ANNUAL REPORT 2006

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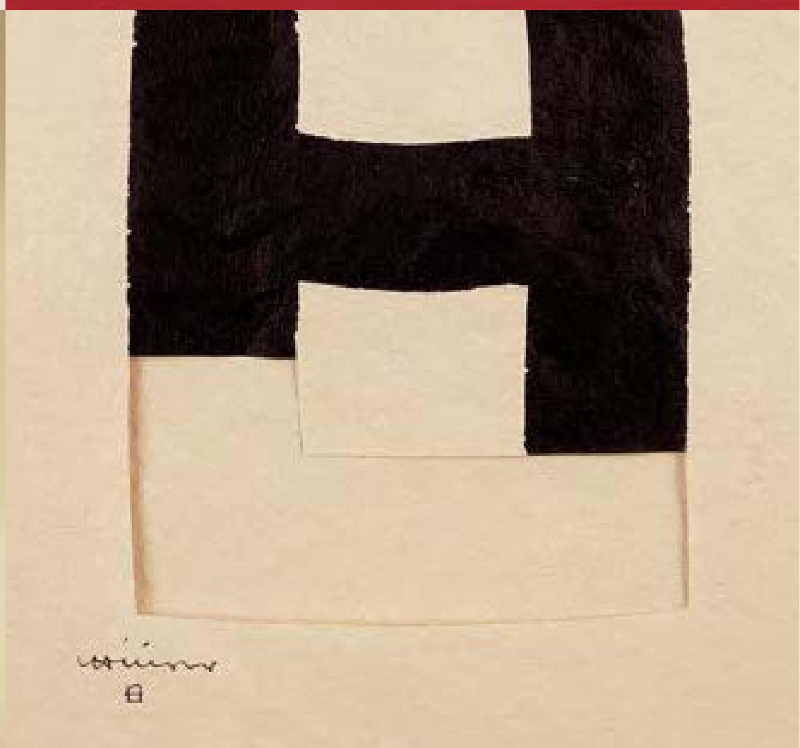
ALBA
GRUPO MARCH

ANNUAL REPORT 2006

Contents



Board of Directors and Management

Board of Directors

Mr. Francisco Verdú Pons
Director

Economist and Executive MBA from the University of Chicago. Chief Executive of Banca March and director of ACS.

Domanial director.
First appointment:
May 26, 1998.

Mr. Manuel Soto Serrano
Director

B.A. in Economics and Business. Fourth vice-chairman of Banco Santander and non-executive vice-chairman of Indra Sistemas. Director of Inversiones Inmobiliarias Lar, and a member of the consultative committee of Occidental Hoteles Management. Chairman of the advisory board of Mercapital. Previously, he was chairman of the Arthur Andersen World Council and director of Arthur Andersen for EMEA and India.

Independent non-executive director.
First appointment:
May 26, 1999.

Mr. Luis Ángel Rojo Duque
Director

Bachelor of Law, PhD in Economics and State Economist and Proffesor. Non-executive director of Banco Santander. Previously, he was Governor of the Bank of Spain and a member of the board of governors of the European Central Bank.

Independent non-executive director.
First appointment:
September 29, 2002.

Mr. Enrique Piñel López
Director

Legal counsel for the state (leave of absence). Director of Banca March and Iberpistas. Member of the European Union Group of experts on Corporate Governance.

Domanial director.
First appointment:
May 28, 1994.

Mr. Alfredo Lafita Pardo
Director

Legal counsel for the state (leave of absence). Director of Banco Guipuzcoano and Neuropharma and Chairman of Diana Capital. Member of the board of governors of Fundación Acción Familiar.

Independent non-executive director.
First appointment:
June 22, 1988.

Mr. Nicholas Brookes
Director

Economist. Non-executive chairman of De La Rue Plc and director of Axel Johnson Inc. and the Institute of Directors. Fellow of the Institute of Chartered Accountants. Previously, he was CEO of Spirent Plc, president of Materials and Controls Group and vice-president of Texas Instruments Incorporated.

Independent non-executive director.
First appointment:
May 26, 1999.

Mr. Santos Martínez-Conde Gutiérrez-Barquín
Chief Executive

Civil engineer and MBA from ICADE. Director of ACS, Unión Fenosa and Acerinox.

Executive director.
First appointment:
September 27, 2006.

Mr. Isidro Fernández Barreiro
Second Vice-Chairman

Industrial engineer and MBA from IESE. Director of Banca March, ACS and Prosegur.

Domanial director.
First appointment:
May 28, 1994

Mr. Pablo Vallbona Vadell
First Vice-President

Naval engineer and MBA from IESE. Executive vice-chairman of Banca March, vice-chairman of ACS, vice-chairman of Abertis Infraestructuras, chairman of Iberpistas.

Executive director.
First appointment:
June 26, 1990.

Mr. Carlos March Delgado
Chairman

Bachelor of Law. Chairman of Banca March and vice-chairman of the Juan March Foundation and the Juan March Institute of Study and Research.

Previously, he was a director of the Carrefour Group, founding partner and first chairman of the Institute of Economic Studies, a member and chairman of the Spanish group in the Trilateral Commission, and founder and first chairman of the Spanish section of the Association for European Monetary Union. He sat on the International Committee of JP Morgan and on the international advisory board of the University of Columbia.

He was awarded the Légion d'Honneur by the French government.

Domanial director.
First appointment:
June 22, 1988.

