely the result of two one-time factors: Many developers eligible for subsidies opted to build their own house at the end of 2005 – before the house-builder's subsidy was stopped – which translated into additional turnover in the industry last year. Secondly, the impending increase in VAT scheduled for the beginning of 2007 prompted many people to bring construction projects forward to 2006.

Aside from this boom, there is no evidence of a fundamental improvement in the situation on the home construction market. This makes it all the more vital for CREATON to make provisions for the coming years. Specifically, we plan once again in 2006 to employ a large proportion of our retained earnings for the year to strengthen our financial base for further expansion. We will propose to the General Meeting that a dividend be disbursed of EUR 0.11 per ordinary share and EUR 0.23 per preferred share.

Given the long-term nature of the tough operating conditions we made concerted efforts last year to advance the integration of CREATON AG into the Etex Group, which acquired all the ordinary shares of CREATON AG at the end of 2005. At the time, Etex was already represented in the German clay roofing tile market via Pfleiderer Dachziegel GmbH and Meindl Dachziegel GmbH, which merged with Pfleiderer in 2006. In May 2006, with a view to ensuring the best possible cooperation CREATON AG signed a Control and Profit/Loss Transfer Agreement with Etex Holding GmbH. Owing to suits filed by a number of shareholders, this agreement has not yet come into force.

As a strategic partner with an international focus, Etex actively supports our expansion targets. It was a logical step therefore to bundle Group-wide distribution activities for clay roofing tiles in Germany and Eastern Europe under the CREATON brand with effect from January 1, 2007. This move strengthens our leading market position. Internal and external distribution activities and logistics are now managed centrally and efficiently by CREATON. In organizational terms Pfleiderer remains responsible for production. Since the beginning of 2007, the three brands CREATON, MEINDL and PFLEIDERER have presented a united front.

This new brand alliance offers our customers a uniquely broad product range created from three individual product lines, which continue to retain their own distinct identities. Another benefit is improved service. Taking over Pfleiderer distribution activities and staff has allowed us to restructure and considerably tighten our distribution network. As our domestic distribution service and logistics were also enhanced we will be able to ensure swifter deliveries to customers. In this context, we will also profit from the three Pfleiderer locations in Baden-Württemberg, Bavaria and Thuringia, which further improve our market coverage in Germany and neighbouring countries.

Thanks to the takeover of Pfleiderer's distribution activities, sales in the current year will surge and for 2007 business volume in excess of EUR 200 million is conceivable. This means we can generate additional sales growth even though our capacities were already stretched to the full in 2006 and our inventories sank to an all-time low owing to the strong demand.

On the market side, we expect demand to stabilize again following the short peak occasioned by the special factors mentioned earlier. We are also very concerned about rising energy prices, which will impact substantially on our profit margins given that we cannot pass the higher cost of electricity and gas on to our customers. The energy surcharge we introduced in 2006 is not sufficient to offset these costs. Consequently, it will be extremely difficult in 2007 to match our impressive earnings level of the year under review.

Members of the Management Board (from left to right in the picture)

Karsten Schüssler: *Finances, Controlling, Purchasing*
Alfons Hörmann: *CEO, Strategy, Marketing/Sales*
Hans-Josef Berchtold: *Technology*

On a positive note, we discern excellent opportunities for growth outside Germany. In cooperation with Etex we will step up our activities in Southeast Europe. In 2007, we plan to start building a second plant at our Lenti location in Hungary, which should go turnkey in 2008. Moreover, we have already made a successful start to also distributing our products via other members of the Etex Group in West European countries outside Germany, and will aggressively pursue this strategy. Eternit AG, also a member of the Etex Group, is now responsible for distributing our "TONALITY" products, which should help boost the facade business.

The year under review involved widespread changes and strong expansion – a challenging time for our staff. In the name of the entire Board I would like to thank all employees for their considerable dedication and the motivation they have shown, without which our success would certainly not have been possible. We look forward to welcoming new staff from the Pfleiderer team. In 2007, this enlarged team will once again make concerted efforts for the continued success of CREATON.

Yours,

Alfons Hörmann
Chief Executive Officer
CREATON AG

CREATON IN THE HEADLINES

February 2006:
CREATON at the DACH + WAND fair

On the occasion of the trade fair DACH + WAND in Cologne CREATON AG presents its broad product spectrum and the innovations from 2006. In addition to new shades for clay roofing tiles and facade elements the product that met with great interest was "FIRSTFIX", an innovative system for attaching ridge tiles.

May 2006:
Closer cooperation with Etex planned

CREATON and Etex sign a Control and Profit/Loss Transfer Agreement in order to make their cooperation in the new alliance more effective. The contract is subject to approval by the General Meeting of shareholders. It stipulates that CREATON AG be managed by Etex Holding GmbH and transfer its total profits to this company, which for its part will make up any annual shortfalls incurred. In return outside shareholders are to receive either a monetary compensation or an annual compensatory payment.

July 2006:
500 million tiles from Grossengottern

At the largest CREATON location Großengottern in Thuringia the 500 millionth clay roofing tile leaves the plant. Between 1993 and 1999 CREATON built three highly-modern plants there which now produce an annual output of 50 million clay roofing tiles. The successful products "FUTURA" and "MAGNUM" are two of the items made in Großengottern.

Resolution provokes legal action

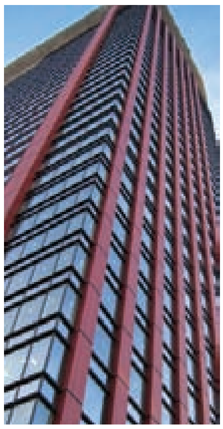
The shareholders General Meeting votes in favour of the Control and Profit/Loss Transfer Agreement between CREATON and Etex. As some preferential shareholders file a suit against this resolution, the agreement cannot come into force yet.

August 2006:
CREATON gets boost from construction industry revival

Thanks to the bounceback in the construction industry the first six months at CREATON produced a positive balance sheet. Domestic sales also saw a substantial increase; the Company posted a sales increase of 15 % for the first half year. Likewise, the operating result improved by 15 %. However, in light of drastically rising energy costs CREATON has remained cautious about its forecast for the whole year.

September 2006:
Mita Tower opens

The largest CREATON facade project to date – the MitaTower – opens in Tokyo, Japan. The 184 metre-high office tower was clad with 12,000 sq. m. of "TONALITY" facade elements. CREATON developed a special design: the raspberry red "Japan red".



◁ *Residential complex "Bornpark" in Olten, Switzerland, "TONALITY"-"CLASSIC" toscana*

October 2006:
Hörmann new TBE President

The general meeting of the European Tile Manufacturers Association TBE (Féderation Européenne des Fabricants de Tuiles et de Briques) elects CREATON CEO Alfons Hörmann as its new President. With a staff of 56,000 the Association generates sales of some seven billion EUR.

November 2006:
Lenti produces the 25 millionth tile

About 1 1/2 years after the start of production the 25 millionth CREATON clay roofing tile rolled off the lines at Lenti in Hungary. Since May 2005, the first CREATON plant outside Germany has produced plain tiles for the Southeast European market.

January 2007:
CREATON takes over distribution of PFLEIDERER/MEINDL

With effect from the beginning of the year, CREATON has taken over all the distribution activities of Pfleiderer Dachziegel GmbH, which shortly beforehand merged with Meindl Dachziegel GmbH in order to create a strong alliance with the affiliated brands PFLEIDERER and MEINDL. In future, internal and external sales activities but also logistics will be centrally controlled by CREATON.

„TONALITY“ distribution via Eternit

From January Eternit AG – also a member of the Etex Group – will take over the German distribution of the CREATON facade range “TONALITY”. CREATON AG will remain in charge of development, production and international marketing.

CREATON’s first presentation of the new Creaton brand alliance at BAU 2007

At the BAU trade fair in Munich the CREATON, MEINDL and PFLEIDERER brands are presented jointly for the first time. The 400 sq. m stand impressively showcases the uniquely broad brand programme of the three traditional clay roofing tile manufacturers.

Psychiatry in Tübingen, Germany, ▷
“RATIO” “FINESSE” and plain tile “NOBLESSE”

Management report and Group management report of CREATON AG

In 2006, CREATON was able to grow strongly on the back of a sudden renewed upturn in the German construction industry. Consolidated sales rose both in Germany and abroad, climbing in total by around 21 % to EUR 162.6 million. There was also a clear improvement in earnings: Net income for the year increased by almost 52 % to EUR 11.1 million.

In the year under review we laid the groundwork for closer collaboration with the other Etex Group member companies. In early 2007, we took over the sales division of Pfleiderer Dachziegel GmbH, which is likewise an Etex member. This created a new, strong brand group that will in future enable us to hold our own even better in the German market, dominated as it is by stiff competition and a price squeeze. In order to continue our expansion in East and Southeast Europe, in 2007 we will begin construction of a second plant in Lenti, Hungary.

CREATON AG

CREATON AG is Germany's leading manufacturer of clay roof tiles, boasting 12 ultramodern plants in Bavaria, Rhineland-Palatinate, Saxony, Thuringia and Hungary. Our core business field features a wide range of high-quality plain tiles and pan tiles. As a second string to our bow these are complemented by attractive ceramic special products for facades and floors. In addition to Germany, our major sales region, we are increasingly selling our products in strong growth markets outside the country, in particular in East and Southeast Europe. Our parent company, CREATON AG, based in Wertingen, manages the plants, as well as our distribution and administration activities. Furthermore, in 2006 numerous subsidiaries both in and outside Germany formed part of the Group. Item B in the Explanatory Notes to the annual financial statements gives more detailed information on the scope of consolidation.

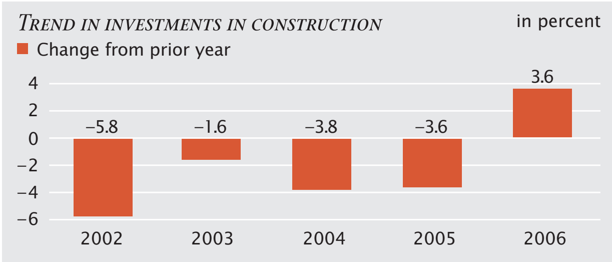
Since late 2005 Etex Group S.A., the Brussels-based Belgian construction materials holding company, has held a majority stake in CREATON AG; through its subsidiary Etex Holding GmbH in Heidelberg it holds all 4.2 million CREATON AG ordinary shares, and as such 60 % of the capital stock with all voting rights. The General Meeting in July 2006 resolved a Control and Profit/Loss Transfer Agreement between Etex and CREATON, although, as a result of various petitions brought by shareholders in the courts, this has not yet been entered in the Commercial Register at the time this Report went to press. In September 2006, CREATON AG and Pfleiderer Dachziegel GmbH, likewise an Etex Group company, agreed that effective January 1, 2007 CREATON AG would take over the entire Pfleiderer sales division. This includes the intra-Group sales team and the external sales teams, as well as logistics.

The CREATON Group is managed centrally by our CREATON AG parent company. On the basis of monthly reports, the latter monitors adherence to key sales and income figures. The opportunities for garnering a profit with new activities are evaluated on the basis of the expected return on investment.

The CREATON AG annual financial statements are compiled in accordance with the rules of the German Commercial Code (HGB), and the consolidated annual financial statements in accordance with IFRS.

Gratifyingly favourable overall economic environment

On the back of an ongoing worldwide upswing, in 2006 the European economy also grew. Provisional figures released by the leading German economic research institutes reveal that in the expanded EU gross domestic product (GDP) rose by 2.8 %. The GDP in the old West European member states climbed by 2.7 % overall, whereas the increase in new member states was far stronger at 5.6 %, with East and Northeast Europe in particular posting high rates. The German economy scored sound growth of 2.7 %, benefiting both from ongoing strong exports and from increasing domestic demand.



SECTOR ENVIRONMENT: CRISIS IN GERMAN CONSTRUCTION INDUSTRY ENDS

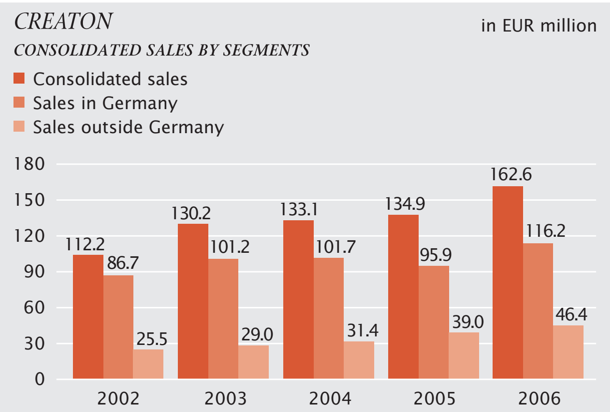
The construction industry also played a role in the overall economic upturn. According to estimates by the Euro-construct research network, the industry grew 3.2 % in Europe as a whole. The residential accommodation market remained by far the most important segment, with, in addition to new property, renovation and refurbishment becoming increasingly important. Following years of dwindling sales, in 2006 the German construction industry was suddenly able to breathe a sigh of relief. According to initial price-adjusted figures released by the Federal Statistics Office, investments in construction in Germany rose by 3.6 %. Residential accommodation grew likewise by 3.6 %, albeit favoured by one-time factors: Due to the fact that the state home ownership grant was to be abolished as of January 1, 2006, there was a marked increase in the number of building permits granted in 2005, which led to a rise in investments in construction in the period under review. Furthermore, the rise in VAT, which came into effect on January 1, 2007 triggered premature sales. Tax breaks on modernization and maintenance work that were introduced at the beginning of 2006 as well as long-term cheaper financing conditions for developers also had a positive effect. According to the German Construction Industry Association, in the period under review sales in the sector rose by 6.5 %, with sales of construction materials soaring as much as 11.2 %.

Roofing manufacturers also benefited from this sudden upward trend. According to our calculations, in 2006, the volume of slanting roofs rose by a good 5 %. The ongoing demand for natural construction materials such as clay roof tiles was also gratifying. However, continued stiff competition and, in particular, steep rises in energy prices have once again resulted in a significantly increased squeeze on margins. The trend to consolidation has also continued: Whereas in 1990 there were some 30 companies operating in the German clay roof tile market, by 2006 this figure had dropped to around 10 manufacturers.

CREATON CONSOLIDATED SALES SOAR BY AROUND 21 %

The strong increase in demand, particularly in H2 2006, led to a marked increase in sales throughout the CREATON Group of almost 21 % to EUR 162.6 million. In addition to what is at present at least short-term improvement in the building industry in Germany, the extremely mild weather here in the autumn/winter season also left its mark. In 2006, sales at CREATON AG climbed by almost 18 % to EUR 155.4 million.

Given this increase in the volume of business, capacity was fully exhausted. During the course of the year inventories dropped drastically, despite the fact that throughout the year all plants were fully operational. In 2005, the recently opened Lenti plant in Hungary contributed to sales for an entire year for the first time. In order to generally avoid delivery bottlenecks we increasingly made use of products sourced to a large extent from our new sister companies Pfleiderer Dachziegel GmbH and Meindl Dachziegel GmbH, which has in the meantime been amalgamated with this company. In total we increased unit sales by almost 16 % in the period under review. Given the stiff competition we faced, in 2006 we were only able to push slight price increases of on average approx. 2 %, which included an energy surcharge we introduced on all CREATON products in August 2006 to offset at least in part the dramatic rise in the cost of electricity and natural gas. Total output for the Group rose by a good 13 % to EUR 160.9 million.



Figures calculated up to 2002 according to HGB, as of 2003 according to IFRS

Sales up inside and outside Germany

After several weak years, in 2006 CREATON once again posted strong growth in Germany as well: Throughout the Group, sales in this region climbed by a good 21 % to EUR 116.2 million, which spells a share of 71.4 % in consolidated sales compared with 71.1 % one year prior. As expected there was a pronounced rise in sales outside the country of around 19 % to EUR 46.4 million, which corresponds to a share of 28.6 % in total sales (prior year: 28.9 %). By far the most important foreign market was Poland, where we were able to grow strongly. We also posted strong sales growth in Austria and Hungary, our second and third largest foreign markets respectively. Furthermore, there were gratifying increases in our Northwest European neighbours Belgium, Denmark and the Netherlands. In these countries we were already able to benefit from our integration in the Etex Group, as in 2006 our products were in addition marketed by sister companies that are extremely well positioned in these regions.

Growth in all product groups

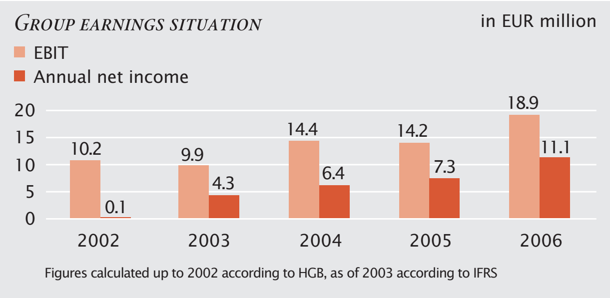
In 2006, the attractive broad range of CREATON products once again provided an important basis for our market success. Clay roof tiles and the relevant accessories accounted for 85.5 % of consolidated sales. With regard to plain tiles, which delivered 20.1 % of total business volume, the high-end, colour-glazed “NOBLESSE” and “FINESSE” ranges were particularly successful. In the case of pan tiles, which in total contributed 65.4 % to total sales, demand increased in particular for “BALANCE”, "DOMINO" and "SINFONIE" large pan tiles, as well as the "MAGNUM" mega tile. Special ceramic products and other goods – primarily commercial – had a 14.5 % share of Group business.

Earnings situation: Net income for year soars by 52 %

The increase in sales led in 2006 to appreciable improvement in the earnings position of the CREATON Group. EBITDA, which we use as an indication of our earnings power, rose by around 20 % to EUR 32.1 million. Operating profit (EBIT) strengthened by around 33 % to EUR 18.9 million. This produces an operating profit margin of 11.7 % (prior year: 10.5 %). The high degree of efficiency of all processes in the Company enabled the rise in overall costs to be kept moderate. Despite the clearly higher cost of electricity and natural gas, the cost of materials for example increased by 13 %, to EUR 38.2 million, in the period under review. Expenditure on human resources grew by 3 % to EUR 36.5 million. Other operating expenses totalled EUR 54.1 million, just under 18 % more than in the prior year. In particular higher transport costs occasioned by a marked increase in unit sales and in transport prices impacted here.

As in the prior year, the financial loss totalled around EUR 2.4 million. Consolidated EBT climbed by 40 % to EUR 16.6 million. Of this Germany accounted for EUR 12.4 million and non-German countries for EUR 4.2 million. After deduction of taxes, consolidated net income for the year rose by almost 52 % to EUR 11.1 million. This translates to earnings per share (EPS) of EUR 1.74 as compared with EUR 1.16 one year prior.