Mr. Juan March Delgado
Chairman

PhD in Industrial Engineering. Director of Banca March and chairman of the Juan March Foundation and the Juan March Institute of Study and Research. Member of the International Advisory Board of the Council on Foreign Relations.

Previously, he was chairman of Banco del Progreso, a director of Banco Urquijo and Signet Banking Corporation, a member of the World Business Council for Sustainable Development, and a patron of the Carrefour International Foundation for Patronage and Solidarity.

Domanial director.
First appointment:
October 8, 1973.

Board of Directors Committees

AUDIT COMMITTEE

Mr. Manuel Soto Serrano
Chairman

Mr. Enrique Piñel López
Member

Mr. Francisco Verdú Pons
Member

APPOINTMENTS AND REMUNERATION COMMITTEE

Mr. Juan March Delgado
Chairman

Mr. Alfredo Lafita Pardo
Member

Mr. Luis Angel Rojo Duque
Member

NON-DIRECTOR SECRETARY

Mr. José Ramón del Caño Palop

Management

MANAGING DIRECTOR

Mr. Santos Martínez-Conde Gutiérrez-Barquín

DIRECTORS

Mr. José Ramón del Caño Palop
Mr. Luis Lobón Gayoso
Mr. Juan March de la Lastra
Mr. Ignacio Martínez Santos
Mr. Tomás Villanueva Iribas

TAX ADVISOR

Ms. Adriana Verduras de Mata

DEPARTMENT HEADS

Mr. Antonio Egido Valtueña
Mr. Javier Fernández Alonso
Mr. Diego Fernández Vidal
Mr. Alfredo Gadea Martín
Mr. Félix Montes Falagán
Mr. Andrés Temes Lorenzo

COMMUNICATIONS AND PRESS

Mr. Luis F. Fidalgo Hortelano

Letter from the Chairmen of the Board of Directors

Dear shareholders,

It is a great pleasure for us to bring you this report on progress at Alba and its investments during 2006.

Equity market performance was excellent, especially in the second half of the year. The Ibex 35 gained 31.8%, setting a new record as it rose above 14,350 points in the second half of December.

Our company's net asset value before taxes (NAV) grew by 1,727 million euros, reaching 4,901 million euros at year-end. This is a new end-of-year record, substantially beating the previous record of 4,347 million euros set in December 1999. As of December 31, 2006, NAV per share was 75.82 euros after deducting own shares held. That is 56.7% higher than in 2005 and 38.3% higher than the record set in December 1999. This strong growth in NAV per share reflects excellent performance by our investments and the effect of our ongoing share repurchase programme.

At the end of 2006 Alba's shares traded at 56.55 euros, representing a 25.4% discount on pre-tax NAV per share. During the year, the share price rose 44.1%, comparing favourably with the 31.8% rise in the Ibex 35 just mentioned.

Consolidated net profit was 918.3 million euros, up 106.7% on the previous year (444.3 million euros). Earnings per share rose to 14.15 euros, up 109.0%. As has been the custom in our company, capital reductions through the cancellation of own shares resulted in a higher percent increase in earnings per share than in overall profit.

Turning to the profit and loss account, *Profit from asset disposals* grew strongly to reach 555.3 million euros at year-end, up 77.6% on 2005 (312.6 million). The bulk of this profit came from the divestment of Carrefour (492.9 million euros) and, to a lesser extent, the sale of 40.3% of Unipsa Correduría de Seguros and gains on *Held-for-trading financial assets*.

Another noteworthy increase is in *Share of profit of associates*, which reflects the impact of investment performance in 2006. Compared with the previous year, Alba's share of profit grew substantially, from 121.8 million euros to 365.6 million euros, mainly due to the increase in the equity interest in ACS and Acerinox and these two companies' strong performance in 2006.

Further on in this report you will find a more detailed analysis of the various profit and loss items.

The following is a summary of the main corporate transactions carried out in the year under review.

• The most significant investment was the purchase of an additional 9.62% of the share capital of Acerinox for 337.2 million euros, bringing Alba's stake to 20.80%. This has reinforced Alba's position as Acerinox's leading shareholder. As a result of this investment and the increase in the Acerinox share price, at year-end 2006 Acerinox accounted for 25.0% of Alba's NAV, versus 11.0% one year earlier.

• Alba also increased its stake in ACS to 21.14% after purchasing an additional 3.21% for a total of 327.9 million euros. ACS now accounts for 65.0% of Alba's NAV, up from 55.0% in December 2005.

• Divestments during the year totalled 719 million euros, the most significant being the disposal of the remaining interest in Carrefour. In the first quarter of 2006, Alba sold 2.5% of Carrefour for 678.7 million euros, registering a profit of 492.9 million euros and completing its divestment. The return on the Carrefour investment has been excellent: an IRR of 16.9% per year for 17 years, the financial equivalent of multiplying the initial investment by more than 13.

• In 2006, Alba maintained its policy of purchasing own shares. It acquired 955,686 own shares for a total of 39.6 million euros, representing 1.47% of the share capital. At the General Meeting in May 2006 the shareholders agreed to cancel 500,000 shares, equivalent to 0.76% of the share capital. The number of own shares held as treasury stock at year-end was 456,686, equivalent to 0.70% of Alba's capital.

Next we shall briefly discuss the performance of our main investment during 2006. More detailed information is provided elsewhere in this report.

• Acerinox posted record results, with sales of 5,637 million euros and net profit of 503 million euros, more than tripling the previous year's result. This magnificent achievement is attributable to strong growth in demand for stainless steel and high nickel prices, and especially in the second half of the year. The Acerinox share price responded to the excellent operational and financial results, rising 87.6% during the year to reach a market capitalization of almost 6 billion euros at year-end.