Photo studio in Emsdetten, Germany, ▷
ESTRICHZIEGEL toscana



Dividend of EUR 0.23 planned

At CREATON AG operating profit (EBIT) rose by almost 38 % to EUR 12.5 million and net income for the year by 53 % to EUR 11.2 million. Retained earnings of EUR 6.2 million was posted, around 20 % more than the previous year. In order to strengthen the Company's financial power, the Management Board will propose to the Supervisory Board and the Annual General Meeting that of this figure, a dividend of EUR 0.11 be paid on ordinary shares (prior year: EUR 0.28) and EUR 0.23 on preferred shares (prior year: EUR 0.40) and that the remainder be allocated to the revenue reserves.

Financial position and investments

The CREATON AG treasury section is striving for a cost-effective financing mix consisting of capital resources, long-term liabilities for the financing of major investment projects, and short-term loans to bridge seasonal fluctuations in unit sales. Membership of the Etex Group has increased our financial independence still further. The Company has sufficient external financing sources at its disposal.

In 2006 the financial situation of the CREATON Group improved still further. In 2006, cash flow from operating activities increased from EUR 17.6 million to EUR 23.0 million. In addition to the higher net income for the year, increased tax and bonus accruals played a strong role in this regard.

Given the reduced activities there, the cash flow for investing was EUR 5.2 million or considerably less than in 2005 (prior year: EUR 12.9 million), whereas cash flow for financing activities came to EUR 9.9 million and was thus higher than one year prior (2005: EUR 4.1 million). Although in the period under review disbursement for dividends were lower than in 2005, during financial 2006 no new loans were taken up.

In 2006, investments were geared exclusively to efficiency enhancement and replacement measures. In the CREATON Group, capital expenditure here amounted to EUR 5.9 million as against EUR 13.5 million in 2005. CREATON AG invested EUR 8.3 million in comparison with EUR 4.8 million one year earlier, a figure that includes investments in financial assets totalling EUR 3.2 million (prior year: EUR 0.6 million).

Sound assets position

As at December 31, 2006, the CREATON Group balance sheet grew by almost 3 % to EUR 197.3 million. As in the period under review depreciation/amortization exceeded investments, long-term fixed assets were reduced from EUR 158.0 million to EUR 149.3 million. Current fixed assets rose in total from EUR 34.1 million to EUR 48.0 million. Whereas on account of the reduction in stock there was a decline in inventories, given the increased volume of business trade receivables increased. Receivables from affiliated companies include the investment of EUR 12 million in our parent company Etex. Furthermore, there was also a clear increase in cash assets: Including this investment sum these totalled EUR 20.1 million as opposed to EUR 1.4 million one year prior.

"Main Triangel" in Frankfurt on the Main, Germany, ▷
"TONALITY"-"CLASSIC" special color: turquoise green

On the back of the improvement in the earnings situation in 2006, we were able to further strengthen revenue reserves. Group-wide, capital resources rose by 10.5 % to EUR 98.9 million, which translates to an equity ratio of 50.1 % (prior year: 46.6 %). We reduced long-term financial debts by means of the scheduled further redeeming of bank loans to EUR 64.7 million (prior year: EUR 73.1 million). With regard to current financial debts, which increased from EUR 29.4 million to EUR 33.7 million, a reduction in liabilities due to banks and trade receivables payable was offset by a rise in tax and other accruals.

At CREATON AG, the balance sheet increased by 7 % to EUR 141.1 million. Capital resources increased from EUR 79.8 million to EUR 88.9 million, which translates to an equity ratio of a sound 63 %.

Group payroll: 776

In 2006, there was little change to the number of employees in the CREATON Group. As at December 31, 2006, 776 people were employed in comparison with 782 on the same day one year prior. Whereas a few new members of staff were hired in Production and Administration, given the imminent takeover of the Pfleiderer sales division the number of sales staff declined slightly. The total payroll includes 14 apprentices and interns from the Berufsakademie (prior year: 16). At CREATON, the trainees undergo instruction in the areas specialist computer scientist, industrial business management, warehouse management and mechatronics or spend their internships in service management/media and communications science at CREATON.

As at December 31, 2006 CREATON AG employed 626 people (prior year: 633).

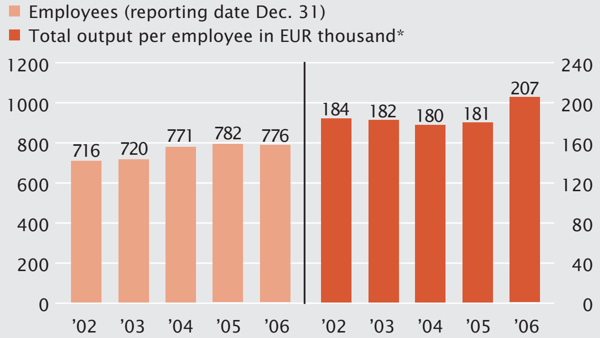
Employees according to locations in the Group

	31.12.2005	31.12.2006
Großengottern	189	190
Autenried	163	159
Guttau	118	114
Wertingen	101	103
Roggden	60	62
Weroth	32	35
Lenti/Hungary	46	49
Specialist sales representatives	73	64
CREATON Group	782	776

So as to promote contact and cooperation between the various departments in the Company, in 2006 the Company continued the Job Changing Programme. This gives employees an opportunity to move temporarily to another department and familiarize themselves with the work there. As in previous years introductory seminars were held for new members of staff. They promote swift integration and present our corporate culture. Several meetings of executives promoted the exchange of information and solidarity at management level. For our apprentices we once again organized a forum that included leisure time activities at which they could get to know trainees from other plants and elect their representative. Furthermore we supported individual further-training courses for full time members of staff. In addition in Q4 we made preparations for the integration of the new members of staff to join CREATON following the takeover of the sales division of Pfleiderer Dachziegel GmbH at the beginning of 2007.

In 2006, the sound company performance was only possible as a result of the commitment of the entire CREATON team. The Management Board would like to thank all members of staff for their efforts. In the period under review total output per employee rose from EUR 181 thousand to EUR 207 thousand.

Employees and total output per employee in the Group



* Calculated according to HGB until 2002, as of 2003 according to IFRS

Board of Management

The Board of Management of CREATON AG comprises three members. The total remuneration for the members of the Board of Management is composed of a fixed salary and a variable component that is dependent on the Company's earnings situation. Shares and share options are not granted. Emoluments for members of the Management Board for the last business year are listed in Section 32 of the Notes.

Sales and Marketing: Preparation for the CREATON brand alliance

As the leading brand manufacturer in the clay roof tile sector, in 2006 CREATON continued its intensive marketing and sales activities. At various national and international trade fairs we presented to trade visitors our range of products as well as current innovations regarding clay roof tiles, facade elements, terrace and screed replacement tiles. By means of trade events and roofers' seminars, as well as client events we promoted contact with our purchasers.

Given the imminent takeover of the sales division of our sister company Pfleiderer Dachziegel GmbH at the beginning of 2007, in fall 2006 preparations were made for a joint image for the CREATON, MEINDL and PFLEIDERER brands. In the first half of 2006, Meindl Dachziegel GmbH, likewise part of the Etex Group, had merged with Pfleiderer. In late 2006, we also swiftly began restructuring sales areas, as well as reorganising and centralising the internal sales department and logistics. In so doing we were able to take on the majority of the Pfleiderer sales and logistics staff and integrate them in the CREATON organisation. Preparations went according to plan, such that the new structure was quickly implemented at the beginning of 2007.

Procurement: Energy prices up again

Securing our energy supply was once again a major focus of procurement activities in 2006 given our heavy reliance on energy for production and continually rising prices for electricity and gas. On a positive note, innovative purchasing models meant we achieved savings compared with market prices. However, in general, energy costs have risen so steeply in recent years that by mid-year we were obliged to pass on at least part of the additional costs to customers in the form on an energy surcharge. Although the bounceback in the construction sector led to greater demand we avoided shortages in other production materials and kept procurement prices relatively stready – thanks largely to our longstanding cooperation with reliable suppliers.

In order to ensure a reliable supply of high-quality clays and loams for our plants we bought several new pits, for instance in Altengottern, Autenried and Guttau.

R & D: New colors and products for the roof

R & D activities at CREATON focus on expanding our product spectrum especially in the high-end area, but also the continual improvement of production methods. In 2006, for example, we made two additions to the color range for our successful “KERA-PFANNE” clay roofing tile line, namely “NOBLESSE” crystal black glazed and crystal slate glazed: the special thing about these glazes is that the natural minerals they contain reflect the light, producing a sophisticated shimmer. We also made further additions to the colour spectrum for “TONALITY” facade elements. Another innovation in 2006 was the “TONALITY” roof finish. Accodingly, the roof edging previously made of wood, metal or asbestos cement can now be in a tone that matches the roof surface. A further advantage: the increasing layers of insulating material, which necessitate an ever higher roof edge, can be elegantly concealed.

In the field of process technology we are working at reducing set-up times, saving raw materials, and lowering energy consumption. In these areas we cooperate regularly with external research institutes.

High quality standards

The quality of our processes and products has reached such a high standard that improvements are now only a matter of small steps forward. In order to secure and document this achievement we have our locations assessed regularly for compliance with the ISO 9000 norm. Several audits were scheduled for 2006: the first inspection of the new plant in Lenti, Hungary but also repeat audits in Wertingen and Großengottern. As expected we met all the necessary conditions and the locations received certification. We run internal audits in order to prepare for these inspections. In addition, we organize quality workshops aimed at finding solutions for complex issues affecting all divisions, for example increasing product resistance against the impact of the weather.

Environmental protection a central task

CREATON attaches great importance to environmental protection. Indeed, when developing new processes and products, ecological criteria play an important role alongside quality and cost-efficiency. One achievement in the year under review: by altering the material mix we made further energy savings at Plant III in Großengottern. That factory received the CREATON environment prize, which we award each year to promote awareness of ecological issues. Morever, we switched to a more eco-friendly technique of applying glazes and engobes that considerably reduces raw material volumes and waste water both at Großengottern and at our plant in Wertingen. Thanks to a new seepage system for rainwater at the Wertingen location less waste water enters the public sewage system there.

As part of the basic research we conduct in cooperation with the German Tile Industry's research agency, in 2006 we also examined the impact of extremly high amounts of snow and rainfall on clay roofing tiles. And we investigated the general effect on environment of our products during use.

In order to maintain our environmental standards throughout the Group and identify potential for improvement, we once again conducted internal environment audits in 2006. Moreover, our new Lenti location was submitted to its first outside eco-audit and proved to be compliant with ISO 14000. Finally, we compiled environonmental reports for all locations in line with the Etex Group's information system.

Relations to affiliated companies

Pursuant to section 15, AktG, CREATON AG, Wertingen, is an affiliated company of the Etex Holding GmbH, Heidelberg. Since no controlling agreement exists, in accordance with section 312, AktG, the Management Board of CREATON AG set out the relations of the affiliated companies for business 2006 in a Dependent Companies Report adding the following declaration to it: "For every legal transaction listed in the report on relations to affiliated companies our corporation received an appropriate compensation and was not disadvantaged by the measures mentioned in the report which were undertaken or not. This assessment is based on the circumstances known to us at the time of the events reported."

Risk report

At CREATON, opportunities and risks are systematically managed to ensure entrepreneurial opportunities and threats are identified, exploited or avoided at an early stage. Three factors come into play: our SAP based, Group-wide controlling and reporting system, the monitoring of various early warning indicators and open communication at all corporate levels. Opportunities and threats are systematically identified, documented, evaluated, and where possible managed. From the current perspective, all identifiable risks are manageable and therefore do not jeopardize the continued existence of the Company. The following risk areas were defined and are subject to ongoing monitoring:

◁ *Residential building in Hohenstein, Germany, "FUTURA" "NUANCE" grey*

Industry and competition – For a decade now the roofing market has been characterized by high prices and competitive pressures. In order to counteract the resulting risk to profits, CREATON continually launches new, strong-profit products, works at constantly enhancing production processes and cooperates with a highly-effective distribution organization. As a member of the Etex Group with its global operations CREATON is not affected by the consolidation trends in the industry.

Product quality – As a premium segment supplier our products must meet the very highest demands. Moreover, quality defects might lead to drops in sales. However, thanks to systematic quality management and external audits we ensure customer requirements are met.

Production and capacity – In order to make certain that our production plants reflect the latest technological developments we submit them to regular inspections and make timely replacement investments. This allows us to avoid interruptions to production, which relies heavily on technical equipment. When building new plants we employ tried-and-tested technology to minimize the likelihood of failures or outlay for alterations. We have introduced annual work-time accounts at our locations to compensate for capacity fluctuations. Whenever demand could not be met we made up the shortfall by procuring goods elsewhere – mainly from other firms in the Etex Group.

Raw material and energy supply – To secure adequate raw materials as feedstock for our plants we constantly seek to buy new supplies of clay and loam in the vicinity of production locations and prior to purchase examine the quality thoroughly. We can only partly offset rising energy costs by continually improving our production methods. Indeed, in 2006 energy costs rose dramatically and out of all proportion so that we saw no alternative but to add an energy surcharge to all our products.

Environmental protection – Ecological aspects are factored into all entrepreneurial decisions in order to avoid ecological risks arising from our actions. Our plants in Wertingen and Lenti participate in European CO_2 emission trading; however, the trading certificates allotted us for the first trading period fell short of requirements, and we had to buy an additional 5 %. Nonetheless, we can limit the financial costs of this trading, as our overall CO_2 emissions are relatively low.

Distribution and marketing – By taking over the complete distribution division of our affiliated company Pfleiderer Dachziegel GmbH with effect from January 1, 2007, Distribution and Marketing face new, not inconsiderable challenges. However, thanks to comprehensive, timely preparatory work and the integration of Pfleiderer's sales and logistics staff into the CREATON organization we have successfully minimized risks arising from this restructuring.

Legal risks – In order to avoid legal risks we rely essentially on competent external legal advice. This allows us to counter possible risks from various suits brought against the Control and Profit/Loss Transfer Agreement between CREATON AG and the Etex Holding GmbH passed at the General Meeting in 2006. Thus far, the litigation has prevented the agreement from being entered in the Commercial Register, and it cannot become effective until this happens. This, in turn, prevents us from entering into closer cooperation with our parent company. We sought

Community Centre in Baruth, Germany, ▷
"KERA-BIBER" natural red and "NUANCE" anthracite

legal advice in connection with an anti-trust search in the Company. Specifically, in December 2006 at the instigation of the German anti-trust agency investigations were launched into CREATON and several competitors owing to the suspicion of agreements in restraint of competition. The Management Board has absolutely no knowledge of such agreements and is cooperating fully with the investigating authorities.

Financial risks – In view of the sound equity base and the financial strength of our new majority shareholder there are no relevant identifiable financial risks for CREATON AG. Rigorous debt management, credit sale insurance and a bank direct debit transfer for our German customers helps prevent defaults of receivables. Further details on liquidity, currency and credit risks but also hedging transactions are set out in the Appendix under point 29.

Other – We minimize risks arising from the use of modern IT by using the very latest data security technology and redundant systems in key sub-sections. We rely on appropriate selection procedures, an attractive training programme and a team-oriented corporate culture to avoid personnel-related risks.

Supplementary report

In the first weeks of 2007, macroeconomic conditions did not alter substantially. Thanks to the ongoing mild weather our business continued favourably. With effect from January 1, 2007, the distribution contract between CREATON AG and Pfleiderer Dachziegel GmbH came into force. As a consequence, all the distribution and logistics activities of Pfleiderer and the former Meindl Dachziegel GmbH including the staff from these divisions have been assigned to CREATON. The result: the creation of a new, strong brand alliance, which CREATON AG manages centrally and markets efficiently. In addition to bundling internal distribution and logistics the field force was restructured and distribution areas reduced so that customers can be serviced more efficiently. At the BAU 2007 trade fair, the new brand alliance was presented at our joint stand for the first time and was very well received by the trade.

In order to also present an uniform brand in the neighbouring country of Austria, the Austrian Pfleiderer company, Meindl Dachziegel GmbH, Mattighofen, was taken over by our distribution company CREATON GmbH, Vienna, on January 1, 2007 and merged with this company with effect as of March 7, 2007.

Moreover, at the turn of the year we commissioned Eternit AG, also a member of the Etex Group, with the distribution of “TONALITY” facade systems in Germany. Accordingly, our products can profit from Eternit’s strong distribution network. CREATON will continue to be responsible for development, production and the international marketing of TONALITY.

Outlook

Economic conditions and market – Given the upbeat economic outlook overall, the European construction industry will experience renewed growth of over two percent according to forecasts by research network Euroconstruct 2007. Owing to the end of various non-recurrent factors we can reckon with demand faltering especially in residential construction in Germany. The Main Association of the German Building Industry anticipates a gain of one percent for this segment in 2007. The roofing market should also remain largely unchanged. Substantially rising energy costs and sustained strong competition will lead to a tightening of the price situation, which will probably have a negative impact on profits taken by roofing materials manufacturers inasfar as they cannot be offset by strong price rises.

Business development – CREATON consolidated sales will increase appreciably in 2007 owing to the incorporation of the Pfleiderer distribution division and from the current perspective will rise to over EUR 200 million. However, given the ongoing price squeeze it will be extremely difficult to match the outstanding profits achieved for the previous year.

Production and investments – As early as the first days of summer 2007 we will begin with the construction of a second plant at our location in Lenti, Hungary with a view to better exploiting the opportunities for expansion in Eastern and Southeast Europe. Directly adjacent to the existing production facility a new factory is to be built covering an area of 13,000 sq. m. and with capacity for turning out some 22 million pan tiles and over one million components a year. Completion is scheduled for spring 2008. As a result our investment volume will increase considerably in the current business year and is likely to reach some EUR 28 million.

Employees – Owing to our taking on the distribution staff from Pfleiderer Dachziegel GmbH, the payroll will rise in 2007 to approximately 900. It is also planned to make slight increases in the number of interns at our locations in Bavaria.

Procurement – We cannot reckon with the situation in the energy sector easing in the current year. Despite various cost-reduction measures the negative impact of gas and electricity increases will worsen from the current perspective. In order to ensure our plants have a long-term supply of high-quality raw materials we plan to acquire addtional pits close to our production locations in 2007. Furthermore, we will continue to consider a number of new raw material supplies – especially in Eastern Europe.

Quality and environmental protection – For the protection of the environment in the current year we are launching a fresh water saving project at the Großengottern location that focuses on using more industrial water. We also plan to install new flue gas cleansing systems at our plants in Guttau and Weroth so as to cut emissions still further. Our quality assurance team will focus amongst other things on developing acoustic and optical testing methods. The repeat audits at our locations will be contiunued in compliance with the current quality and ecological standards.

Product range – Again in 2007 we will present a series of new colour/shape combinations for roof and facade. Some adjustments will be made to the new extended product range that has included MEINDL and PFLEIDERER products since the beginning of 2007, without limiting the choice for our customers. Production of several classic products from the former MEINDL range such as the “Klosterziegel” pan tile “ANTICO” and the “ROMANOKREMPER” inspired by a Roman model was resumed at the start of 2007.

Distribution – The incorporation of the Pfleiderer distribution and logistics activities into the existing CREATON network will be completed in the current year.

Strategies and opportunities – CREATON pursues an earnings-driven expansion strategy. This involves continually expanding our leading position in the German clay tile roofing market and gradually enhancing our standing in promising foreign markets, especially in East and South-Eastern Europe. Thanks to our high-quality innovative products and cutting-edge process engineering we continue to set the tone as regards innovation, quality and technology. We are also strengthening our second product focus, special ceramic products such as facade and terrace elements but also screed replacement tiles by adding new products and using additional distribution channels.

The incorporation of CREATON into the Etex Group offers particular opportunities. In taking over Pfleiderer’s distribution activities we are substantially expanding our range and raising our national and international market share. The sale of our “TONALITY” facade elements via the German distribution network of Eternit AG, which also belongs to the Etex Group, can also be expected to stimulate business. In addition, our entire product range will increasingly be distributed via our associated companies who enjoy strong positions in Western Europe.

On the market side attractive, high-quality products will continue to generate opportunities for expansion in Germany even though following the intermediate high in 2006 the construction industry is only likely to see moderate growth in coming years. As a clay roofing tile manufacturer we will benefit here from the ongoing trend towards natural construction materials. Outside Germany we wish to further step up our activities above all in Eastern and South-Eastern Europe, and as of 2008 we expect our second plant in Lenti to boost business. In other regions we are likewise permanently on the look-out for suitable locations offering high-grade raw materials. We can realize these expansion plans much more swiftly than before thanks to our financially strong parent company Etex.

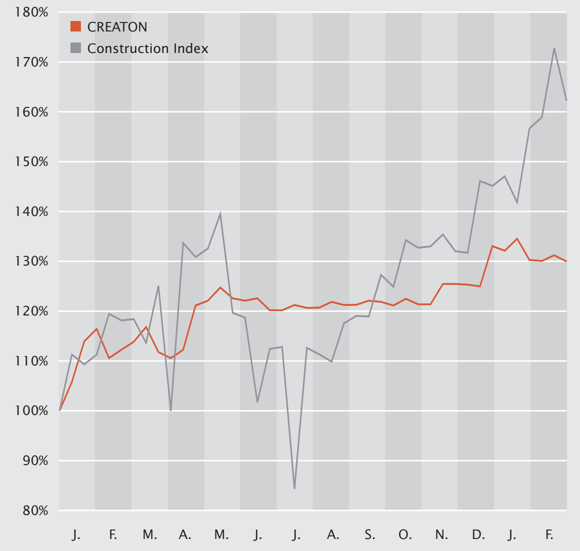
Wertingen, March 2007
CREATON AG
The Management Board

THE CREATON SHARE

POSITIVE SENTIMENT ON THE STOCK MARKETS

2006 was a highly-gratifying year for the stock markets. The world stock markets surprised investors with strong price gains. The robust global economy boosted investor confidence. Moreover, in the course of the year the situation on the oil market eased, and profit prospects for companies improved as a result. In Germany economic development also exceeded forecasts. There was clear evidence of a revival both in investments but also private consumption, which also profited from the increase in VAT at the turn of the year. Because shares in Germany were still valued favourably and corporate earnings saw strong gains 2006 was the fourth positive year in succession for the domestic stock market.

CREATON SHARE PRICE AND CONSTRUCTION INDEX JAN. 2006-FEB. 2007



Jan. 2, 2006: CREATON equity 20.80 EUR = 100 %   Construction Index 378.45 points = 100 %

At year-end, the DAX stood at 6,597 points – its highest level since February 2001. Compared with the closing price for 2005, the blue-chip index had risen by 22 %. Construction sector shares in Germany also profited from the strong turn-around in the sector: After several years of sluggish development construction investment in Germany increased again for the first time and the “Prime Construction Performance Index” booked a marked gain of almost 48 %.

PRICE GAIN FOR THE CREATON SHARE

In 2006, the CREATON share also continued its rally: Starting at EUR 20.80, the low for the year, the price gained almost continually and closed the year on a high of EUR 27.68. Compared with the closing price for 2005, this is equivalent to a gain of around 33 %. The CREATON share notched up the highest gains in January and the end of April 2006. In the second half of the year, it initially moved sideways before recovering lost ground again at year-end. The main reason for the rally was the investment by the new majority shareholder Etex via its subsidiary Etex Holding GmbH; that said, the excellent development of operating business at CREATON AG was also a decisive factor, especially in December, when the Board made an upward correction to its profit forecasts for 2006 based on the favourable development of business in the autumn.

In the first few weeks of 2007, the price held steady between EUR 27 and EUR 28.

ETEX – NEW MAJORITY SHAREHOLDER

Etex had already purchased all the ordinary shares of CREATON AG. On February 28, 2006, the voluntary public takeover offer Etex Holding GmbH made to preferred shareholders ended. Following a proposed purchase price of EUR 19.50 per preferred share the price was raised to EUR 22.00 a share at the end of January 2006. Up until the

◁ CHURCH IN MUNNINGEN, GERMANY,
PLAIN TILE “NOBLESSE”

end of the offering period Etex bought a total of 26,431 preferred shares and accordingly owns together with the 4,200,000 ordinary shares around 60.4 % of the share capital. CREATON AG retained some 9 % of the subscribed capital, the remainder is in free float.

The CREATON management team continues to view the involvement of the Etex Group very positively. In collaboration with this globally well-positioned partner we can aggressively pursue our expansion course and better exploit market opportunities. So as to make cooperation more effective and draw on synergies following consultation with the Supervisory Board in May 2006 the Management Board signed a Control and Profit/Loss Transfer Agreement. It foresees that CREATON AG is managed by the Etex Holding GmbH and transfers its profits to the latter, while Etex makes up any net losses for the year incurred. Outside shareholders are being compensated for any disadvantages arising from this arrangement and can choose between receiving a one-time payment of EUR 23.47 per preferred share in cash or an annual compensatory payment of a gross of EUR 1.06. Etex appointed an independent auditor to determine the respective amounts.

The General Meeting resolved the Control and Profit/Loss Transfer Agreement on July 13, 2006. However, as some shareholders filed nullity suits and actions for invalidity against the resolution the agreement could not be entered on the Commercial Register and is therefore not yet effective. CREATON responded by filing a release application with the responsible first-instance court on September 18, 2006, which ruled in our favour on December 14, 2006. However, that same day, new actions for invalidity were filed. Moreover, though the court again ruled in our favour on January 25, 2007, several shareholders filed an appeal against the ruling in due time with the result that the agreement had not come into force by the time this Annual Report was completed.

Dividend of EUR 0.23 planned

Based on the net income for 2006 which amounted to EUR 6.2 million, the Management Board will propose to the Supervisory Board and the General Meeting of CREATON AG disbursing a dividend of EUR 0.23 per preferred share and EUR 0.11 per ordinary share. Taking into consideration those shares still held by the Company, and which receive no dividend, the dividend total is EUR 1.0 million. The remaining net income will be allocated to the revenues reserve to strengthen our financial base.

Key figures on the share	2005	2006
ISIN: DE 0005483036		
Bloomberg code: CRN3		
Reuters code: CRNG_p		
No. of preferred shares in million units	2.8	2.8
– of which held by CREATON AG	0.6	0.6
ISIN DE 0005483002		
No. of ordinary shares in million units	4.2	4.2
EPS[1] (EUR)	1.16	1.74
Cash flow per share[1] (EUR)	4.22	5.03
Share capital per share[1] (EUR)	14.17	15.50
High for the year (EUR)	20.82	27.68
Low for the year (EUR)	16.10	20.80
End-of-year price (EUR)	20.82	27.68
Market capitalization (as at Dec. 31, in EUR m)[1]	132.2	176.7
Disbursement per preferred share (EUR)	0.40	0.23
Return on dividend (Dec. 31, in %)	1.9	0.8

[1] Basis 2005: 6.322 million shares
2006: 6.383 million shares

Former State Building School in Zittau, Germany, ▷
"KERA-BIBER" and plain tile "NOBLESSE"

Corporate governance report

As a German listed company CREATON AG is not only subject to certain legal requirements but also the recommendations and suggestions of the German Corporate Governance Codex (DCGK). We feel committed to a responsible style of management and are guided by the principles of the Codex. In several points, however, we do not follow the recommendations set out in the current version of the Codex dated June 12, 2006. Pursuant to section 161 AktG our deviations in this matter are detailed in the compliance statement (updated on December 29, 2006), which is posted on the CREATON website and printed on page 26 of this Annual Report. A short summary of the key topics of corporate governance at CREATON follows below.

Shareholders and General Meeting

The CREATON AG share capital is divided into ordinary shares and preferred shares – the latter do not bear voting rights. The documents for convening the General Meeting held once a year are not only available for public inspection and conveyed to the shareholders on request, but are also posted on the Company's website together with the agenda.

Interaction between the Management and Supervisory Boards

Management and Supervisory Board cooperate closely for the good of the Company. All the key issues relevant for the Company that affect business performance, the risk situation and risk management, not to mention short- and mid-term planning, are discussed in depth. Well in advance of the regularly scheduled meetings the Supervisory Board members are supplied with detailed documentation.

Management Board

The Management Board of CREATON AG consists of three members and a Chief Executive Officer. Board members are jointly responsible for the Company's affairs and are committed to the sustained increase in going concern value. Information on Board members' remuneration is given on page 15 of the management report and page 73 of the Notes.

Supervisory Board

The Supervisory Board of CREATON AG consists of six members. The four representatives of the shareholders are elected by the General Meeting, the two employee representatives by the staff at our German locations. No former member of the Management Board sits on the Supervisory Board. In 2006, no specific situations arose that could have been handled more efficiently by the formation of committees. Information on the remuneration of Supervisory Board members is set out on page 73 of the Notes.

Transparency

CREATON seeks to provide all interested parties with timely information and treats all such parties equally in doing so. All compulsory publications and more detailed information can be accessed via our IR-Hotline (Tel.: +49 82 72 86 461; e-Mail: investor-relations@creaton.de) or on our Website www.creaton.de. The dates of important events are also posted on the Internet.

Accounting and auditing

CREATON Group accounting is undertaken in line with the International Financial Reporting Standards (IFRS); the parent company prepares its balance sheet according to the provisions of the German Commercial Code (HGB). The annual financial statements are published by April 30 of the following year; interim reports are released up to two months after the end of the respective reporting period.

German Corporate Governance Code

Declaration pursuant to section 161 of the German Stock Corporation Act, amended version

According to section 161 of the German Stock Corporation Act, publicly listed corporations are required once a year to state to what extent they comply with the recommendations of the German Corporate Governance Code. CREATON AG puts the majority of the recommendations into practice. Where we depart form the Code on specific points, we still fulfill all the legal regulations which we consider adequate for CREATON AG in such cases.

We comply with the recommendations of the German Corporate Governance Code in the version of June 12, 2006 with the following exceptions:

1. The capital stock of CREATON AG is divided into ordinary shares and preferred shares. Each ordinary share carries in principle one vote. The preferred shares in principle have no voting rights (Code no. 2.1.2).
2. Salaries of the Management Board are listed as a lump sum in the Explanatory Notes. Overall remuneration of members of the Board is made up of a fixed and a variable component. The variable component is pegged to the Company's profits. No stocks or stock options are granted (Code no. 4.2.3).
3. Total remuneration of individual members of the Management Board, divided into non-performance-related and performance-related components as well as those with long-term incentives is not disclosed, as with the requisite two-thirds majority the General Meeting on July 13, 2006 resolved that the figures in business year 2006 up until and including business year 2010 shall not be included (Code no. 4.2.4).
4. With regard to the decision by the General Meeting listed under item 3 above, by which the declaration of the remuneration of each individual member of the Management Board be omitted, as well as with regard to the information provided by the Company pursuant to section 285, clause 9, letter a, sentences 1 to 4 of the German Commercial Code and section 314, paragraph 1, clause 6, letter a, sentences 1 to 4 in the Explanatory Notes to the Annual and Consolidated Financial Statements, a remuneration report, which, in a generally comprehensible manner, explains the remuneration system for the members of the Management Board, provides no decisive value added for investors. The same applies to all details regarding allocations to pension accruals or pension funds in the case of provision having been confirmed, to details of the type of benefits provided by the Company as well as details of the main content of approval in the case of termination of membership of the Management Board (Code no. 4.2.5).
5. The Supervisory Board has set up no committees (Code no. 5.3).
6. The members of the Supervisory Board receive fixed emoluments. No variable components are provided (Code no. 5.4.7, para. 2).
7. The emoluments of the Supervisory Board are stated in the Explanatory notes attached to the Annual Report, subdivided into emoluments for their activities and other remuneration. No information is provided on emoluments for the services individually rendered by members of the Supervisory Board (Code 5.4.7, para. 3).
8. In the Corporate Governance Report, no details are given according to Code no. 6.6 para. 1 and 2 (Code no. 6.6, para. 3).
9. The consolidated annual financial statements are released in April of the following business year and the interim reports within two months of the end of the respective period reviewed (Code no. 7.1.2).

Single-family house in Seesen, Germany, ▷
"FUTURA" "FINESSE" burgundy, glazed

Three brands under one roof

By joining the international building construction group Etex, CREATON can take advantage of diverse new opportunities and prospects. With the backing of our parent company with its strong financial resources we will now be able to expand more swiftly in future – for instance, through a second plant at our Hungarian location Lenti, construction of which will commence in the early summer of 2007. There will also be greater market opportunities for our products: Other companies from the Etex Group that have a strong position in neighbouring West European countries have added CREATON clay roofing tiles to their product range, which also improves our own standing in this region. We also expect business to be stimulated by the fact that Eternit AG took over distribution of our "TONALITY" facade elements in Germany as of January 1, 2007. However, the greatest future potential will be kindled by the collaboration between CREATON AG and Pfleiderer Dachziegel GmbH with its clay roofing tile brands PFLEIDERER and MEINDL. This was initiated by bundling distribution activities. In autumn 2006, CREATON signed a contract with Pfleiderer to take over the latter's distribution activities. The agreement came into force at the beginning of 2007.

CREATON, MEINDL, PFLEIDERER – Threefold strengths

In early January 2007, the European clay roofing tiles market saw the arrival of a new strong supplier: CREATON, MEINDL and PFLEIDERER, the three clay roofing tiles brands from the Etex Group are combining their strengths to present a consistent brand alliance. Specifically, we took over the sales activities of our affiliated company Pfleiderer Dachziegel GmbH. This means CREATON now owns internal sales activities and field activities but also the entire logistics. Though we now market, distribute and deliver the clay roofing tiles made in the Meindl and Pfleiderer plants, the three brands will continue as separate brands with distinct identities. As a result we can offer customers a broad product spectrum, improve customer servicing through a much denser sales network and realize synergies in marketing, sales and logistics over the mid-term. We are also expanding in a new dimension: The success of the products sold under the three brands helps secure our position as market leader in Germany in the clay roofing tiles sector.

100 YEARS OF TRADITION – THREE TIMES OVER

We are bundling three brands: CREATON, MEINDL and PFLEIDERER can each look back on a history of more than 100 years. CREATON was born from a merger in 1992 between the Bavarian brickyards Josef Berchtold GmbH (established 1884) and Ernst Ott GmbH & Co. KG (established 1941). In the decade following the merger, CREATON expanded nationally and internationally. Today, it is the top clay roofing tile brand in Germany and one of the leading suppliers in Europe. At five locations in Germany and one location in Hungary it boasts an annual output of almost 90 million plain tiles and pan tiles respectively including accessories. CREATON also operates a Competence Centre for Special Ceramic Products, which produces a wide range of facade elements and ceramic flooring. CREATON has been part of the Etex Group since the end of 2005.

MEINDL also has strong Bavarian roots: The company was established in 1895. In Dorfen, Upper Bavaria, a highly traditional, regionally geared product programme is manufactured, which has a strong customer base above all in Southern Germany and Austria. The location has a capacity for turning out some 17 million plain tiles and around 20 million extruded roof tiles and accessories a year. Etex took over the Meindl Dachziegel GmbH 2005 and integrated it into Pfleiderer Dachziegel GmbH the following year.