• ACS achieved substantial improvements in 2006, thanks to strong performance of all its business lines and the contribution of companies accounted for under the equity method, especially Abertis and Unión Fenosa. Sales and EBITDA were up nearly 16% to 14,067 and 1,270 million euros, respectively. Consolidated net profit more than doubled to 1,250 million euros.

During the year, ACS implemented several important strategic decisions. These included increasing its stake in Unión Fenosa (the flagship of the new ACS energy division), acquiring 10% of Iberdrola and disposing of its interest in Urbis. These transactions entailed a net investment of 4,203 million euros.

The ACS share price rose 57.0% during the year, bringing the company's market capitalization at year-end to more than 15 billion euros.

• Prosegur reported consolidated sales of 1,628 million euros, up 17.3% on 2005, mainly due to the growth of the corporate security business and the satisfactory results of Latin American operations. Net profit fell 11.8% to 58 million euros due to an extraordinary expense of almost 20 million euros. Without this, Prosegur's profit would have risen 18.5% to 77 million euros.

During 2006, Prosegur's share price increased (+27.8%), especially in the last quarter. The company's stock market capitalization at year-end was over 1,500 million euros.

The outlook for 2007 is good, both for our investments and for the Spanish market as a whole. Aside from short-term fluctuations such as the market correction in March, we believe that the fundamentals and the overall economy are strong enough to predict a year of market growth. We believe this also applies to ACS, Acerinox and Prosegur.

We continue to place special emphasis on standards and practices of good corporate governance and last year adapted our internal regulations to the latest legal requirements and recommendations. In particular, the Board amended the internal code of conduct to ensure fuller compliance with market abuse regulations.

The corporate web site, which is fully compliant with current regulations, remains an excellent source of company information for shareholders, investors and industry professionals.

The Board has also approved the annual corporate governance report, wich you can find attached at the end of this report, and that gives details of the Company's shareholders and directors, the risk control systems in place, the functioning of the General Meeting, and the monitoring of compliance with corporate governance recommendations.

Regarding the distribution of profit for the year, the Board of Directors will recommend a final dividend for 2006 of 0.06 euros per share, to be paid in the near future. Together with the interim dividend paid in November last year, this brings the full-year dividend to 0.12 euros per share. The dividend payout thus remains on a par with previous years. Also at the General Meeting, the Board will propose a reduction of capital through the cancellation of own shares equivalent to 1.54% of the share capital.

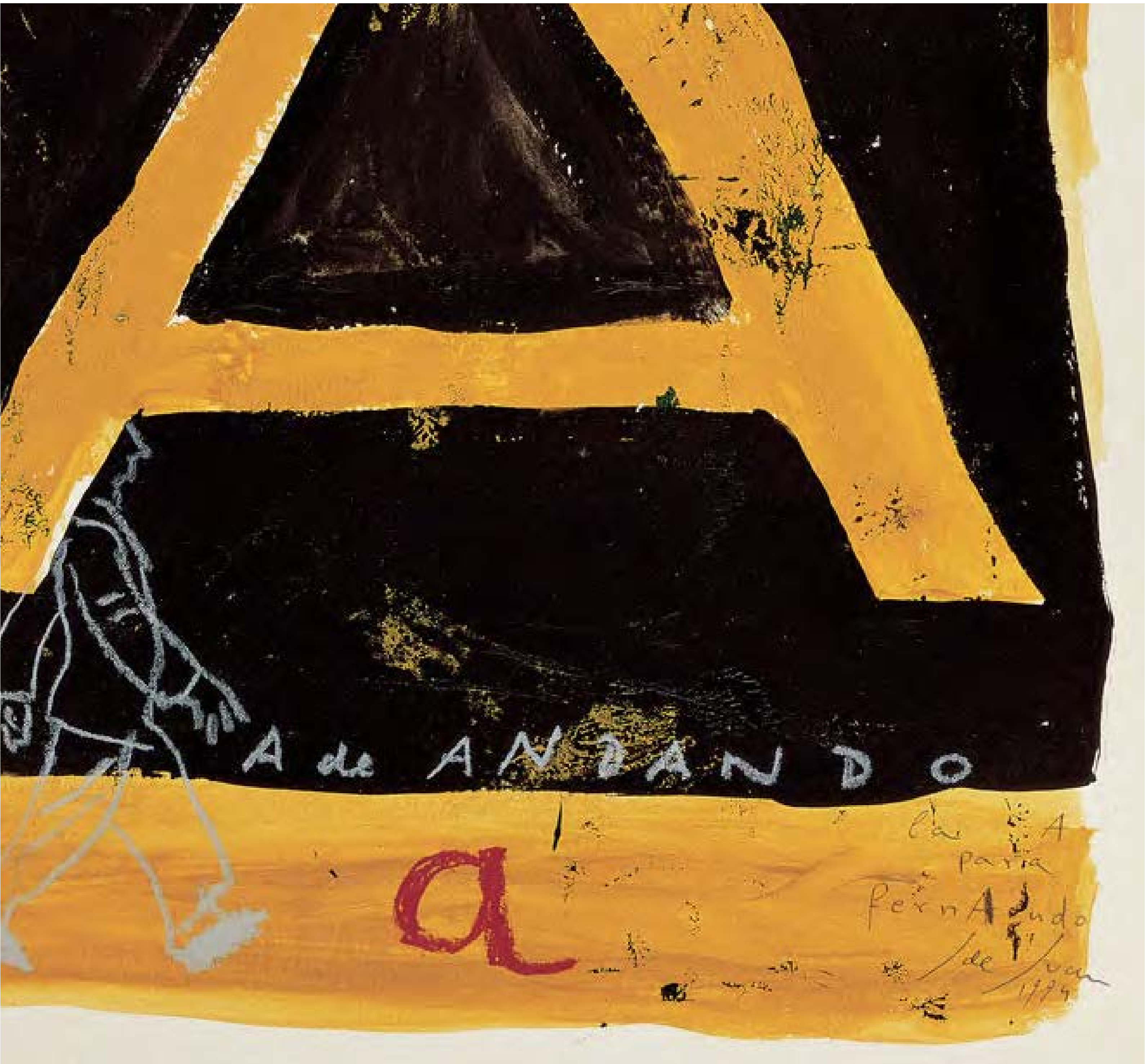
Other resolutions to be laid before the shareholders concern the election, ratification and re-election of directors, the amendment of the regulations of the General Shareholders' Meeting in order to comply with the latest corporate governance recommendations, and the renewal of the authorization to make market purchases of the Company's own shares.

Lastly, we would like to thank all the employees of our group of companies for their professionalism, enthusiasm and commitment, and all of you for your trust and support.

Yours sincerely,

Juan March Delgado
Carlos March Delgado
Chairmen of the Board of Directors

Key indicators



FINANCIAL HIGHLIGHTS

In millions of euros unless otherwise indicated

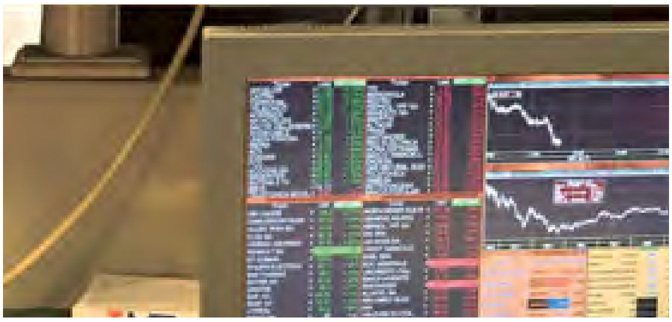
	2006	2005	2004	2003
Share capital at year-end	**65**	66	67	68
Shareholders' equity at year-end (before profit distribution)	**2,382**	2,126	1,192	1,002
Ordinary shares in issue (thousands), average for the year	**64,876**	65,616	66,177	71,779
Net profit	**918**	444	256	(*) 183
Dividends	**7.76**	7.82	7.92	8.04
Net profit in euros per share (excluding treasury stock)	**14.15**	6.77	3.87	(*) 2.74
Dividend in euros per share	**0.12**	0.12	0.12	0.12

(*) According to Spanish GAAP

Javier de Juan
Acrylic and wax on paper (detail)

SHARE PRICE PERFORMANCE

	2006	2005	2004	2003
Share price in euros per share				
High	**59.20**	40.50	26.85	23.92
Low	**36.50**	25.65	22.30	16.76
Close	**56.55**	39.25	25.70	23.22
Market capitalization as of 31/12 (million euros)	**3,681**	2,609	1,717	1,568
Volume traded				
Number of securities (thousands)	**21,084**	27,233	13,855	18,811
Millions of euros	**952**	935	335	376
Daily average (millions of euros)	**3.75**	3.65	1.33	1.50
Dividend yield (on closing price for the year)	**0.21%**	0.31%	0.47%	0.52%
P/E ratio (on closing price for the year)	**4.00**	5.80	6.64	8.47

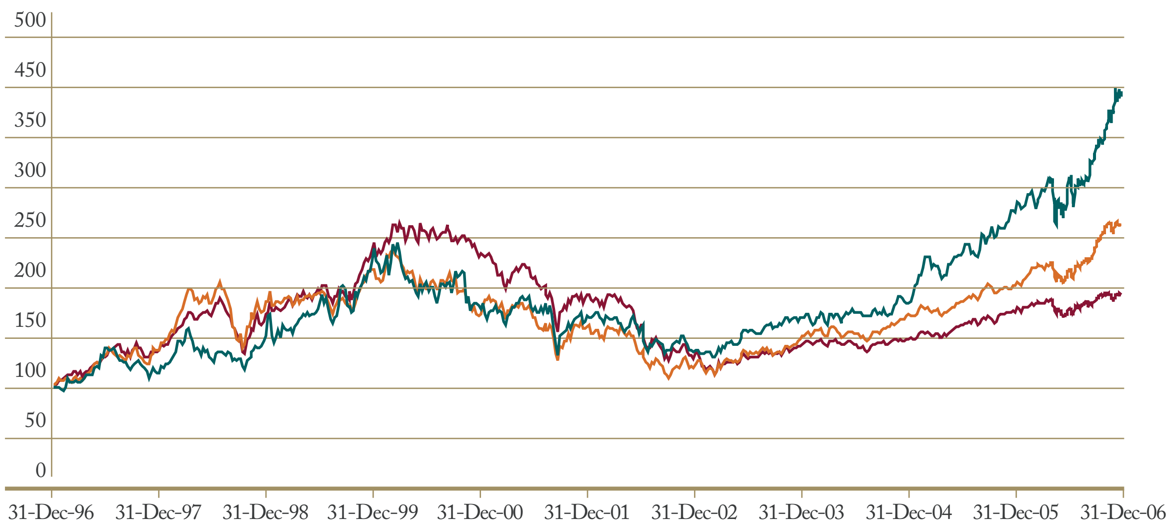


Alba's share price performed exceptionally well during 2006, gaining 44.1%, compared to 31.8% for the Ibex 35.