PRODUCTION SITES OF THE CREATON BRAND ALLIANCE

Production sites for clay roofing tiles

Autenried/Bavaria

"MAGNUM" | "KLASSIK" | "PROFIL" | "AMBIENTE" | "ANTIK" | "NUANCE" | "ESTRICH-ZIEGEL" | "MANU-FAKTUR"

Wertingen/Bavaria

"HARMONIE" | "ELEGANZ" | "HERZZIEGEL"

Wertingen-Roggden/Bavaria

"KLASSIK" | "PROFIL" | "AMBIENTE" | "SAKRAL" | "FINESSE" | "NOBLESSE" | "PROFIL" Strangfalz-ziegel | "MANU-FAKTUR"

Großengottern/Thuringia

"MAGNUM" | "FUTURA" | "SINFONIE" | "RATIO" | "BALANCE" | "DOMINO"

Guttau/Saxony

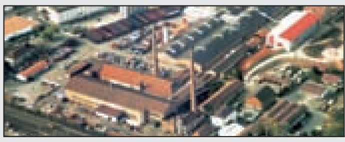
"KERA-PFANNE" | "KERA-BIBER" | "PROFIL" 15.5/38/1.2 | "PROFIL" 18/38/1.2

Dorfen/Bavaria

"MZ3" | "RUSTICO" Falzziegel | "MEGATON MZ5" | "MEGATON FALZZIEGEL" | "ROMANO-KREMPER L21" | "ANTICO" | "KLASSIK"

Höngeda/Thuringia

"TERRA HARMONICA" | "TERRA TECTA" | "TERRA OPTIMA" | "TERRA MAXIMA-PLUS"



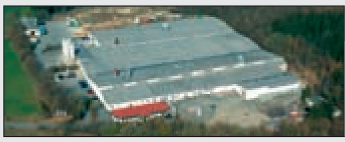
Winnenden/Baden-Württemberg

"TERRA VIVA" | "TERRA PIATTA"

Lenti/Hungary

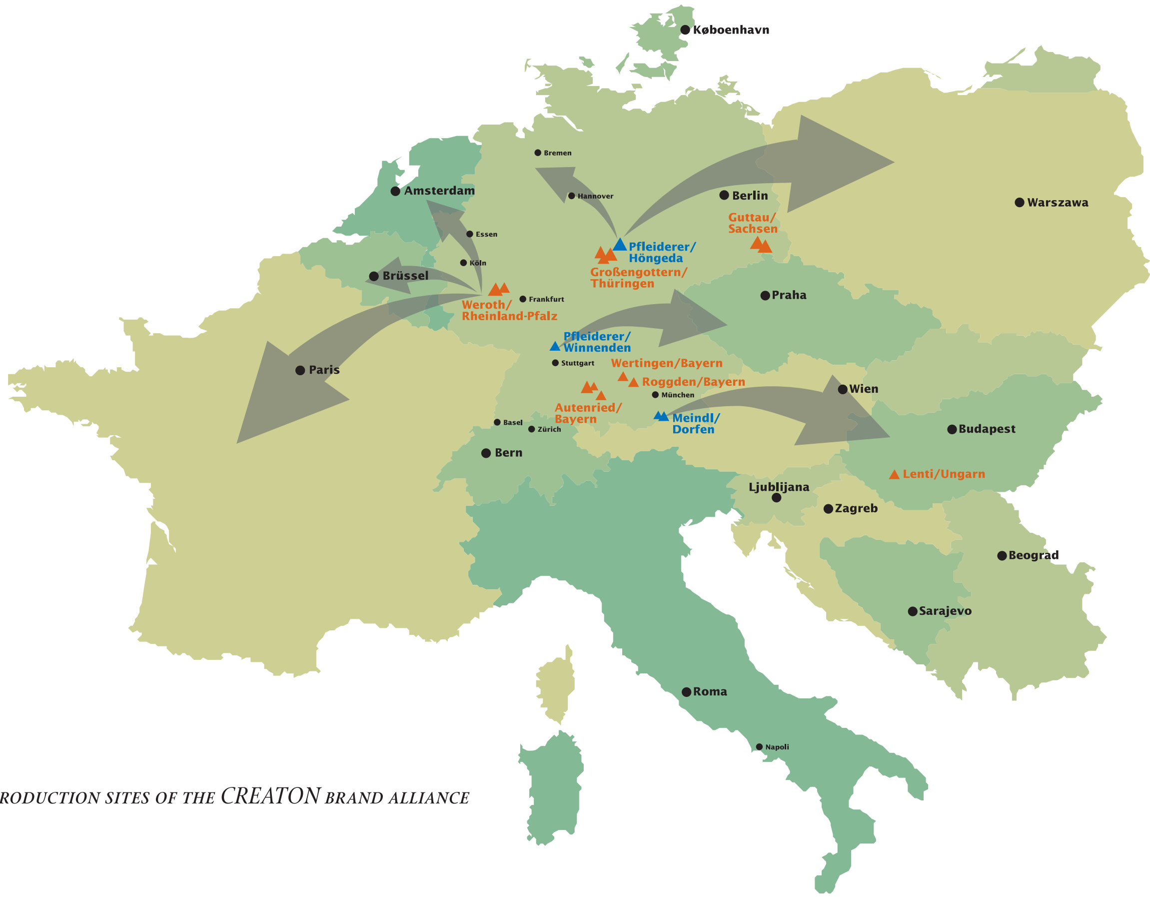
"PROFIL" Strangfalz-ziegel | "KLASSIK" Rundschnitt | "AMBIENTE" Geradschnitt

Production site for facade and flooring elements



Weroth/Rhineland-Palatinate

"TONALITY" | "ESTRICH-ZIEGEL" | "KERATO" Terrassen-element



Production sites of the CREATON brand alliance

The origins of the PFLEIDERER brand can be traced back to two firms both established in 1897: Winnender Ziegelwarenfabrik (Baden-Württemberg) and Höngedaner Dampfziegelei (Thuringia). Today these two locations produce a broad range of design-oriented clay roofing tiles notching up an annual output of around 35 million extruded roof tiles and accessories. Pfleiderer Dachziegel GmbH has belonged to the Etex Group since 2003.

Unmatched diversity – worldwide

Thanks to the bundling of distribution activities we have created an interesting product range whose diversity is hard to beat. Covering creative, sophisticated collections in fine ceramic quality, traditional plane tiles and design-oriented smooth tiles – the new CREATON brand alliance meets both exclusive customer needs but also cost efficiency requirements. Customers can choose from 23 different models of extruded roof tiles – from XXL tiles to small-sized tiles. The plain tile range is the most comprehensive of its kind worldwide and fulfils every possible wish. CREATON is also setting new standards in the accessories segment. Through the bundling of the accessory series we can now cover roofs in unrivalled quality from the eves to the ridge: with a roof decoration series, matching colour snow stop systems and ceramic ventilation pipes.

Three independent, unmistakable brands

In line with the Etex strategy the identity of the individual brands, which complement each other ideally, will be fully retained. CREATON continues to stand for innovative and sophisticated clay roofing tiles of the highest quality. At MEINDL the traditional plain tile, small pan tile range and market leadership in the domestic market of Bavaria will be further expanded. Via the PFLEIDERER brand design-oriented volume business will be strengthened. In the coming months we will gradually eliminate the few instances of overlapping in the three product lines without impairing the choice for our customers.

Customers profit from closely-knit distribution network

As part of bundling our sales activities we have also taken over the Pfleiderer sales and logistics employees, and effectively further enhanced our market coverage. After

Residential building in Ebenweiler, Germany, ▷
"BALANCE" "FINESSE" brown

all, thanks to the larger sales force we now have a closely-knit distribution network with around 100 advisors in the field. And since we have reduced the size of our sales areas our customers – construction material trade, processors, architects, planners and property developers – can now benefit from considerably better service. Simultaneously, by continuing collaboration which has often lasted for many years we are creating customer allegiance to the new Group.

Excellent coverage and efficient logistics

Today, CREATON brand products are produced in 16 plants at ten locations, nine in Germany and one in Hungary. Four plants are operated by Pfleiderer Dachziegel GmbH, the other twelve by CREATON. Production is in Baden-Württemberg, Bavaria, Rhineland-Palatinate, Saxony, Thuringia not to mention the Hungarian border region abutting Austria, Slovenia and Croatia. As such we have an excellent starting position for seamlessly supplying our customers in Germany, the neighbouring nations and Southeast Europe. The geographical proximity to our customers makes for fast delivery and is a decisive competitive advantage, as flexibility is also essential in the construction sector. Thanks to the perfect coordination of logistics activities within the brand alliance we ensure customers in Germany will generally receive their goods within 48 hours.

Pfleiderer plants support CREATON

Given the strong demand we experienced, bottlenecks could hardly be avoided last year. The Pfleiderer production facilities contributed decisively to easing the situation. Though in previous years they had not always worked to full capacity in winter – (unlike the CREATON plants) – in 2006, the Pfleiderer plants supplied their newly affiliated company with merchandise. Both sides profited from this situation: CREATON was better placed to meet demand and Pfleiderer also worked to full capacity during the winter months.

Report of the Supervisory Board

Dear shareholders,

2006 was a good year for CREATON AG. The recovery in the construction industry together with the mild autumn were favourable for business and led to a gratifying sales and earnings trend. We took the first steps toward incorporating CREATON into the Etex Group, and these improved our market position still further.

In 2006, the Supervisory Board concerned itself intensively with the general situation of the Company and its future prospects, but also topics of immediate relevance. The Supervisory Board received detailed and timely information from the Management Board, and was consulted on matters of major importance. In addition to the regularly scheduled meetings, the Management Board provided information on key events in written and oral form. Furthermore, the Management Board kept the Chairman of the Supervisory Board informed on relevant developments and upcoming projects. For its own part, the Supervisory Board also obtained information on the Company's financial and profit situation several times in the course of 2006.

Four ordinary Supervisory Board meetings were held in the year under review. With the exception of the meeting on May 15, 2006, in which Mr. Coens participated through a written vote, each were attended by all Supervisory Board members. Extraordinary meetings did not take place. Matters discussed at the meetings included major business events as well as important issues relating to corporate planning and strategy, business development, the risk situation and risk management. Moreover, details on financial key figures, financial, investment and HR planning not to mention all important decisions and transactions requiring approval were deliberated on in depth and discussed with the Management Board, drawing on analyses and empirical information. The Management Board attended each Supervisory Board meeting. The formation of committees was not necessary.

Focal topics discussed at Supervisory Board meetings

A major point of interest at all Supervisory Board meetings was the incorporation of CREATON AG into the Etex Group S.A., headquartered in Brussels, Belgium. Another topic of discussion at meetings: current short reports by the Management Board's organizational units. Compliance with the recommendations set out in the German Corporate Governance Codex was likewise considered throughout the reporting year. The June 12, 2006, version of the compliance declaration made by the Management Board and Supervisory Board pursuant to section 161 of the German Stock Corporation Act was altered at the end of December 2006 and posted on our website at www.creaton.de in the Investor Relations section together with other information we are obliged by law to disclose. Details of corporate governance at CREATON AG are set out in the Corporate Governance report on page 25 of this Annual Report.

In addition to these regular topics, on March 15, 2006, in the first Supervisory Board meeting, which was not only attended by the Management Board but also by the auditor of the AWT Audit Wirtschafts-Treuhand AG, the 2005 annual financial statements were on the agenda. In connection with the incorporation of CREATON into the Etex Group we also discussed the potential for harmonizing software systems and merging the export organizations in Poland and Austria.

An important point on the agenda in the meeting on May 15, 2006 was approval for concluding a Control and Profit/Loss Transfer Agreement with majority shareholder Etex Holding GmbH. The agreement foresees that CREATON AG is managed by Etex Holding GmbH and transfers all its profits to this company, which for its part is obliged to make up any annual shortfalls that might occur. Other shareholders shall receive compensation either in the form of an annual guaranteed dividend or an appropriate one-time compensatory payment for their preferred shares. On May 15, 2006, the Supervisory Board granted its approval to the closure of such a Control and Profit/Loss Transfer Agreement.

The General Meeting approved the agreement on July 13, 2006, with all shares bearing voting rights in favour. However, several shareholders subsequently filed actions in recission against this resolution. This development was discussed at the Supervisory Board meeting on September 25, 2006. Another subject of said meeting was the takeover of the distribution division of Pfleiderer Dachziegel GmbH, Höngeda, by CREATON AG with effect from January 1, 2007. The former company is also a member of the Etex Group and manufactures clay roofing tiles under the brands PFLEIDERER and MEINDL. The Supervisory Board also approved the construction of a second CREATON plant in Lenti, Hungary.

During the meeting of December 11, 2006, the Management Board informed the Supervisory Board of the current status of the extension project in Hungary. A major focus of this meeting was budget planning for business 2007 not to mention the Control and Profit/Loss Transfer Agreement.

In September, CREATON AG filed a release application to the Munich I regional court, under whose jurisdiction the issue comes, in order to effect the entry of the Control and Profit/Loss Transfer Agreement with Etex Holding GmbH in the Commercial Register. On December 14, 2006, in other words shortly after the last Supervisory Board meeting of the year on December 11, 2006, the Munich I regional court ruled in favour of CREATON AG in this matter. Additional nullity suits already rejected in first-instance rulings were filed against this resolution of approval by the General Meeting of July 13, 2006; moreover, the plaintiff shareholders immediately appealed the release ruling by the Munich I regional court, with the result that the Control and Profit/Loss Transfer Agreement has not yet become effective.

Audit of the annual financial statements and the consolidated annual financial statements

The 2006 CREATON AG annual financial statements were prepared in line with the provisions of the German Commercial Code and the additional regulations of the Articles of Incorporation. The consolidated annual financial statements were prepared on the basis of the International Financial Reporting Standards (IFRS). The Supervisory Board appointed AWT Audit Wirtschafts-Treuhand AG (AWT), which was chosen at the General Meeting of July 13, 2006, to audit the annual financial statements and consolidated financial statements. AWT duly examined the accounts, the annual financial statements, the consolidated annual financial statements and the summarized management report for CREATON AG and the CREATON Group for business 2006. Subsequently, the auditor issued an unqualified audit opinion.

The annual financial statements, consolidated annual financial statements and the summarized management report for CREATON AG and the CREATON Group for business 2006 together with the proposal for the allocation of net income for the year and the audit reports of AWT were presented to all members of the Supervisory Board in good time and examined by the latter. The documents were addressed at length in the Supervisory Board meeting of March 23, 2007, in the presence of the auditor, who reported on the basic findings of the audit. The Supervisory Board approved the results of the audit. Moreover, following the examination of the audit findings by the Supervisory Board no objections were be raised to the annual financial statements, the consolidated financial statements, and the summarized CREATON AG and CREATON Group management report for 2006. In its meeting on March 23, 2007, the Supervisory Board approved the annual financial statements and consolidated annual financial statements as at December 31, 2006, presented to it by the Management Board. The annual financial statements for CREATON AG for business 2006 are herewith considered adopted. The Supervisory Board also declared itself in agreement with the Management Board's proposal for the allocation of the retained earnings.

Relations to affiliated companies

The Management Board drew up its report on the Company's relations to affiliated companies and presented it to the Supervisory Board together with the audit opinion compiled by the auditors. The auditors issued the following unqualified audit opinion:

"Following our due examination and assessment we hereby confirm that the facts as stated in the Report are correct, and that the compensation CREATON AG, Wertingen, made for the transactions mentioned was not inappropriately high."

The auditors were present during the Supervisory Board's examination of the report on relations to affiliated companies and elaborated on the major findings of their report. The Supervisory Board examined the report by the Management Board and the audit report and found that neither gave cause for objection; the Supervisory Board thus endorses the auditor's findings. Nor, having completed its examination of the findings, does the Supervisory Board raise any objections to the declaration by the Management Board at the end of the report on the relations of CREATON AG to affiliated companies.

Composition of the Management Board and Supervisory Board

In business 2006, there were the following changes in the Supervisory Board of CREATON AG: Prof. Norbert Wieselhuber resigned as Chairman on March 31, 2006, and subsequently acted as Vice-Chairman until September 30, 2006. Finally, at the end of September 2006, Prof. Wieselhuber vacated his seat on the Supervisory Board altogether. In the 16 years that he served CREATON Prof. Wieselhuber initially advised CREATON, subsequently he was Advisory Board Chairman of CREATON Berchtold & Ott GmbH and since the IPO in 1995 he has headed the Supervisory Board of CREATON AG. In his various capacities he has made a significant contribution to the CREATON success story. The Supervisory Board wishes to thank him for his many years of highly constructive cooperation for the good of the Company. With effect from April 1, 2006, the Supervisory Board elected J. Alfons Peeters as its Chairman. Mr. Peeters has sat on the board since December 2005 and represents the shareholders. The position of Vice-Chairman has not yet been filled. Andreas Liedel was appointed to the Supervisory Board as employee representative effective from July 5, 2006. He took over from Joachim Treibl, who resigned from CREATON in November 2005. There were no changes in the Management Board.

For temporary supplementation of the number of six members of the Supervisory Board as stated by the Articles until their new election by the General Meeting, the District Court of Augsburg appointed Dr. Robert Mueller with effect from March 22, 2007, as a member of the Supervisory Board. The Supervisory Board elected him with effect from March 23, 2007, as Deputy Chairman. There were not changes in the composition of the Management Board.

We would like to thank the Management Board, all our staff and the employee representatives for their dedication and commitment, without which we would not have achieved such success in the year under review!

Wertingen, March 2007
The Supervisory Board

J. Alfons Peeters

Members of the Supervisory Board

J. Alfons Peeters, Mechelen, Belgium
(Deputy Chairman until March 31, 2006;
Chairman as of April 1, 2006)
Head of European Division of the Etex Group S.A., Brussels, Belgium
Chief Executive Officer of Eternit AG, Heidelberg
Managing Director of Pfleiderer Dachziegel GmbH, Höngeda

Dr. Robert Mueller, Dortmund
(as of March 22, 2007,
Deputy Chairman as of March 23, 2007)
Chairman of the Supervisory Board of Eternit AG, Heidelberg
Chairman of the Advisory Board of Pfleiderer Dachziegel GmbH, Höngeda
Member of the Advisory Board of Hydro-Service GmbH & Co. KG, Kamen

Prof. Norbert Wieselhuber, Munich
(until September 30, 2006)
(Chairman until March 31, 2006;
Deputy Chairman April 1, 2006 until September 30, 2006)
Managing Partner of Dr. Wieselhuber & Partner GmbH, Munich
Member of the Advisory Council of Baerlocher GmbH, Unterschleißheim
Member of the Business Council of Hauck & Aufhäuser, private bankiers, Munich
Member of the Advisory Council of Hörmann GmbH & Co. Beteilungs KG, Kirchseeon
Member of the Advisory Council of Friedhelm Loh Group, Haiger

Ivanka Burger, Blaubeuren/Asch
Employee representative
Staff member in the Export section of CREATON AG, Wertingen

Philippe Coens, Tervuren, Belgium
Managing Director, Chairman of the Executive Committee of the Etex Group S.A., Brussels, Belgium
Member of the Supervisory Board of Eternit AG, Heidelberg
Member of the Advisory Council of S.A. CDH Development, Brussels, Belgium

Frédéric Deslypere, Brussels, Belgium
Company Secretary of the Etex Group S.A., Brussels, Belgium
Member of the Advisory Board of Promat GmbH, Ratingen

Andreas Liedel, Oßmannstedt (as of July 5, 2006)
Employee representative
Head of Production of CREATON AG, Großengottern

Annual financial statements of the CREATON Group

◁ "Fondachhof" in Salzburg, Austria,
"TONALITY"-"COLOR" FW1

CREATON Group

Balance sheet *as at December 31, 2006*

(PRIOR-YEAR FIGURES FOR COMPARISON)

ASSETS	Note	Dec. 31, 2006/EUR 000	Dec. 31, 2005/EUR 000
Fixed assets	(1)		
Intangible assets			
Concessions, industrial and similar rights and assets as well as licenses to such rights and assets		1,657	2,644
Tangible assets			
Land, similar rights and buildings, including buildings on third-party land		63,142	64,276
Technical plant and machinery		73,375	79,092
Other plant, operating and office equipment		5,590	6,219
Prepayments made and work in process		322	291
Financial assets			
Shares in associated companies		47	0
Loans to associated companies		650	750
Other loans		904	1,114
Tax refund claims	(2)	530	0
Deferred tax claims	(3)	3,089	3,572
		149,306	157,958
Current assets	(4)		
Inventories			
Raw materials and supplies		7,904	7,124
Work in progress, unfinished services		612	807
Finished goods and merchandise		12,843	18,866
Receivables and other assets	(5)		
Trade accounts receivable		4,432	3,346
Receivables from affiliated companies		12,081	0
Receivables from associated companies		0	59
Other current receivables		1,758	2,324
Other financial assets		8	12
Tax refund claims		54	54
Cash and cash equivalents	(6)	8,097	1,409
Prepaid expenses	(7)	235	104
		48,024	34,105
		197,330	192,063

LIABILITIES	Note	Dec. 31, 2006/EUR 000	Dec. 31, 2005/EUR 000
Share capital			
Subscribed capital	(8)	16,340	16,340
Capital reserve	(9)	29,457	29,457
Revenue reserves	(10)	23,503	20,403
Cumulative other share capital	(11)	29,647	23,355
		98,947	89,555
Long-term debts	(12)		
Pension accruals		5,593	5,424
Other long-term accruals		1,791	2,238
Liabilities due to banks		24,718	32,517
Public-sector grants and subsidies		7,785	8,488
Deferred tax liabilities	(13)	24,779	24,446
		64,666	73,113
Current financial debts	(14)		
Liabilities due to banks		7,882	9,524
Prepayments received on orders		80	32
Trade accounts payable		6,010	6,676
Liabilities due to affiliated companies		356	0
Liabilities due to associated companies		10	0
Other current liabilities		5,264	5,755
Tax accruals	(15)	4,598	1,420
Other accruals	(15)	9,480	5,988
Deferred charges	(15)		
Other deferred items		37	0
		33,717	29,395
		197,330	192,063