Share price performance, since December 1996, testifies to significant long-term value creation. Over this ten-year period Alba's share price rose 15.4%, significantly outperforming both the Ibex 35 (10.7%) and the Eurostoxx 50 (7.2%).

ALBA SHARE PRICE PERFORMANCE COMPARED TO IBEX 35 AND EUROSTOXX 50, 1996-2006

Base 100



Alba — Ibex35 — Eurostoxx 50

Source: Bloomberg

NET ASSET VALUE

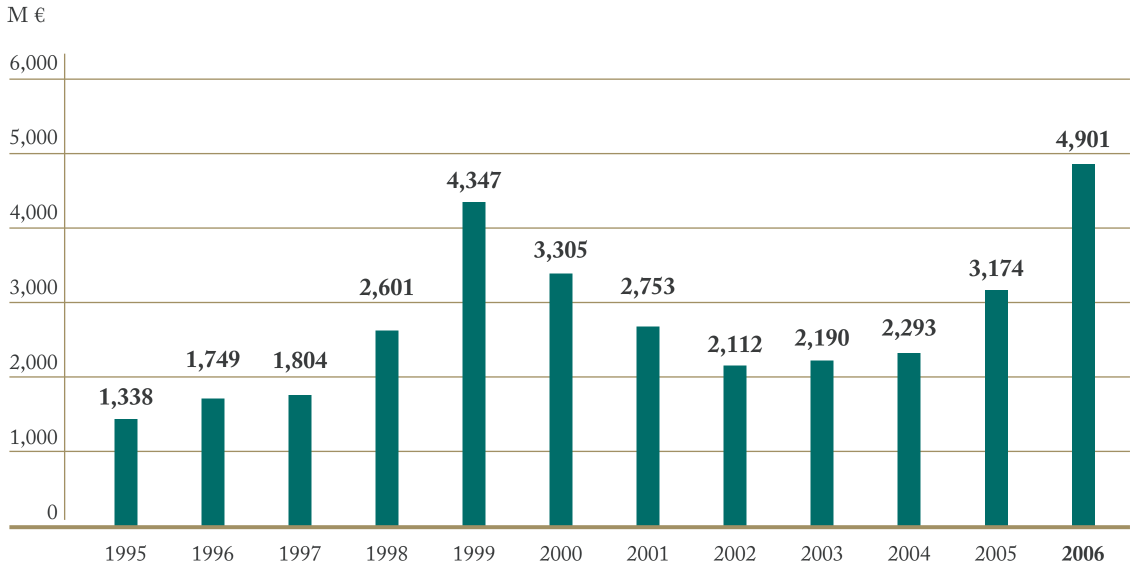
In millions of euros unless otherwise indicated

	2006	2005	2004	2003
Data as of 31/12 (last)				
Total net asset value (*)	**4,901**	3,174	2,293	2,190
Net asset value in euros per share (*)	**75.82**	48.38	34.74	32.90
Share price in euros per share	**56.55**	39.25	25.70	23.22
Discount to net asset value	**25.4%**	18.9%	26.0%	29.4%

(*) Before taxes and after deducting own shares held.

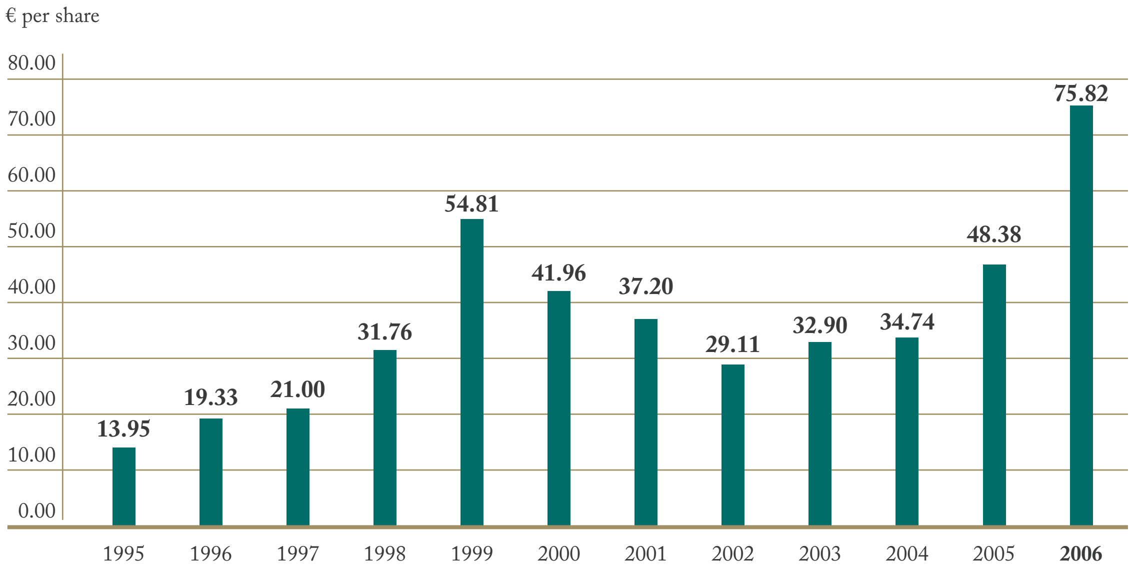
Changes in total net asset value between 1995 and 2006 can be seen below.

HISTORICAL NET ASSET VALUE BEFORE TAXES (31/12)



The following chart shows changes in net asset value per share, before taxes and after deducting own shares held, over the same period, measured as of December 31 each year.

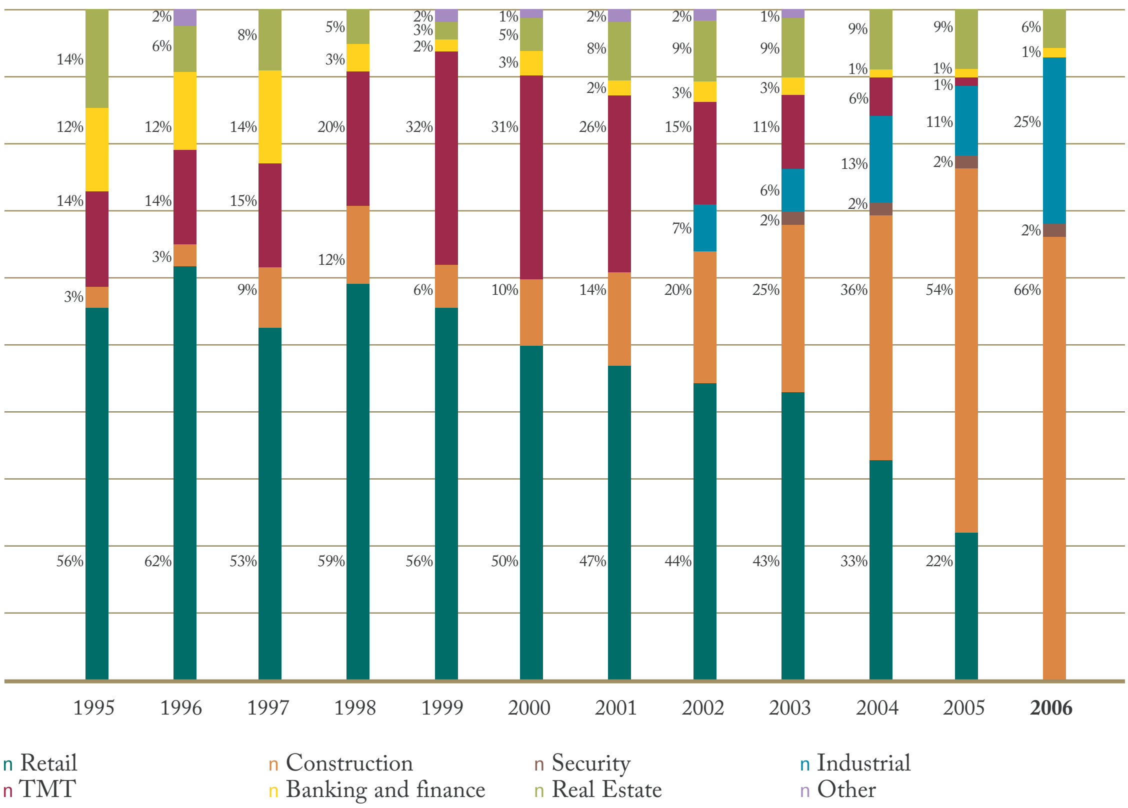
HISTORICAL NET ASSET VALUE PER SHARE BEFORE TAXES (31/12)



NET ASSET VALUE

Changes in the industry composition of the Alba portfolio between 1995 and 2006 can be seen in the following chart.

GROSS ASSET VALUE (*) (31/12)