CREATON Group

Income statement

for the period January 1 – December 31, 2006

(prior-year figures for comparison)

	Note	2006/EUR 000	2005/EUR 000
Sales revenues	(16)	162,618	134,874
Increase/(decrease) in			
finished goods and work in progress	(17)	(6,167)	2,414
Other operating income	(18)	4,449	4,621
Total output		160,900	141,909
Cost of materials	(19)	(38,191)	(33,757)
Gross profit		122,709	108,152
Personnel expense	(20)	(36,528)	(35,459)
Scheduled depreciation/amortization	(21)	(13,167)	(12,538)
Other operating expense	(22)	(54,065)	(45,955)
Operating profit		18,949	14,200
Income from other securities and loans			
from financial assets	(23)	88	137
Other interest and similar income		256	27
Profit/(loss) attributable to associated companies			
carried at equity		47	(21)
Interest and similar expense		(2,769)	(2,515)
Earnings from ordinary activities		16,571	11,828
Taxes on income	(24)	(5,481)	(4,516)
Consolidated net income for the year		11,090	7,312
Profit carried forward		23,477	23,846
Dividends		(2,049)	(5,481)
Allocation to revenue reserves		(3,100)	(2,200)
Retained earnings		29,418	23,477

CREATON Group

Cash flow statement

for the period January 1 – December 31, 2006

(prior-year figures for comparison)

	2006/EUR 000	2005/EUR 000
Operating activities		
Consolidated net income for the year	11,090	7,312
Depreciation/amortization on fixed assets	13,757	12,538
Allocations to fixed assets	(40)	(1,765)
Changes in deferred tax assets and liabilities	816	1,113
Increase in accruals	6,392	2,043
Write-back of public-sector grants	(703)	(13)
(Profit)/loss attributable to associated companies	(47)	21
Loss from the disposal of fixed assets	168	0
(Increase)/decrease in inventories, trade accounts receivable and other assets that cannot be classified as investing or financing activities	(7,761)	(1,720)
Increase/(decrease) in trade accounts payable and other liabilities that cannot be classified as investing or financing activities	(706)	(1,955)
Cash flow from current operating activities	22,966	17,574
Investing activities		
Payments from disposals of intangible assets	0	1
Payments for investments in intangible assets	(385)	(536)
Payments from disposals of tangible assets	383	58
Payments for investments in tangible assets	(5,560)	(12,866)
Payments from disposals of financial assets	350	500
Payments for investments in financial assets	0	(99)
Cash flow from investing activities	(5,212)	(12,942)
Financing activities		
Dividends	(2,049)	(5,481)
Sale of own shares	0	1,512
Payments from taking up credits	0	6,321
Payments for redeeming credits	(7,857)	(6,479)
Cash flow for financing activities	(9,906)	(4,127)
Change in cash impacting on the income statement	7,848	505
Change in cumulative other share capital not impacting on the income statement	351	6
Exchange-rate differences	73	236
Cash and equivalents at the beginning of the period	(243)	(990)
Cash and equivalents at the end of the period	8,029	(243)

Schedule of movements in fixed assets and value impairments

for the period January 1 – December 31, 2006

	PURCHASE/PRODUCTION COSTS					
	Status as at Jan. 1, 2006	Exchange-rate difference	Additions	Disposals	Reclassifications	Status as at Dec. 31, 2006
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Intangible assets						
Concessions, industrial and similar rights and assets as well as licenses to such rights and assets	8,943	0	385	298	31	9,061
Tangible assets						
Land, similar rights and buildings including building on third-party land	101,372	(12)	1,583	557	178	102,564
Technical plants and machinery	193,898	(15)	2,498	578	27	195,830
Other plant, operating and office equipment	46,195	(4)	1,197	3,636	15	43,767
Prepayments made and work in process	291	0	282	0	(251)	322
	341,756	(31)	5,560	4,771	(31)	342,483
Financial assets						
Shares in associated companies	62	0	0	0	0	62
Loans to associated companies	750	0	0	100	0	650
Other loans	1,250	0	0	250	0	1,000
	2,062	0	0	350	0	1,712
	352,761	(31)	5,945	5,419	0	353,256

VALUE ADJUSTMENT						NET BOOK VALUE	
Status as at Jan. 1, 2006 EUR 000	Exchange-rate difference EUR 000	Allocations EUR 000	Write-backs EUR 000	Value impairments EUR 000	Status as at Dec. 31, 2006 EUR 000	Status as at Dec. 31, 2006 EUR 000	Status as at Dec. 31, 2005 EUR 000
6,299	0	813	298	590	7,404	1,657	2,644
37,096	13	2,593	280	0	39,422	63,142	64,276
114,806	29	8,091	471	0	122,455	73,375	79,092
39,976	0	1,670	3,469	0	38,177	5,590	6,219
0	0	0	0	0	0	322	291
191,878	42	12,354	4,220	0	200,054	142,429	149,878
62	0	0	47	0	15	47	0
0	0	0	0	0	0	650	750
136	0	0	40	0	96	904	1,114
198	0	0	87	0	111	1,601	1,864
198,375	42	13,167	4,605	590	207,569	145,687	154,386

Schedule of movements in fixed assets and value impairments

for the period January 1 – December 31, 2005

	PURCHASE/PRODUCTION COSTS					
	Status as at Jan. 1, 2005 EUR 000	Exchange-rate difference EUR 000	Additions EUR 000	Disposals EUR 000	Reclassifications EUR 000	Status as at Dec. 31, 2005 EUR 000
Intangible assets						
Concessions, industrial and similar rights and assets as well as licenses to such rights and assets	8,390	0	536	12	29	8,943
Tangible assets						
Land, similar rights and buildings, including buildings on third-party land	93,534	(11)	2,489	0	5,360	101,372
Technical plant and machinery	181,033	0	8,730	1	4,136	193,898
Other plant, operating and office equipment	45,443	(1)	1,324	547	(24)	46,195
Prepayments made and work in process	9,785	(227)	292	58	(9,501)	291
Minor-value assets	8	0	31	39	0	0
	329,803	(239)	12,866	645	(29)	341,756
Financial assets						
Shares in affiliated companies	1	0	0	1	0	0
Shares in associated companies	62	0	0	0	0	62
Loans to associated companies	750	0	0	0	0	750
Other loans	3,983	0	99	2,582	(250)	1,250
	4,796	0	99	2,583	(250)	2,062
	342,989	(239)	13,501	3,240	(250)	352,761

VALUE ADJUSTMENT							NET BOOK VALUE	
Status as at Jan. 1, 2005 EUR 000	Exchange-rate difference EUR 000	Additions EUR 000	Allocations EUR 000	Write-backs EUR 000	Reclassi-fications EUR 000	Status as at Dec. 31, 2005 EUR 000	Status as at Dec. 31, 2005 EUR 000	Status as at Dec. 31, 2004 EUR 000
5,530	0	777	0	11	3	6,299	2,644	2,860
34,941	(2)	2,157	0	0	0	37,096	64,276	58,593
107,122	(2)	7,685	0	1	2	114,806	79,092	73,911
38,641	(1)	1,888	0	547	(5)	39,976	6,219	6,802
0	0	0	0	0	0	0	291	9,785
8	0	31	0	39	0	0	0	0
180,712	(5)	11,761	0	587	(3)	191,878	149,878	149,091
0	0	0	0	0	0	0	0	1
41	0	21	0	0	0	62	0	21
0	0	0	0	0	0	0	750	750
3,983	0	0	1,765	2,082	0	136	1,114	0
4,024	0	21	1,765	2,082	0	198	1,864	772
190,266	(5)	12,559	1,765	2,680	0	198,375	154,386	152,723

Schedule of changes in the share capital

Status as at December 31, 2006

(PRIOR-YEAR FIGURES FOR COMPARISON)

	Subscribed capital EUR 000	Capital reserve EUR 000	Revenue reserves EUR 000	Cumulative other share capital EUR 000	Total EUR 000
Status as at Dec. 31, 2004	16,128	28,157	18,203	23,718	86,206
All income and expenses entered under share capital	0	0	0	7,318	7,318
Dividends paid	0	0	0	(5,481)	(5,481)
Allocation to revenue reserves	0	0	2,200	(2,200)	0
Sales of own shares	212	1,300	0	0	1,512
Status as at Dec. 31, 2005	16,340	29,457	20,403	23,355	89,555

	Subscribed capital EUR 000	Capital reserve EUR 000	Revenue reserves EUR 000	Cumulative other share capital EUR 000	Total EUR 000
Status as at Dec. 31, 2005	16,340	29,457	20,403	23,355	89,555
All income and expenses entered under share capital	0	0	0	11,441	11,441
Dividends paid	0	0	0	(2,049)	(2,049)
Allocation to revenue reserves	0	0	3.100	(3,100)	0
Status as at Dec. 31, 2006	16,340	29,457	23,503	29,647	98,947

List of all income/(expenses) included under share capital

Status as at December 31, 2006

(PRIOR-YEAR FIGURES FOR COMPARISON)

	2006 / EUR 000	2005/ EUR 000
Consolidated net income for the year	11,090	7,312
Adjustments to the market value of financial instruments	253	42
Exchange-rate differences	98	(36)
	11,441	7,318

CREATON Group
Notes to the financial statements
as at December 31, 2006

A. PRINCIPLES AND METHODS

By virtue of being a capital-market-oriented company, according to article 4 of the EC regulation no. 1606/2002 issued on July 19, 2002, CREATON AG is obliged to apply international accounting standards when preparing its consolidated annual financial statements.

The consolidated annual financial statements of CREATON AG and its subsidiaries have been drawn up pursuant to the International Financial Reporting Standards (IFRS). The IFRS also include the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and/or those of the former Standing Interpretations Committee (SIC).

All standards valid for business years commencing on January 1, 2006 or thereafter and that have been adopted by the EU in EU legislation have been considered. Supplementarily the regulations of section 315a para. 1 German Commercial Code (HGB) were taken into account when applying selected regulations under section 160 AktG.

B. SCOPE OF CONSOLIDATION

The scope of consolidation includes the following companies, as it did in the prior year:

Company	Shareholders	Capital stock		%	Profit/loss 2006 EUR 000
Germany					
CREATON AG, Wertingen	Ordinary shareholders	EUR 000	10,752	60	11,161
	Preferred shareholders	EUR 000	7,168	40	
CREATON Beteiligungs-GmbH, Wertingen	CREATON AG	EUR 000	27	100	11
CREATON KERA-DACH					
GmbH & Co. KG, Wertingen	CREATON AG	EUR 000	1,100	100	2,974
	CREATON Beteiligungs-GmbH				
Austria					
CREATON GmbH, Vienna	CREATON AG	EUR 000	80	100	1,085
Poland					
CREATON POLSKA Sp. z o.o., Warsaw	CREATON AG	Zl 000	50	100	(11)
– no current operations –					
Hungary					
CREATON HUNGARY Kft., Lenti	CREATON AG	Ft. 000	29,000	100	233
CREATON TRADE Kft., Lenti	CREATON HUNGARY Kft.	Ft. 000	41,000	100	30

The profit/loss for the year stated is given in line with the values calculated using the regulations in the respective country.

Participations and associated companies

CREATON KERA-DACH GmbH & Co. KG holds 50 % of the shares in Oberlausitzer Tonbergbau GmbH, Vierkirchen. The company is carried at equity.

There are no other direct or indirect CREATON AG participations that require reporting.

There were no reciprocal relationships between the companies included in the consolidated annual financial statements.

C. CONSOLIDATION METHODS

All key subsidiaries that come under the legal or factual control of CREATON AG have been fully included in the consolidation for the consolidated annual financial statements. Joint ventures and associates in which CREATON holds between 20 % and 50 % of the voting rights and over which can potentially exercise a material influence are entered at equity. Other participations are carried at purchase cost. A list of the key subsidiaries is given on page 47.

In the case of first-time consolidation of subsidiaries the purchase costs of the participations are netted against the consolidated value of the stake in the equity of the respective company at the time of the acquisition. The new valuation method pursuant to IFRS 3 is applied here. When defining the share capital subject to the consolidation, all hidden reserves and encumbrances were disclosed. Intangible assets are carried separately from goodwill if they can be separated from the Company or result from a contractual or other right. Minority holdings are carried over at market value. Any remaining differences between purchase cost and the re-valued pro-rated equity gives rise to a difference in assets or liabilities. A capitalized difference from capital consolidation is carried as goodwill. Scheduled depreciation is not charged. Annual value impairment tests are made to ascertain the development of the exploitation of the market position gained throught respective merger and potential of the Company to add value. In the case of there being a need for a value impairment, this is charged to the income statement as an expense from the amortization of goodwill. Negative differences are entered as earnings. As part of subsequent consolidation, the hidden reserves and encumbrances disclosed are carried over and amortization charged/or written off in line with the treatment of the corresponding assets and debts.

For Company acquisitions that occurred prior to the first-time application of IFRS 3, the historical consolidation methods are retained.

In the case of portfolio companies carried at equity, the purchase cost is each year raised or lowered in line with the changes in equity capital of the associated company attributable to the CREATON Group. The principles applicable to full consolidation are accordingly applied to the allocation or carry-over of a difference in the valuation of the participation between the purchase cost of the participation and the pro-rated equity capital of the Company.

The impact of intra-group business transactions has been eliminated. Intra-group receivables and liabilities are netted, interim earnings and losses in the assets and inventory assets eliminated, intra-group income netted against the corresponding expenses. No interim earnings under inventory assets were eliminated owing to their immaterial value. Pursuant to IAS 12, tax deferrals are charged for temporary differences arising from the consolidation.

To the extent that this concurs with IFRS 1 the consolidation methods were retained.

D. CURRENCY TRANSLATION

In the consolidated annual financial statements, the annual financial statements of the non-German Group member companies are translated into EUR in line with the functional-currency concept. The functional currency is derived from the primary economic area in which the respective company is active. In the CREATON Group the functional currency is the respective local currency. This method translates the individual balance-sheet items at the middle exchange rate valid on December 31. Share capital items for the non-German subsidiaries are translated at the historical rates at the date of first-time inclusion in the consolidation. Currency translation for items in the income statement is effected at the average exchange rate for the year. Differences arising from currency translation are entered under share capital and not charged to the income statement.

The functional currency of the Hungarian subsidiaries included in the consolidation is Hungarian forint. The exchange rate on December 31, 2006 was Ft. 252.3000 per EUR 1.00 (prior year: Ft. 251.8891), the average exchange rate for the year was Ft. 264.1400 = EUR 1.00 (prior year: Ft. 247.8220).

The functional currency for the Polish subsidiary included in the consolidation is Polish zloty. The underlying exchange rate at year-end 2006 was Zl 3.9310 per EUR 1.00 (prior year: Zl 3.8634) and the average rate for the year Zl 3.9215 = EUR 1.00 (prior year: Zl 4.0335).

IAS 21 “The Effects of Changes in Foreign Exchange Rates” has been applied in the revised form. Disclosed hidden reserves and goodwill that has arisen from the acquisition of foreign subsidiaries must as of business 2005 be carried over in the functional currency of the subsidiary and translated at the respective December 31 exchange rate without this impacting on the income statement. The disclosed hidden reserves and goodwill carried through financial 2004 will, as in the past, be carried over in EUR.

E. ACCOUNTING AND VALUATION POLICIES

The annual financial statements of the companies included in the consolidated annual financial statements are drawn up according to uniform accounting and valuation principles, and these were also applied in the previous financial year. To this end, financial statements prepared according to country-specific regulations are adjusted to conform to the Group-wide uniform accounting and valuation policies of the CREATON Group, to the extent that they do not concur with IFRS and the discrepancies in the valuations are material.

Standards and interpretations to be used for the first time

The IASB regularly issues new and/or revised standards and interpretations. To the extent that there are no specific transitional stipulations for these regulations, the changes they necessitate shall in principle be applied retrospectively. The opening balance-sheet value of the share capital and comparable values shall to this end be adjusted as if the new accounting and valuation method had always been used.

For financial year 2006 essentially the following new and/or revised regulations were applied for the first time:

- IAS 19 Employee benefits
- IAS 32 Financial instruments
- IAS 39 Fair value option

– IFRS 6 Exploration for and evaluation of mineral resources
– IFRIC 4 Determining whether an arrangement contains a lease
– IFRIC 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
– IFRIC 6 Liabilities arising from participating in a specific market

First time application of these standards led to no material changes. To the extent necessary, the impact on the relevant items is explained separately.

The IASB has issued the following new and/or revised standards and interpretations for business years that commence after January 1, 2006:

– IAS 1 Presentation of the financial statements
– IFRS 7 Financial instruments: disclosure
– IFRS 8 Operating segments
– IFRIC 7 Applying the restatement approach under IAS 29 'Financial Reporting in Hyperinflationary Economies'
– IFRIC 8 Scope of IFRS 2
– IFRIC 9 Reassessment of embedded derivatives
– IFRIC 10 Interim financial reporting and impairment
– IFRIC 11 Group and treasury share transactions
– IFRIC 12 Service concession arrangements

Mandatory application of these standards and interpretations is at the earliest for business years as of January 1, 2006. The CREATON Group is not applying these regulations ahead of time. The impact of first-time application of the new regulations to the consolidated annual financial statements for business 2007 cannot at present be reliably gauged.

Structure of the balance sheet by maturity dates

In keeping with the revised version of IAS 1, the balance sheet shall be structured according to maturity dates. To this end, assets, liabilities and accruals shall be classified as current if they are realized/consumed during the normal cycle of business or if their individual remaining term is less than 12 months after the balance-sheet date. All other items shall be classified as non-current and thus long-term.

Financial assets

The concept of "financial assets" covers financial investments, current and long-term receivables, other securities as well as cash and cash equivalents.

According to IAS 39, financial assets shall be categorized as one of the four following items: held-till-maturity financial investments; loans and receivables; available-for-sale financial assets; and financial assets or liabilities held for trading.

These assets are capitalized at the date of fulfilment, i.e., at the date at which they arise or they become the property of the Company, at the fair value, if necessary taking into account the transaction costs.

Financial investments held to maturity, as well as loans and receivables, shall be valued on the balance-sheet date at the purchase cost carried forward using the effective-interest method. Should the market value of the expected future cash flow as at the balance-sheet date fall below the cash value, then a value impairment shall be charged in the income statement.

Available-for-sale financial assets are on principle carried at the fair value. Changes in the value of available-for-sale financial assets are booked under the valuation reserve under share capital and not to the income statement; if necessary the measurement shall take account of deferred taxes. Value impairments to available-for-sale financial assets shall be charged to income for the period. Value upgradings shall not be entered in the income statement.