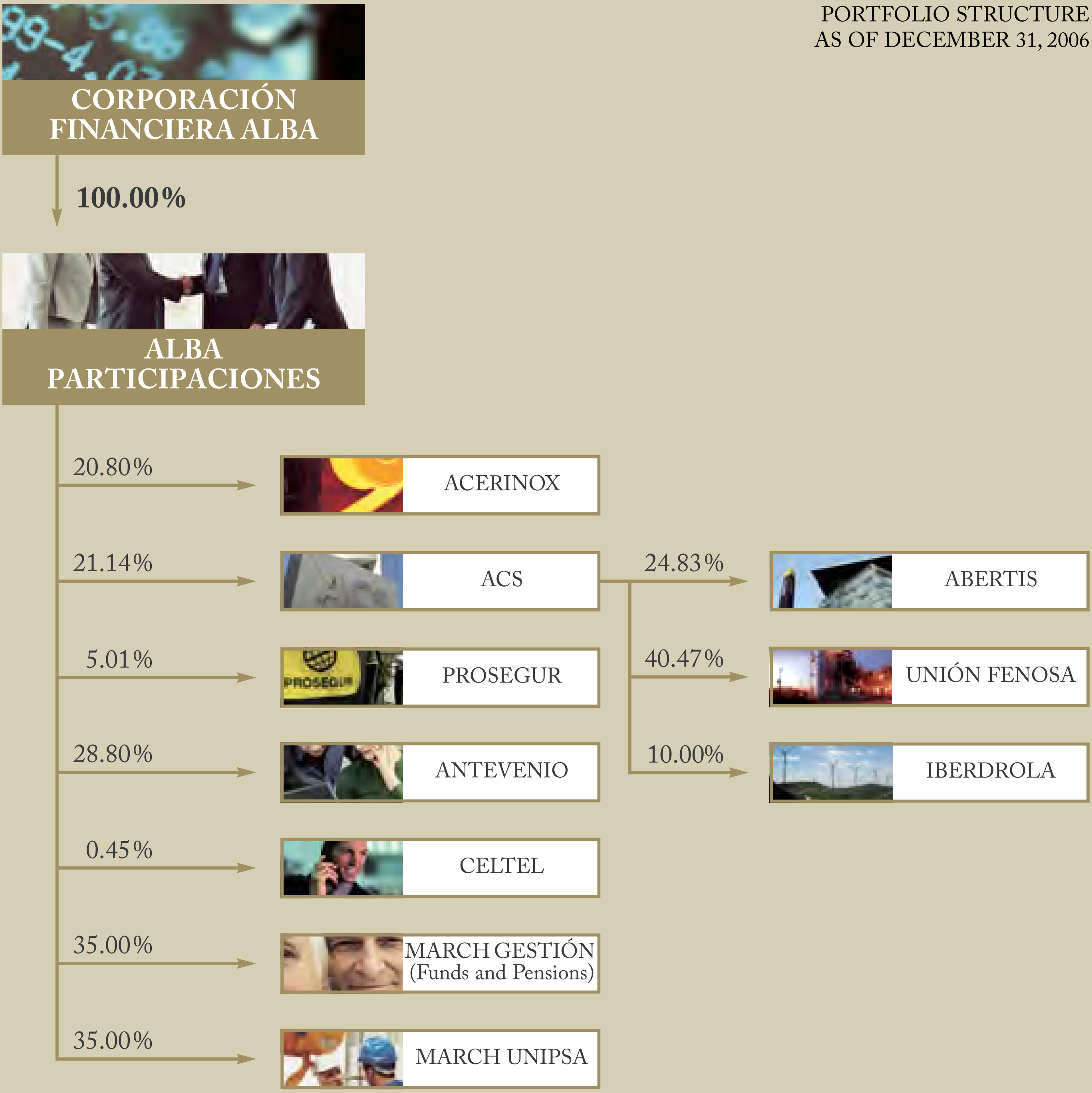


(*) Gross Asset Value before discounting net financial debt and taxes.

Thus, at year-end 2000, Retail (Pryca/ Carrefour) and Technology, Media and Telecommunications (Airtel/ Vodafone) accounted for 81% of the gross asset value, while at the end of 2006 these two sectors were no longer represented in the portfolio, giving way to Construction (ACS, 66%) and Industrial (Acerinox, 25%). The big increase in the value and relative weight of ACS and Acerinox in the Alba portfolio is due to the increase in Alba's shareholding in these companies (largely through reinvestment of the proceeds of the divestments of Vodafone and Carrefour) and the two companies' excellent stock market performance in recent years, especially in 2006.

INVESTMENTS

PORTFOLIO STRUCTURE
AS OF DECEMBER 31, 2006



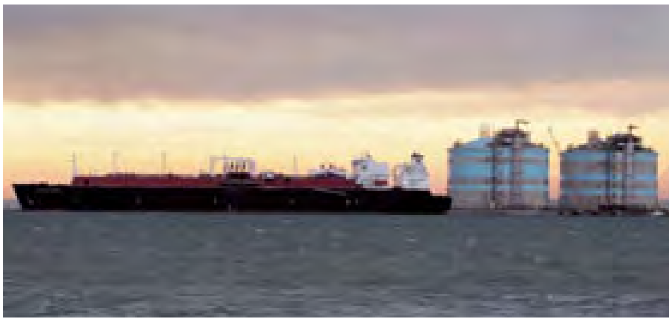
Portfolio value as of December 31, 2006:

LISTED COMPANIES	Shareholding	Market value Millions of euros	Market value Euros per share
Acerinox (1)	20.80	1,244.0	23.05
ACS (1)	21.14	3,185.5	42.71
Prosegur	5.01	76.3	24.70
Total market value		**4,505.8**	
Total book value		2,018.0	
Unrealised capital gains		**2,487.8**	

UNLISTED COMPANIES	Shareholding	Book value Millions of euros
Antevenio (1)	28.80	0.7
Celtel	0.45	11.4
March Gestión Fondos (1)	35.00	1.6
March Gestión Pensiones (1)	35.00	1.0
March Unipsa (1)	35.00	5.5
Others	n.a.	5.7
Total book value		**25.9**

(1) Investments accounted for under the equity method.

INVESTMENTS

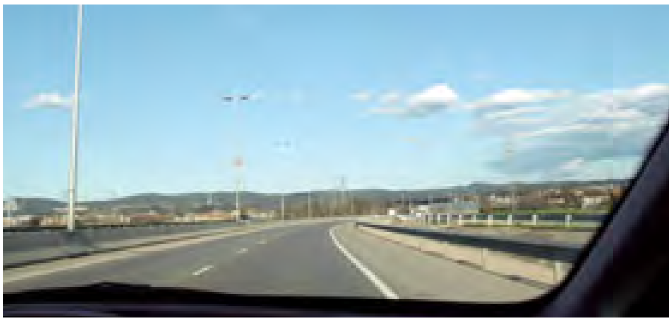


Details of portfolio performance over the last financial years are given below:

Shareholding (%)

LISTED COMPANIES	Change 05/06	**31-12-2006**	31-12-2005	31-12-2004	31-12-2003
Acerinox	9.62	**20.80**	11.18	10.40	6.56
ACS	3.21	**21.14**	17.93	15.54	13.32
Carrefour	(2.53)	-	2.53	3.34	3.35
Havas	-	-	-	0.63	4.26
Prosegur	(0.22)	**5.01**	5.23	5.23	5.24
Vodafone	-	-	-	0.07	0.13
UNLISTED COMPANIES					
Antevenio (*)	-	**28.80**	28.80	28.80	28.58
Celtel	-	**0.45**	0.45	3.32	2.40
March Gestión de Fondos	-	**35.00**	35.00	35.00	35.00
March Gestión de Pensiones	-	**35.00**	35.00	35.00	35.00
March Unipsa	(47.57)	**35.00**	82.57	82.57	82.57
Xfera	(11.35)	-	11.35	11.29	11.01

(*) Antevenio was listed on Alternext in February 2007.