Disclosure and presentation of financial instruments are summarized in IAS 32. Recognition and measurement are regulated in IAS 39. The changes in IAS 39 shall be applied retroactively as of business 2006 where material. This had no notable impact on the consolidated annual financial statements of CREATON AG.

Intangible assets

Intangible assets acquired for consideration are carried at purchase cost, intangible assets that come under own output and from which the Group will probably benefit in the future and which can be reliably valued are capitalized at production cost, and written off on schedule on a straight-line basis over their useful lives. The amortization on principle assumes a useful life of 3-8 years.

Tangible assets

Material assets that are used in operations for longer than one year are carried at their purchase or production costs, less scheduled straight-line depreciation. The purchase cost includes the purchase price, directly attributable overheads as well as purchase cost reductions. Tangible assets calculated in foreign currencies are translated into EUR at the offering price valid on the day of the invoice. Production costs include all costs directly attributable to the manufacturing process as well as a suitable part of production-related overheads. Financing costs are not carried. The useful lives assumed correspond to the expected useful lives of the assets in the Group. They are re-assessed each year and if needed adjusted with effect for the future.

For buildings, a useful life of 20-50 years has been assumed. The useful life assumed for technical plant and machinery is up to 20 years. Operating and office equipment is written off over 3-20 years assuming normal use.

IAS 16 states that each essential part of a tangible asset shall be capitalized separately and depreciated in line with its individual useful life. Major inspections are now to be carried at book value as separate purchase costs under tangible assets. No inspections as foreseen in this standard occurred in business 2006.

Value impairments

Extraordinary amortization/depreciation is charged on intangible assets and tangible assets at December 31 if the “realizable sum” of the asset has fallen to below its book value. The “realizable sum” is defined as the respectively higher value of the net sales value and the cash value of the expected cash inflow from the asset.

Financial assets

Financial assets are capitalized at purchase cost on the day of fulfilment, i.e., at the date on which the asset arises or is assigned.

Financial assets are on principle carried according to IAS 39 and subdivided as follows: held-till-maturity financial investments, available-for-sale financial assets, available-for-sale financial assets and receivables.

As regards subsequent valuation as at December 31 the reader is referred to the notes on financial assets on page 50.

Associated companies are carried at equity.

Inventories

The item for inventories comprises raw materials and supplies, work in progress and finished goods, as well as merchandise. Raw materials and supplies as well as merchandise are on principle valued at the average purchase cost. Work in progress and finished goods are entered at production cost. Production costs include all costs directly attributable to the production process as well as a suitable proportion of product-related overheads. Financing costs are not included as part of purchase or production costs.

The valuation as at December 31 is at the lower of purchase/production cost, on the one hand, and the realizable net sales price less attributable costs, on the other. On principle, the net sales price for the final product is taken.

Receivables

With the exception of derivatives, current receivables are classified as loans and receivables. If there are doubts as to whether a receivable can be recovered, then it is carried at the lower realizable figure for the future payment received. Alongside individual value impairments that are then necessary, discernible risks in the form of general credit risks are taken into account by charging lump-sum value impairments.

Receivables held in foreign currencies are valued at the middle rate on December 31. Changes in value are entered to the income statement.

To the extent that they are not effective hedging instruments, derivatives shall be classified as "financial assets at fair value" as carried on the income statement.

Other financial assets

Marketable securities are held as other available-for-sale financial assets at the attributable fair value on December 31, to the extent that this can be reliably defined. Fluctuations in value from one year-end to the next are reflected in the reserves – if necessary considering deferred taxes – and do not impact on the income statement.

Cash and cash equivalents

Bank balances and cash balances are carried at ongoing purchase cost. Foreign-currency credits and balances are valued at the middle rate on December 31.

Share capital

Shares issued are carried at the value of the consideration received, less directly attributable transactions costs. Disbursements to shareholders are deducted from the share capital. Advantages to the income tax bill associated with these transactions are booked to share capital and not to the income statement. Own shares are deducted direct from the share capital.

Accruals

Accruals for pensions and similar obligations contain accrual obligations for service-related old-age provisions. In the case of service-related pension approvals (defined benefits), the employee is approved a certain pension figure. The risk as regards the actual pension payment disbursed is borne by the Company until the date when the pension is paid out. The accrual is compiled according to the projected unit credit method for pensions in line with IAS 19 and defined by independent insurance experts. Actuarial profits/losses are not booked to the income statement unless they exceed the corridor of 10 % of the obligation entailed. At present, no use is made of the option of booking actuarial profits/losses in the share capital to the income statement.

Outside plan assets are netted against the relevant pension obligations. To the extent that the plan assets carried consist of qualified insurance contracts, the market value of the plan assets is assumed to be the cash value of the pension obligations covered, so that no item is entered in the balance sheet.

The interest portion carried under pension expenses is entered under financial income/loss as interest expense.

The accrual for pensions and similar obligations as well as accruals for part-time employment in pre-retirement age, long-service awards and assistance in the case of sudden death, are all classified as long-term accruals.

Tax and other accruals are formed to the extent an obligation to a third party obtains as a result of an event in the past and which will probably lead in the future to an outflow of assets, and this drag on assets can be reliably estimated. If an accrual is not formed because one of the above criteria is not met, then the corresponding obligations are posted under contingent liabilities.

Accruals for obligations that will presumably not place a drag on assets as early as the next year are formed on a par with the cash value of the expected outflow of assets.

The valuation of accruals is re-assessed as at each new December 31.

Liabilities

In the case of first-time entry of financial liabilities, these are posted at purchase cost including transaction costs.

After first-time inclusion, financial liabilities that are classified as impacting on the income statement at the attributable fair value are carried at the attributable market value. The other liabilities are carried at the ongoing purchase cost and factoring in effective interest.

Derivatives are either classified as impacting on the income statement at the attributable fair value or as “effective hedging instruments” and in both cases are booked at the attributable market value.

All other financial liabilities, such as liabilities due to banks or payables due to suppliers are carried at the ongoing purchase cost.

All liabilities held in foreign currencies are entered at the middle rate on the respective December 31. Changes in value are booked to the income statement.

Public-sector subsidies

Public-sector subsidies are entered as deferred income. No deduction is made when calculating the purchasing or production costs of the asset. To offset depreciation, the items are written back on schedule and the income then entered in line with the depreciation period for the plant and machinery for which the subsidies were granted.

Deferred tax items

Pursuant to IAS 12, deferred tax items are charged for all temporary differences between the book values and the fiscal value taken for the assets and debts. Fiscal loss carryforwards that can probably be used in the future are on principle capitalized on a par with the deferred tax claim.

Deferred tax assets from temporary differences eligible for deduction that exceed the temporary differences subject to tax are only carried to the extent that it can be assumed with due certainty that the respective company will generate sufficient taxable income to realize the corresponding advantage.

Derivative financial instruments

The CREATON Group on principle uses derivative financial instruments to hedge interest-rate and exchange-rate risks. These hedging transactions are either concluded to hedge the attributable market value or future cash flow.

To hedge variable interest-rate payments, on principle interest-swap deals in which the underlying variable interest is swapped for a fixed interest rate over the entire period involved have been concluded. To hedge exchange-rate risks, forward exchange transactions and forex options are used.

Pursuant to IAS 39, all financial derivatives are entered in the balance sheet at purchase cost and then valued at the attributable market value as at the next December 31.

To the extent that the financial instruments used do not qualify as effective hedging transactions, all fluctuations in market value are directly factored into the profit/loss for the period.

If the financial instruments used qualify as effective cash-flow hedges in the reading of IAS 39, then the fluctuation in market value over the entire term of the derivative does not impact on income for the period. Instead, the item is booked to the relevant valuation reserve. If a financial asset arises from the secured payment flow, then at the point in time when the underlying transaction is entered in the balance sheet, the result from the hedging transaction shall be withdrawn from the share capital and considered as a profit or loss in the period in question.

In the case of an effective hedge of the attributable market value, the fluctuations in market value for the asset or debt hedged and in the financial instrument offset each other as regards the income statement.

The Group's hedging policy is to conclude only effective derivative deals to hedge against interest and exchange rate risks.

Realization of earnings/expenses

Sales revenues and other operating income are realized on performance of the service and/or with the assignment of dangers to the client.

Changes in inventories relating to work in progress in the production process as at December 31 are entered at pro-rated production costs.

Operating expenses impact on income as at the time the service is rendered and/or the time at which it is caused.

Guarantee expenses are booked as at the time of realization of the corresponding sales revenue.

Interest income/expense are booked pro-rated for the period using the effective-interest method. Dividends are on principle entered at the time of disbursement.

Assumptions and estimates, errors

Preparing consolidated annual financial statements involves bringing assumptions and estimates to bear as regards the future, for example as regards the expected useful lives of fixed assets or the attributable market values of financial assets and liabilities. The expectations impact on the scale and disclosure of the assets, liabilities and contingent liabilities. New information and increasing experience can lead to an estimate being revised. Such changes are prospectively factored into the income statement.

At present, there is no uncertainty as regards estimates that could necessitate a substantial adjustment of the disclosed assets and liabilities in the coming business year.

Errors can occur when gathering and defining data or in the presentation of financial statements, for example by errors in the calculations, errors in applying accounting and valuation principles, or the erroneous interpretation of the matter at hand. Material errors from past periods shall be retrospectively applied and the opening balances adjusted accordingly.

F. Explanatory notes to the balance sheet

Discrepancies may occur from rounding owing to the presentation in EUR thousands.

1. Fixed assets

The schedule of changes in fixed assets, with the exception of claims to tax reimbursements and deferred taxes, can be seen from the schedules of movements in fixed assets in 2006 and 2005 as stated on pages 42-46.

The management report gives an account of the investments.

Intangible assets

The income statement presents the amortization on intangible assets under “expenses for scheduled amortization”.

Given the planned introduction of an Etex-Group-wide EUSAP IT system scheduled for 2008, the value of the SAP licenses used to date has been assessed and a value impairment pursuant to IAS 36 of EUR 590 thousand charged under other operating expenses.

Tangible assets

Tangible assets are encumbered by liens of EUR 80,481 thousand, the same figure as the prior year. The actual figure operative is EUR 32,531 thousand (prior year: EUR 40,388 thousand).

An appraisal of the value of the fixed assets did not lead to any indication that impairments may have occurred.

No damages were paid for value-impaired or lost tangible assets.

Rented assets

No rented assets are carried as tangible assets such as can be classified as financing leasing owing to the nature of the underlying leasing contracts but cannot be categorized as the legal property of the Group.

Operating leases

The rental and leasing contracts signed are classified as operating lease contracts in terms of their business intent, meaning that the leasing object shall be attributed to the lessor.

Leasing contracts for real estate at our factory hubs in Wertingen, Roggden and for Plant I in Autenried have a remaining term of 10 years.

As a rule, the operating lease contracts for cars have a term of 2-3 years. The contracts usually end automatically after expiry of that time; in part, we hold options to extend the contracts.

The following sums are due in the subsequent periods:

		EUR 000
Land and buildings	Total	4,646
of which < 1 year		465
of which > 1 year		4,181
Other plant, operating		
and business equipment	Total	1,530
of which < 1 year		349
of which > 1 year		1,181

Financial assets

The shares in associated companies relate to those held in Oberlausitzer Tonbergbau GmbH, which is included at equity in the consolidated annual financial statements. In business 2006, the Company booked a profit of EUR 134 thousand (compared to a loss of EUR 82 thousand the prior year). After factoring in the loss for business 2005 not yet considered, the value of the stake was stated at EUR 47 thousand.

Loans are valued at ongoing purchase cost since these are receivables or loans extended by the Company. The book value of loans to associated companies is identical to the market value thereof and is EUR 650 thousand, as against EUR 750 thousand the prior year. The loans were granted for an unlimited period.

Other loans relate to a loan bearing no interest to the former affiliated company Ströher GmbH. The loan is being repaid in five equal instalments of EUR 250 thousand each as at September 30 of the respective year. To cover the lack of interest payable, a value impairment on a par with the amount discounted and at an interest rate of 3.5 % has been charged. The value impairment in financial 2006 was written back at EUR 40 thousand. The write-back was entered under income from other securities and financial assets loaned. The current portion of other loans totalling EUR 250 thousand is carried under other current receivables.

2. Tax reimbursement claims

In line with the regulations set out in the “Act on Fiscal Measures Accompanying the Introduction of the European Community and for Changes to Other Stipulations under Fiscal Law” (SEStEG) the cash values of the CREATON Group corporation tax credits were entered as EUR 530 thousand. The sum is discounted at an interest rate of 5.5 % across the statutory payment period from 2008 to 2017.

3. *Deferred tax claims*

Deferred tax claims result primarily from fiscal loss carryforwards. These are only capitalized to the extent that the use of the fiscal loss carryforwards is probable. The deferred tax assets from fiscal loss carryforwards relate primarily to the trade-tax loss carryforwards of CREATON KERA-DACH GmbH & Co. KG. The reduction in deferred tax claims essentially depends on the further use of the loss carryforward. Fiscal loss carryforwards not capitalized total EUR 1,373 thousand.

4. *Inventories*

Inventories can be sub-divided as follows:

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Raw materials and supplies	7,904	7,124
Work in progress,		
unfinished services	612	807
Finished goods and merchandise	12,843	18,866
	21,359	26,797

The value impairments made in the framework of a valuation at the lower of cost or market on December 31 amounted to EUR 254 thousand for raw materials and supplies (prior year: EUR 229 thousand) and for finished goods and merchandise EUR 595 thousand (prior year: EUR 649 thousand).

No revaluations were made in business 2006 of value impairments charged in former years.

In the CREATON Group, no inventories are assigned as collateral.

5. *Receivables and other assets*

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Trade accounts receivable	4,432	3,346
Receivables from		
affiliated companies	12,081	0
Receivables from		
associated companies	0	59
Other current receivables	1,758	2,324
Other financial assets	8	12
Tax refund claims	54	54
	18,333	5,795

Value adjustments on trade receivables came to EUR 703 thousand (prior year: EUR 647 thousand). Revenues from writing back value adjustments on receivables amounted to EUR 132 thousand (prior year: EUR 102 thousand). Allocations to value adjustments on receivables totalled EUR 188 thousand (prior year: EUR 1 thousand).

Receivables from affiliated companies consist of receivables from the following member companies of the Etex Group:

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Etex Holding GmbH	11,983	0
Eternit N.V., Belgium	57	0
Eternit Holding B.V., Netherlands	2	0
Ivarsson & Co A/S, Denmark	39	0
	12,081	0

All companies included in the consolidated annual financial statements of the Etex Group are considered affiliated companies.

Other current receivables consisted of the following:

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
VAT	441	618
Mineral oil tax refunds	309	1,060
Investment grant	0	29
Receivables from employees	105	103
Market value of financial derivatives	286	0
Lending against credit	137	43
Receivables from the Labor Office (BfA)	122	90
Current repayment part of other loans	250	250
Other	108	131
	1,758	2,324

The book values stated under receivables and other assets comprise financial assets and are calculated at ongoing purchase cost, since the items are solely Company receivables or loans extended by it. The ongoing purchase costs of these monetary assets correspond to their market value. Receivables and other assets are not pledged as loan collateral. Moreover, the financial assets are exposed to no risk of changes in interest rates. The default risk for doubtful receivables has been taken into account in the form of value impairments or in the case of actual default covered by credit insurance.

Other financial assets are made up of marketable securities as well as cooperative shares.

6. *Cash and cash equivalents*

The cash balances listed here came to EUR 17 thousand (prior year: EUR 11 thousand).

The balance on current accounts, as in the prior year, bore 0.50-3.10 % interest, compared with an essential rate of 0.50 % the prior year. Overnight money and fixed-interest deposits in foreign currency were carried at between 4.20 % and 7.00 % (prior year: 3.40 % and 4.30 %). Overnight money and fixed-interest deposits held in EUR were carried at rates of between 2.05 % and 3.50 % (prior year: 1.45 % and 1.75 %).

Foreign exchange balances are valued at the average rate on December 31, 2006.

There were no pledges of bank balances for existing loans or for approved credit lines.

7. *Prepaid expenses*

Prepaid expenses relate to prepaid sums such as trade-fair charges and fees, where the relevant expense is attributable to subsequent years.

8. *Subscribed capital*

The CREATON Group capital stock amounts to EUR 16,340 thousand as in the prior year. The difference between the CREATON Group capital stock and that of CREATON AG is, as in the prior year, EUR 1,580 thousand. This corresponds to the nominal value of 617,250 own shares that are deducted direct from the subscribed capital. The capital stock continues to be made up of 4,200,000 ordinary shares and 2,800,000 preferred shares without voting rights. Both types of shares are bearer shares.

The Annual General Meeting authorized the Board of Management, subject to the approval of the Supervisory Board, to raise the capital stock by a maximum of EUR 8,960 thousand up until June 24, 2009 by one or several issues of new ordinary bearer shares and/or preferred bearer shares without voting rights (Authorized Capital I). The number of shares must rise in the same proportion as does the capital stock. The capital increases can be effected either for cash or against contributions in kind. Moreover, the Board of Management is authorized, again subject to the approval of the Supervisory Board, to decide on whether or not to exclude subscription rights for existing shareholders. Such an exclusion is, however, only permissible, to avoid fractional amounts and/or in the case of a capital increase against contributions in kind designed to acquire companies, parts of companies or participations in companies or other key operational means. Furthermore, such an exclusion shall be permissible if the capital increase for cash does not exceed 10 % of the capital stock and the issue price does not substantially fall short of the stock-market price of the shares. In addition, subscription rights for bearers of a particular share category can be excluded as regards the other share category to the extent that the subscription ratio for both types of share is equal.

The Annual General Meeting on June 18, 1999 empowered the Company to acquire own shares through to December 17, 2000 up to a maximum total of 10 % of the then CREATON AG capital stock. The Board of Management was authorized, subject to approval of the Supervisory Board, to sell the own shares or, again subject to approval of the Supervisory Board and without an extra resolution of the AGM being required to this effect, to withdraw such shares or use them as a contribution in kind in exchange for a performance rendered by a third party, without the shares being restricted to these uses. These authorizations can be used once or on several occasions, individually or at once.

9. *Capital reserve*

The capital reserve contains additional payments from the issue of shares in connection with the IPO of CREATON AG on Nov. 9, 1995.

In line with the regulations of IAS 32, the pro-rated discount contained in own shares of EUR 8,322 thousand (prior year: EUR 8,322 thousand) was deducted direct from the capital reserve.

10. *Revenue reserves*

The revenue reserves contain profits posted in former years by companies included in the consolidated annual financial statements to the extent that such was not distributed. Moreover, in the revenue reserves we have netted capitalized differences from the capital consolidation for the consolidation of subsidiaries prior to the time of first-time adoption of IFRS. This was retained in concurrence with IFRS 1.

11. *Cumulative other share capital*

The cumulative other share capital contains not only the income and expenses carried as share capital but also the dividends paid and allocations to the revenue reserves. The cumulative other share capital is reduced by the netted deferred tax liabilities of EUR 109 thousand (prior year: deferred tax assets EUR 46 thousand), without this affecting the income statement.

The list of all income and expenses carried under share capital contains the consolidated net income for the current financial year as well as other value impairments carried in the consolidated balance sheet and which according to IFRS shall not be booked to the income statement. These include adjustments for the market value of derivative financial instruments as well as differences from exchange-rate translations.

The figures fluctuate considerably owing to factors that the Board of Management cannot influence as they depend on share-price, exchange-rate and interest-rate changes.

12. *Long-term debts*

Pension accruals

	Jan. 1, 2006 EUR 000	Consumption EUR 000	Repayment EUR 000	Allocation EUR 000	Dec. 31, 2006 EUR 000
Pension commitments	7,436	210	0	828	8,054
Plan assets	(2,012)	0	0	(449)	(2,461)
Pension accruals	5,424	210	0	379	5,593

Pension accruals relate to employees in Germany. Pensions cover old-age and disability pensions as well as pensions for descendants. As a rule, there are fixed contribution plans depending on the duration of employment (defined benefit plans). The pension accruals cover both pension from such pension schemes already being paid as well as entitlements to pensions to be paid in the future.

The plan assets result from the capitalized value of the respective reinsurance coverage.

To value the pension accruals and identify pension costs, we make use of the 10-percent unit Corridor Rule. Actuarial profits/losses are not factored in to the figure if they do not exceed ten percent of the scope of the insurance.

Any figure exceeding the corridor is assigned on a pro-rated basis across the average remaining employment term of the active payroll, booked to the income statement, and factored into the balance sheet.

Owing to the actuarial profits not entered, the pension accruals in the balance sheet exceed the cash value of the pension obligations.

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Cash value of fund-financed pension commitments	5,459	3,030
Cash value of non-fund-financed pension commitments	4,609	4,685
External plan assets	(2,461)	(2,012)
Actuarial profits/(losses) not entered	(2,014)	(279)
	5,593	5,424

The market value of the plan assets discounted from the pension obligations corresponds to the cash value of the relevant pension obligations.

The expense from allocations to pension accruals carried in the income statement and the income from writing this item back is made up as follows:

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Expense for employment service	409	316
Interest on expected pension commitments	418	383
Income from plan assets	(448)	(383)
	379	316

Expense for employment service hours and the amortized actuarial profits are charged as personnel expense, the interest premium for the expected pension commitments entered as an interest expense.

Income from the plan assets is carried as other operating income.

The following premises were applied when calculating commitments:

	Dec. 31, 2006 %	Dec. 31, 2005 %
Interest rate	4.50	5.00
Trend for salary increases	0.00	0.00
Trend for pension increases	1.00	1.00
Probable fluctuation	7.00	7.00

The actuarial cash value of the pension accrual has been calculated by drawing on the actuarial tables compiled by Prof. Klaus Heubeck in 2005.

The following table presents the development of pension commitments as of first-time application of IFRS in 2003:

	2003 EUR 000	2004 EUR 000	2005 EUR 000	2006 EUR 000
Cash value of pension commitments	6,316	2,945	3,030	5,459
Cash value of direct pension plans	82	3,894	4,685	4,609
Cash value of commitments	6,398	6,839	7,715	10,068
Market value of fund assets	(2,960)	(1,628)	(2,012)	(2,461)
Shortfall in (+) / excess coverage (-)	3,438	5,211	5,703	7,607

The probable contribution payments from direct benefit pension approvals for the year 2007 is EUR 215 thousand.

Other long-term accruals

Other long-term accruals developed as follows:

	Jan. 1, 2006 EUR 000	Consumption EUR 000	Write-back EUR 000	Allocation EUR 000	Dec. 31, 2006 EUR 000
Recultivation	1,159	0	417	0	742
Long-service awards	411	0	0	46	457
Part-time employment in pre-retirement age	668	76	0	0	592
	2,238	76	417	46	1,791

Recultivation

The accrual for recultivation covers the outlays necessary to restore the clay pits to their natural state after use. The calculations are based on a corresponding expert report.

Long-service awards

The accrual for long-service awards is made on a calculation of the actuarial cash value based on the actuarial tables composed by Prof. Klaus Heubeck in 2005.

Part-time employment in pre-retirement age

The benefit payments made by the employer and the additional contributions to pension insurance made that are not based on payment for part-time labour constitute an independent severance obligation by the employer that does not come under the original benefits and remuneration obligations foreseen in the employment relationship. They are thus so-called “termination benefits” (for waiving previously agreed full-time employment). This obligation shall be carried as a liability and impact as an expense for the first time as at year-end of the year in which the Company can no longer cease to fulfil this obligation.

If the part-time employment in pre-retirement age is structured in line with the block model, then the employee works full hours during the employment phase, although he is only paid in line with part-time employment for that period. In this way, during the employment term the employer carries payment in arrears on a par with the working hours not remunerated. This shall be taken into account in the form of a cumulative debt item. The debt item is written back in the periods when the employee is paid in line with the part-time arrangement, without actually working.

Reimbursement claims against the Labor Office (BfA) are capitalized if it is factually certain that they will accrue to the Company. A receivable on the scale of the reimbursement sum shall be entered as soon as the relevant application has been approved. Reimbursement sums are not considered as reducing the accrual prior to fulfilment of the conditions for them being made. Reimbursement sums are carried under other current receivables and total EUR 122 thousand (prior year: EUR 90 thousand).

The accrual for part-time employment in pre-retirement age relies on a calculation of the actuarial cash value based on the actuarial tables composed by Prof. Klaus Heubeck in 2005.

Long-term liabilities due to banks

	Total EUR 000	of which < 1 year EUR 000	of which 1-5 years EUR 000	of which > 5 years EUR 000	Sum total > 1 year EUR 000
Liabilities due to banks 2006	32,531	7,813	18,704	6,014	24,718
Liabilities due to banks 2005	40,388	7,871	23,612	8,905	32,517

The current portion of long-term liabilities due to banks is posted under current liabilities due to banks.

Long-term liabilities due to banks consist of investment loans.

Collateral for liabilities due to banks by the Group takes the form of liens totalling EUR 80,481 thousand, as it did the prior year. Actual recourse to the liens totalled EUR 32,531 thousand, as opposed to EUR 40,388 thousand the prior year.

Long-term liabilities due to banks entail the following fixed-interest periods and nominal interest rates:

Interest fixed till	Interest rates 2006 from – to in %	as at 2006 EUR 000	Interest rates 2005 from – to in %	as at 2005 EUR 000
2006	–	0	5.25 – 5.75	97
2007	3.90 – 4.35	2,556	3.90 – 4.35	5,113
2008	–	0	–	0
2009	–	0	–	0
2010	–	0	–	0
2011	5.50	708	5.50	865
2011	6-month EURIBOR + margin	11,138	6-month EURIBOR + margin	13,324
2012	5.05 – 5.85	7,629	5.05 – 5.85	8,989
2013	–	0	–	0
2014	3-month EURIBOR + margin	10,500	3-month EURIBOR + margin	12,000
		32,531		40,388

The market value of long-term liabilities owed to banks is EUR 32,466 thousand (prior year: EUR 39,977 thousand).

Public-sector grants and subsidies

Allocations from the public sector were composed as follows:

	Jan. 1, 2006 EUR 000	Allocation EUR 000	Write-back EUR 000	Dec. 31, 2006 EUR 000
Investment grants	6,090	0	425	5,665
Investment subsidies	1,763	0	179	1,584
Investment promotion, Hungary	635	0	99	536
	8,488	0	703	7,785

The investment grants approved for CREATON KERA-DACH GmbH & Co. KG in connection with the new factory building constructed at Guttau were entered under public-sector investment grants. These items are written back in line with the useful life of the economic assets supported in this manner to the tune of EUR 425 thousand (prior year: EUR 434 thousand) and are factored into other operating income.

The subsidies granted by the Thuringia Economics Ministry in line with the Act to Enhance the Structure of the Regional Economy were earmarked for construction of the new roofing tile plant in Großengottern and were entered under public-sector subsidies. A figure of EUR 35 thousand (prior year: EUR 70 thousand) was written back in line with the useful life of this subsidized asset. In addition, the subsidies granted in prior years by the Saxony Economics Ministry to CREATON KERA-DACH GmbH & Co. KG are carried under this item. A figure of EUR 144 thousand (prior year: EUR 144 thousand) was written back in line with the useful lives of the economic assets subsidized. The sums written back are carried under other operating income.

The investment promotion provided to CREATON HUNGARY Kft. in the context of the new plant built in Lenti, Hungary, was entered under public-sector investment promotion. A figure of EUR 99 thousand (prior year: EUR 43 thousand) was written back in line with the useful life of the economic assets and carried under other operating income.

13. *Deferred tax liabilities*

Deferred tax liabilities came to EUR 24,779 thousand (prior year: EUR 24,446 thousand).

We desisted from netting deferred tax assets against deferred tax liabilities owing to the different tax debtors/creditors and the differing periods of time involved.

14. *Current financial depts*

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Liabilities due to banks	7,882	9,524
Prepayments received on orders	80	32
Trade accounts payable	6,010	6,676
Liabilities due to affiliated companies	356	0
Liabilities due to associated companies	10	0
Other liabilities	5,264	5,755
	19,602	21,987

The book values carried for the financial debt classified as current liabilities are calculated at ongoing purchase cost, with the exception of the financial derivatives.

There are risks of interest-rate changes specifically as regards the market value of the financial derivatives.

Liabilities due to affiliated companies are due to the following Etex Group member companies:

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Manasco N.V., Belgium	31	0
Pfleiderer Dachziegel GmbH	319	0
Promat GmbH	2	0
Marley SA (Pty.) Ltd., South Africa	2	0
Meindl Dachziegel GmbH, Austria	2	0
	356	0

All companies included in the Etex Group consolidated annual financial statements are considered as affiliated companies.

Other liabilities were structured as follows:

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Tax liabilities	1,138	1,040
Liabilities for social benefits	26	864
Liabilities due to employees	2,283	2,089
Power and energy costs	565	948
Creditor debts	825	422
Market value of financial derivatives	0	125
License fees	84	0
Other	343	267
	5,264	5,755

15. *Current accruals*

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Tax accruals	4,598	1,420
Other accruals	9,480	5,988
	14,078	7,408

Tax accruals contain taxes on income that were formed for the current business year and for periods for which the tax return has not yet been filed.

Other accruals were made up as follows:

	Jan. 1, 2006 EUR 000	Consumption EUR 000	Write-back EUR 000	Allocation EUR 000	Dec. 31, 2006 EUR 000
Guarantee obligations	970	0	0	475	1,445
Bonus	3,023	2,920	104	4,369	4,368
Legal and consultancy costs	221	115	62	737	781
Annual report	110	110	0	95	95
Guarantee taken up	181	3	81	0	97
Outstanding invoices	835	712	123	1,944	1,944
Sales representatives	165	157	8	98	98
Travel expenses	0	0	0	103	103
Other	483	117	39	222	549
	5,988	4,134	417	8,043	9,480

The accrual for guarantees relates primarily to possible claims being brought for returned goods, price rebates, and replacement deliveries made free-of-charge as well as warranties.

Owing to the bankruptcy of Emil Schönhöfer GmbH a former affiliated company, the expected claims from guarantees issued on its behalf are entered in the accrual for guaranteed claims. Moreover, this item also covers another guarantees claim expected.

CREATON is of the opinion that in light of information currently available the existing accruals are appropriate. Owing to the inherent difficulties in estimating obligations and commitments, we cannot exclude that the actual costs will exceed existing accruals. We cannot predict the possible impact this would have on the operating profits as regards the uncertainty in terms of scale and point in time of the payments. The Management Board is of the opinion that additional expenses, to the extent that these should even be incurred, will not materially impair CREATON's financial position, but could have a substantial impact on operating profits for a specific period.

Deferred charges

The item for deferred charges contains a grant from a private energy provider for 2007 already booked.

G. *EXPLANATORY NOTES TO THE INCOME STATEMENT*

16. *Sales revenues*

Sales revenues are made up of the following products:

	2006 EUR 000	2005 EUR 000
Extruded roof tiles	106,413	87,576
Plain tiles	32,724	26,307
Facade tiles	3,426	4,153
Screed replacement tiles	1,305	1,197
Other	18,750	15,641
	162,618	134,874

Sales revenues can be sub-divided geographically as follows:

	2006 EUR 000	2005 EUR 000
Inside Germany	116,174	95,869
Outside Germany	46,444	39,005
	162,618	134,874

17. *Changes in inventory*

	2006 EUR 000	2005 EUR 000
Increase/(decrease) in		
finished goods and work		
in progress	(6,167)	2,414

Part-gains are not realized. Work in progress is capitalized at the production costs incurred to the extent these are probably covered by revenues.

18. *Other operating income*

The key items for other operating income were as follows:

	2006 EUR 000	2005 EUR 000
Public sector grants and subsidies for		
– Investment subsidies	179	214
– Investment grants	425	434
– Investment promotion, Hungary	99	43
Exchange-rate gains	622	48
Income – writing back accruals	834	0
Income – disposal of fixed assets	141	58
Income – allocations to fixed assets	40	1,765
Income – re-insurance coverage	448	383
Claims for damages	182	496
Costs passed on	594	357
Car use	359	368
Rentals	128	129
Other	398	326
	4,449	4,621

Exchange-rate gains on foreign-currency items essentially contain gains from exchange-rate differences between the date when the items arose and the payment date as well as exchange-rate gains from the valuation at year-end. Exchange-rate losses from these transactions are carried under other operating expense.

Income from claims for damages contains the default ratios reimbursed by credit sale insurance.

19. Cost of materials

	2006 EUR 000	2005 EUR 000
Raw materials and supplies	10,119	10,642
Merchandise	7,671	5,118
Procurement costs	750	719
Energy costs	18,831	16,040
Services bought in	1,872	1,714
Reductions to revenue	(1,052)	(476)
	38,191	33,757

20. Personnel expense

	2006 EUR 000	2005 EUR 000
Wages and salaries	30,289	29,500
Social security contributions	5,262	5,042
Expenses for old-age pensions		
and benefits	977	917
	36,528	35,459

The average payroll for the year was as follows:

	2006	2005
Salaried staff	237	238
Commercial staff	539	538
	776	776
Trainees	13	15
Total	789	791

21. Scheduled depreciation/amortisation

	2006 EUR 000	2005 EUR 000
Intangible assets	813	777
Tangible assets	12,354	11,761
	13,167	12,538

The depreciation carried contains no extraordinary depreciation. The value adjustments necessary in the business year are entered under other operating expenses in line with IAS 36.

22. Other operating expense

	2006 EUR 000	2005 EUR 000
Operations		
Repairs and maintenance	7,606	6,405
Vehicle pool	1,094	1,069
Guarantee and warranty costs	1,306	738
Others	639	816
Administration		
Legal, consultancy and audit costs	1,943	2,153
Rental, leasing, licenses	2,504	2,077
News transmission	749	709
Insurances	460	614
IT expense	352	366
Others	427	194
Distribution		
Freight outward	22,928	18,577
Packaging materials	4,097	3,642
Advertising, Public Relations	3,064	3,165
Travel expenses	1,101	982
Commission	1,111	1,151
Others	716	686
Ancillary personnel expenses	1,514	1,302
Other		
Reductions in value pursuant to IAS 36	590	0
Lab requirements	210	255
Losses from disposals of fixed assets	309	58
Value adjustments to receivables	358	41
Donations	204	119
Other taxes	145	371
Exchange-rate losses	608	223
Others	30	242
	54,065	45,955

23. *Financial result*

	2006 EUR 000	2005 EUR 000
Income from other securities and loans of financial assets	88	137
Other interest and similar income	256	27
Profit/(loss) attributable to associated companies carried at equity	47	(21)
Interest and similar expense	(2,769)	(2,515)
	(2,378)	(2,372)

24. *Taxes on income*

	2006 EUR 000	2005 EUR 000
Current income tax expense	4,231	3,439
Tax refunds from prior years	(530)	(11)
Tax payments in arrears for prior years	1,120	0
Deferred taxes	660	1,088
	5,481	4,516

The taxes on income contain no expenses or income resulting from changes to the accounting and valuation methods.

In business 2006, the deferred tax rate inside Germany came to 38 %, the same rate as the prior year. Outside Germany, the deferred tax rate applied for the current business year was between 16 % and 24 %, as against 16 % one year earlier. The change of the tax rate only impacts to an immaterial extent on the deferred tax bill.

Deferred taxes attributable to the market valuation of financial assets and cash flow collateral are netted against share capital without this impacting on the income statement. They total EUR 108 thousand, as compared with EUR 46 thousand the prior year.

Tax payments in arrears for prior years result from tax audits concluded in business 2006. Current income tax expense is favourably influenced by the inclusion of items reversed on the basis of the Company audit and totalling approx. EUR 800 thousand.

On balance, the deferred tax assets and liabilities carried in the balance sheet are structured as follows:

	2006 EUR 000	2005 EUR 000
Fixed assets	21,175	20,485
Tax-free reserves	3,232	3,848
Pension accruals	(158)	(171)
Financial assets valued at market prices	109	(46)
Loss carryforwards	(2,797)	(3,123)
Other	129	(119)
	21,690	20,874

The following table shows a reconciliation statement for the expected tax expense as compared with that actually carried. In order to calculate the expected tax expense, earnings before taxes on income are multiplied by a tax rate of 38 % for financial 2006 and 2005. These consist of a corporation tax rate of 25 % and 13 % for trade income tax and the German solidarity surcharge.

	Base 2006 EUR 000	Tax 2006 EUR 000	Base 2005 EUR 000	Tax 2005 EUR 000
Expected income tax expense	16,571	6,297	11,828	4,495
Non-deductible operating costs		79		78
Special fiscal factors		(367)		(157)
Losses not nettable against tax		2		3
Corporation tax credit balances		(530)		0
Other		0		97
Actual income tax expense		5,481		4,516

The special fiscal factors essentially reflect the impact of operational audits.

25. Earnings per share

	2006	2005
Consolidated net income		
for the year in EUR	11,090,429	7,311,695
Ordinary shares bearing		
dividend rights	4,200,000	4,200,000
Preferred shares bearing		
dividend rights	2,182,750	2,122,230
Dividend per ordinary share in EUR	0.11	0.28
Dividend per preferred share in EUR	0.23	0.40
EPS per ordinary share in EUR	1.70	1.12
EPS per preferred share in EUR	1.82	1.24
EPS per share (total averaged) in EUR	1.74	1.16

The undiluted EPS is calculated as the quotient of Group income and the weighted average of shares outstanding during the business year, although treasury shares are not included. Neither in financial 2006 nor financial 2005 were earnings diluted.

26. Cash flow statement

The cash flow statement shows how CREATON Group cash and cash equivalents changed in the business year. Cash flow is structured here as cash flow for/from operating activities, that for/from investing activities, and cash flow for/from financing activities. The balance of cash and cash equivalents shown in the cash flow statement results from the balance of the balance-sheet items for cash and cash equivalents as well as current liabilities due to banks without the current portion of long-term liabilities due to banks.

Interest of EUR 2,005 thousand was paid (prior year: EUR 1,927 thousand) and interest income taken of EUR 286 thousand (prior year: EUR 130 thousand).

Payments for taxes on income came to EUR 2,135 thousand (prior year: EUR 3,568 thousand); tax refunds amounted to EUR 0 thousand (prior year: EUR 10 thousand).

In business 2006, as in the prior year, no subsidiaries were acquired or sold.

There are no limitations on rights of disposal over cash and cash equivalents.

H. OTHER INFORMATION

27. Contingent liabilities

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Liabilities from issuing		
and assigning bills	215	158
Liabilities from		
granting guarantees	724	582
	939	740

No claims had been brought at the time when these financial statements were prepared.

28. Other financial obligations

	Dec. 31, 2006 EUR 000	Dec. 31, 2005 EUR 000
Long-term lease contracts		
for operating property	4,646	5,110
due in up to one year	465	465
due in over one year	4,181	4,645
Licenses	2,083	2,333
due in up to one year	217	217
due in over one year	1,866	2,116
Leasing fees	1,615	1,908
due in up to one year	349	1,051
due in over one year	1,266	857
Order guarantees	276	436
	8,620	9,787

Other financial obligations are not discounted.

Additional contingent liabilities and other financial liabilities such as come under disclosure requirements in the Explanatory Notes were not known as at December 31, 2006.

29. Hedging policy and financial derivatives

Derivative financial instruments

In business 2006, as part of medium-term financing, interest-rate swap deals were effected with Dresdner Bank AG. The expenses made as part of the interest swaps are listed under interest expense.

As at December 31, 2006, CREATON AG had availed itself of a collateralized credit line of EUR 1,278 thousand. The collateral for the interest swap limited until September 30, 2007 is reduced every six months by EUR 639 thousand. The fixed interest granted CREATON AG is 3.1450 %, the variable interest rate for Dresdner Bank AG is pegged to the 6-month EURIBOR. Moreover, an interest swap limited until March 30, 2010, was concluded for EUR 6,000 thousand. The interest rate for CREATON AG is based on the 5-year EURIBOR, and a max. of 3.9 %, the variable interest rate for Dresdner Bank AG set at the 3-month EURIBOR.

As part of financing the new factory facility in Guttau CREATON KERA-DACH GmbH & Co. KG availed itself of collateralized credit lines of EUR 11,181 thousand. The collateral was an interest swap limited until September 30, 2011, which is reduced every six months by EUR 1,118 thousand. The fixed interest borne by CREATON KERA-DACH GmbH & Co. KG is 3.1417 %, the variable interest rate for Dresdner Bank AG is pegged to the 6-month EURIBOR.

The market value of derivative transactions is capitalized as other assets or entered as other liabilities.

The market values stated for financial derivatives correspond to the respective price at which independent third parties would acquire the rights/commitments entailed by the financial instrument in question. The market values were calculated on the basis of market information as known on December 31, 2006.

Foreign currency risks

CREATON AG is exposed to exchange-rate risks from invoicing in Polish zloty and Swiss francs. The Company's policy is to limit these risks by means of systematic financial management, which also involves the use of financial derivatives. The corresponding financial transactions are only concluded with counter-parties who have top-grade credit ratings. No hedges existed at the balance-sheet date in order to hedge exchange-rate risks.

Credit risk

An appropriate volume of value impairments on receivables and a credit sale insurance duly take discernible risks into account.

Liquidity risk

The relevant financial planning tool is used to identify at an early date trends for future liquidity such as arise as part of the Group's strategy and planning. This system outlines probable liquidity required against a target horizon of as a rule up to three years.

30. Occurrences after December 31, 2006

We would draw the reader's attention to the statements in the management report. No other items that come under disclosure requirements occurred.

31. Segment reporting

The CREATON Group is sub-divided into two segments: inside Germany and outside Germany. The division by geographic segment is made in line with the client's registered domicile.

The segment information is based on the same accounting and valuation methods as the consolidated annual financial statements.

Segment result by geographical markets

Business 2006

	Inside Germany EUR 000	Outside Germany EUR 000	Reconciliation EUR 000	Group EUR 000
External sales	116,174	46,444	0	162,618
Consolidated sales	0	12,902	(12,902)	0
Total output	115,026	58,920	(13,046)	160,900
Cost of materials	(26,472)	(24,621)	12,902	(38,191)
Personnel expense	(26,834)	(9,694)	0	(36,528)
Amortization/Depreciation	(8,908)	(4,259)	0	(13,167)
Other operating expenses	(39,126)	(15,083)	144	(54,065)
Operating profit	13,686	5,263	0	18,949
Financial loss	(1,309)	(1,069)	0	(2,378)
Earnings from ordinary activities	12,377	4,194	0	16,571
Taxes on income	(4,504)	(977)	0	(5,481)
Consolidated net income for the year	7,873	3,217	0	11,090

Business 2005

	Inside Germany EUR 000	Outside Germany EUR 000	Reconciliation EUR 000	Group EUR 000
External sales	95,869	39,005	0	134,874
Consolidated sales	0	15,494	(15,494)	0
Total output	100,704	56,838	(15,633)	141,909
Cost of materials	(23,516)	(25,735)	15,494	(33,757)
Personnel expense	(24,702)	(10,757)	0	(35,459)
Amortization/Depreciation	(8,629)	(3,909)	0	(12,538)
Other operating expenses	(32,597)	(13,497)	139	(45,955)
Operating profit	11,260	2,940	0	14,200
Financial loss	(1,687)	(685)	0	(2,372)
Earnings from ordinary activities	9,573	2,255	0	11,828
Taxes on income	(3,655)	(861)	0	(4,516)
Consolidated net income for the year	5,918	1,394	0	7,312

Total output covers not only sales revenues but also changes in inventories, own work capitalized, and other operating income. Cost of materials is subdivided on the basis of the volumes sold. Freight costs entered under other operating expenses are allocated as actually incurred. The other items were assigned in line with the pro-rated portion of sales.

The column for reconciliation covers Group revenue accruing outside Germany as well as material and other costs incurred.

Segment assets, debts and investments by geographical market

	Inside Germany EUR 000	Outside Germany EUR 000	Reconciliation EUR 000	Group EUR 000
Segment assets (2006)	138,079	55,204	4,047	197,330
Segment assets (2005)	133,177	54,146	4,740	192,063
Segment debts (2006)	67,000	26,785	29,377	123,162
Segment debts (2005)	53,460	23,182	25,866	102,508
Segment investments (2006)	3,588	2,357	0	5,945
Segment investments (2005)	3,160	10,242	99	13,501

Segment assets include all assets tied down for operating activities that are used by a segment, in particular ongoing means of payment, receivables, inventories and tangible assets and intangible assets, less value impairments. Segment assets do not contain deferred or other claims to tax refunds as well as other loans; these are itemized in the reconciliation column.

Segment debts cover all operating debts and is primarily made up of liabilities and accruals. Segment debts do not contain any deferred or other tax accruals; these are itemized in the reconciliation column.

Segment investments cover all investments in fixed assets used for operating activities. The reconciliation relates to investments in other loans.

The division by segment is essentially based on the respective share of sales. Investments are divided up by the expected share of sales.

Segment sales, assets and investments, by product

	Plain tiles EUR 000	Pan tiles EUR 000	Other EUR 000	Reconciliation EUR 000	Group EUR 000
External sales (2006)	32,719	106,414	23,485	0	162,618
External sales (2005)	26,307	87,576	20,991	0	134,874
Segment assets (2006)	38,861	126,513	27,909	4,047	197,330
Segment assets (2005)	36,544	121,614	29,165	4,740	192,063
Segment investments (2006)	1,656	3,513	776	0	5,945
Segment investments (2005)	9,458	2,908	1,036	99	13,501

The “Other” segment contains the following products: facade and screed replacement tiles and accessories purchased as merchandise.

32. Information on relations to friendly companies

According to IAS 24, relations to companies that are controlled by the CREATON Group but are not included as consolidated companies in the consolidated annual financial statements as well as relations to associated companies shall be disclosed.

According to IAS 24, likewise persons or companies controlled by the CREATON Group shall be disclosed. Control is deemed to exist if a shareholder owns more than half the ordinary shares in CREATON AG or by dint of the Articles of Incorporation or contractual agreements is able to direct the financial and business policies of the CREATON Group's management. As at December 31, 2006, Etex Holding GmbH wholly owned the ordinary shares in CREATON AG. Etex Group S.A. is the parent company of Etex Holding GmbH, and all companies included in the consolidated annual financial statements of Etex Group S.A. are thus regarded as friendly companies.

In business 2006 the following business occurrences were transacted with friendly companies:

	2006 EUR 000	2005 EUR 000
Sales revenues from sale of goods		
Eternit N.V., Belgium	684	0
Other	143	0
Other operating income		
Pfleiderer Dachziegel GmbH	58	0
Other	14	0
Cost of materials from buying in goods		
Pfleiderer Dachziegel GmbH	2,852	13
Oberlausitzer Tonbergbau GmbH	504	76
Other	20	2
Other operating expenses		
Pfleiderer Dachziegel GmbH	93	0
Other	20	0
Other interest and similar income		
Etex Holding GmbH	133	0
Interest and similar expense		
Etex Holding GmbH	131	0

These receivables and liabilities are settled at market prices. We would point the reader here to the statements in the Dependent Companies Report pursuant to section 312, AktG, as presented in the management report.

Moreover, there are intra-group trade receivables and liabilities settled at market prices. These business transactions are eliminated.

Moreover, according to IAS 24 business transactions with associates must be disclosed if the latter have a material influence on the CREATON Group financial or business policies, and this shall include close family members or interposed companies. A material influence on the CREATON Group financial or business policies is deemed to exist if a stake of 20 % or more ordinary shares is held in CREATON AG, a seat is held on the CREATON AG Board of Management or Supervisory Board, or another key management position is held.

The total remuneration of the CREATON AG Board of Management in business 2006 came to EUR 1,897 thousand (prior year: EUR 1,773 thousand). Accruals for Management Board pensions are carried totalling EUR 2,196 thousand (prior year: EUR 1,817 thousand). According to the resolution of the General Meeting on July 13, 2006, the Company is exempted (section 314, para. 2, sentence 2 in connection with section 286 para. 5 of the German Commercial Code) from providing individualized statements on the emoluments of Management Board members (section 314, sentence 1, no. 6a, sentence 5-9, German Commercial Code).

No advances, loans, warranties or guarantees were granted to Management Board members.

Supervisory Board members received remuneration totalling EUR 73 thousand (prior year: EUR 81 thousand) for their work on the Supervisory Board. Other emoluments accruing to members of the Supervisory Board came to EUR 169 thousand in the prior year. Accruals for pensions for members of the Supervisory Board ran at EUR 5 thousand (prior year: EUR 2 thousand). Former members of the Supervisory Board received other remuneration of EUR 625 thousand (prior year: EUR 470 thousand); accruals for pensions came to EUR 2,013 thousand (prior year: EUR 1,782 thousand).

No advances, loans, warranties or guarantees were granted to active or former members of the Supervisory Board.

33. *Remuneration of the independent auditors*

	2006 EUR 000	2005 EUR 000
Operational audit	147	145
Tax consultancy	59	42
	206	187

34. *Board of Management and Supervisory Boards*

Board of Management:

Alfons Hörmann, Sulzberg (Chairman),
Board of Management: Strategy, Marketing/Sales
Chairman of the Supervisory Board of Schöck AG, Baden-Baden
Member of the Advisory Council of Hörmann GmbH & Co. Beteiligungs KG, Kirchseeon
Member of the Advisory Council of Schwering Türenwerk GmbH & Co. KG, Reken, Westphalia

Hans-Josef Berchtold, Wertingen,
Board of Management: Technology
Member of the Advisory Council of Herforder Brauerei GmbH & Co.KG, Hiddenhausen

Karsten Schüssler, Wertingen,
Board of Management: Finances, Controlling, Purchasing
Chairman of the Advisory Council of Sigel Holding GmbH, Mertingen

Supervisory Board:

The members of the Supervisory Board are presented individually on page 35 of this Report.

35. Compliance declaration according to section 161 German Stock Corporation Act

The declaration of compliance with the German Corporate Governance Code called for under section 161 German Stock Corporation Act was issued by the Board of Management and the Supervisory Board and made accessible to the shareholders.

36. Shareholdings by the Board of Management and Supervisory Board

As in the prior year, the Board of Management and the Supervisory Board hold no shares.

37. Proposal on the allocation of the CREATON AG retained earnings

The Board of Management proposes to the Supervisory Board and to the General Meeting that the retained earnings of CREATON AG totalling EUR 6,160,613.83 be allocated as follows:

Payment of a dividend of EUR 0.11 per ordinary share on the dividend-bearing capital stock of EUR 10,752,000.00	EUR	462,000.00
Payment of a dividend of EUR 0.23 per preferred share on the dividend-bearing capital stock of EUR 7,168,000.00 and considering the non-dividend-bearing capital stock of treasury shares of EUR 1,580,160.00	EUR	502,032.50
Allocation to the revenue reserves	EUR	5,150,000.00
Carryforward	EUR	46,581.33

Wertingen, March 14, 2007

The Management Board

Hans-Josef Berchtold Alfons Hörmann Karsten Schüssler

Audit Opinion by the independent auditors

"We have examined the consolidated annual financial statements of CREATON AG, Wertingen, consisting of the balance sheet, the income statement, the schedule of changes in equity, the cash flow statement, and the notes, as well as the Group management report for the business year January 1 – December 31, 2006. It is the responsibility of the Company's legal representatives to prepare the consolidated annual financial statements and the Group management report according to both the IFRS as applicable in the EU and supplementarily the German commercial law regulations as in section 315a, para. 1 of the German Commercial Code (HGB). Our task is on the basis of our audit to issue an opinion on the consolidated annual financial statements and Group management report. In addition, we were commissioned to assess whether the consolidated annual financial statements accord with the IFRS as a whole.

We conducted our examination of the consolidated annual financial statements pursuant to section 317 HGB and in line with the generally accepted German accounting principles published by Institut der Wirtschaftsprüfer (IDW). Thus, the audit shall be planned and carried out in such a way as to identify with due certainty any inaccuracies and violations that have a material influence on the presentation of picture of the assets, financial and earnings position as conveyed by both the consolidated annual financial statements in line with the applicable accounting principles and the Group management report. When choosing the audit activities, a knowledge shall be brought to bear of the business operations and the business and legal conditions under which the Group operates as well as expectations of possible errors. As part of the examination, the efficacy of the internal controlling system as relevant to the accounting as well as the documentation on the information given in the consolidated annual financial statements and the Group management report shall be assessed primarily on the basis of random checks. The examination shall include passing an opinion on the annual financial statements of the companies included in the consolidated annual financial statements, the scope of consolidation chosen, the accounting and consolidation principles applied and material assessments by the Company's legal representatives as well as an appreciation of the overall presentation of the consolidated annual financial statements and the Group management report. We are of the opinion that our examination created a sufficiently secure basis for our judgement.

Our examination led to no objections.

In our opinion, on the basis of the insights we gained from our examination, the CREATON AG consolidated annual financial statements concur with IFRS as applicable in the EU and supplementarily the German commercial law regulations as in section 315a, para. 1 HGB as well as with the IFRS as a whole, and in line with these regulations presents a true and fair picture of the Group's assets, financial and earnings position. The Group management report is consistent with the consolidated annual financial statements and overall presents an accurate picture of the Group and of the risks and opportunity of future developments."

AWT
AUDIT WIRTSCHAFTS-TREUHAND AG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Wagner	Huber
Public Certified Auditor	Public Certified Auditor

Stuttgart, March 14, 2007

CREATON Group

The last five years

		2002 (HGB)	2003 (IFRS)	2004 (IFRS)	2005 (IFRS)	2006 (IFRS)
Sales						
Net sales revenues	EUR million	112.2	130.2	133.1	134.9	162.6
Inside Germany	EUR million	86.7	101.2	101.7	95.9	116.2
Outside Germany	EUR million	25.5	29.0	31.4	39.0	46.4
Non-German share	%	22.8	22.3	23.6	28.9	28.6
Earnings						
Operating profits (EBIT)	EUR million	10.2	9.9	14.4	14.2	18.9
Earnings from ordinary activities	EUR million	2.2	7.5	11.7	11.8	16.6
Net income for the year	EUR million	0.1	4.3	6.4	7.3	11.1
EPS[1]	EUR million	0.38	0.68	1.01	1.16	1.74
Assets and capital						
Fixed assets	EUR million	113.4	148.2	152.7	154.4	145.7
Current assets	EUR million	49.2	31.5	32.6	34.0	47.8
(of which cash and marketable securities)[4]	EUR million	9.0	3.0	2.0	1.4	8.1
Share capital[2]	EUR million	67.4	84.9	86.2	89.6	98.9
Balance sheet total	EUR million	163.4	184.0	189.2	192.1	197.3
Cash flow/investments						
Cash flow[1]	EUR million	20.5	22.5	27.3	26.7	32.1
Investments	EUR million	41.0	10.0	18.1	13.5	5.9
Amortization/depreciation	EUR million	22.3	12.6	12.9	12.5	13.2
Net financial loss (cash and cash equivalents less financial liabilities)[5]	EUR million	– 35.1	– 29.5	– 30.2	–27.8	4.6
Key figures						
Equity/assets ratio[2]	%	41.3	46.1	45.6	46.6	50.1
Asset coverage (non-current capital in % of fixed assets)[6]	%	112.0	94.4	94.0	94.3	100.7
Profitability						
Return on sales after taxes	%	0.1	3.3	4.8	5.4	6.8
ROE (Return on equity)[2]	%	0.1	5.1	7.4	8.1	11.2
Total return on capital	%	0.0	2.3	3.4	3.8	5.6
EBIT margin	%	9.1	7.6	10.8	10.5	11.7
Payroll as at Dec. 31[3]		716	720	771	782	776
Disbursement						
Disbursement per preferred share	EUR	0.87	0.87	0.95	0.40	0.23
Disbursement per ordinary share	EUR	0.75	0.75	0.83	0.28	0.11

[1] Calculated until 2002 according to DVFA/SG, as of 2003 pursuant to IFRS (EBITDA)

[2] until 2002 incl. 50% of the special reserves with an equity component

[3] incl. part-timers

[4] as of 2003 without own shares

[5] as of 2003 incl. own shares at market year-end price, until 2002 at the balance-sheet value

[6] as of 2003 incl. public-sector grants

CREATON

NATURAL CLAY SETS THE TONE

CREATON AG
Dillinger Strasse 60
D-86637 Wertingen
Germany

Phone: +49-82 72-86-0
Fax: +49-82 72-86-5 00
Internet: www.creaton.de
E-Mail: investor-relations@creaton.de