The increased shareholdings in ACS and Acerinox due to acquisitions during 2006 have strengthened Alba's position as the leading shareholder in both companies.

The decrease in the shareholdings in Carrefour, Prosegur and Xfera is due to disposals during the year.

The decrease in the shareholding to 3,5% in March Unipsa is due to the sale of 40.3% of the company's capital and to the dilution resulting from the merger effective September 1, 2006 between Unipsa Correduría de Seguros and March Correduría de Seguros, giving rise to March Unipsa Correduría de Seguros, S.A.

SECTORIAL DIVERSIFICATION

Grouping equity investments together with Alba's remaining assets and liabilities and valueing them according to criteria consistent with those generally used by equity analysts the distribution (in %) of the Company's value as of year end by sector is as follows:

	Percent of total net asset value			
	2006	2005	2004	2003
Construction	**65**	55	40	28
Industrial	**25**	11	14	7
Real Estate	**6**	9	10	10
Security	**2**	2	2	2
Banking and financial services	**1**	1	1	3
Retail	-	22	37	47
Telecommunications	-	1	6	9
Media	-	-	1	3
Net debt	**1**	-1	-11	-9
	100	100	100	100
Net asset value before taxes (in millions of euros)	**4,901**	3,174	2,293	2,190

In 2006, due to investments and divestments during the year and changes in the investments' share price Construction and Industrial gained considerably relative weight, while Retail and Telecommunications decreased. The most significant changes during 2006 in the relative weight of the various industries in the portfolio are attributable to the sale of the interest in Carrefour (Retail) and the increase in the interest in Acerinox (Industrial) and ACS (Construction), coupled with the latter two companies' excellent stock market performance.

The Construction sector's 65% weighting includes the investment in ACS. In practice, however, the broad nature of ACS's activities significantly reduces the seemingly high concentration in Construction. To analyse the industry distribution of Alba's portfolio in more detail, the 65% invested in Construction should be distributed among the various industries in which ACS operates. The following table provides an appropiate distribution of ACS's value based on the estimated contribution of each subsector to ACS's 2006 consolidated net profit:

Construction	21%
Industrial services	17%
Electricity	10%
Urban services	10%
Concessions	4%
Real Estate	3%
	65%

The consolidated financial report has been prepared in accordance with International Financial Reporting Standards (IFRS).

More detailed information can be found in the consolidated financial statements for 2006, audited by Ernst & Young, S.L., in the last section of this report.

Review of Consolidated Financial Performance

BALANCE SHEET

The evolution of Alba's Kee balance sheet items during 2006 has been as follows:

Real Estate investments, including buildings for lease, are up 9.5% at 276.8 million euros. Recognised in the income statement under *Change in the fair value of investment properties*, this increase is due to the increase in the value of the buildings, according to appraisals conducted by independent experts, and the acquisition of a 2,290 sqm office building in Calle Josefa Valcárcel in Madrid for 6.5 million euros.

Tangible fixed assets, consisting mainly of Alba's registered offices, has decreased versus last year due partly to depreciation and, above all, to the fact that March Unipsa Correduría de Seguros, whose registered office was valued at 7 million euros, is no longer fully consolidated from January 1, 2006.

Investments in associates are up 865.2 million euros, from 1,082.7 to 1,947.9 million. Primarily is due mainly to the investments in ACS and Acerinox during the year.

Non-current available-for-sale financial assets are down 712.1 million euros, primarily due to the sale of the remaining shares in Carrefour. The main items under this heading are the investment in Prosegur, which in 2007 is expected to be included in *Investments in associates* and accounted for using the equity method.

Current available-for-sale financial assets consist mainly of the 16.7 million euros of investments in Celtel International BV and Spirent plc transferred from *Non-current available-for-sale* financial assets in 2006.

Held-for-trading financial assets have increased, as proceeds of divestments during the year were invested in liquid short-term financial assets.

María Luisa Sanz
Collage and gouache on paper (detail)

BALANCE SHEET

Other current assets are down from 11.8 to 2.0 million euros primarily due to Unipsa no longer been consolidated.

Share capital stands at 65.1 million euros, down 1.4 million euros versus last year. The decrease is due to the cancellation of 860,000 shares, as approved by the shareholders at the Extraordinary General Meeting on December 14, 2005, registered in 2006, and the cancellation of 500,000 shares, as approved by the shareholders at the General Meeting on May 31, 2006.

The company's *Reserves* are down 13.4% at 1,420.9 million euros. On the one hand, reserves have been augmented by retained earnings from the previous year; on the other, they have been reduced by the decrease in the revaluation reserve by 519.6 million euros due to the sale of the remaining shareholding in Carrefour, 108.6 million euros due to charges to reserves of associates, and 49.2 million euros due to capital reductions.

Treasury stock includes the cost of the purchase of 955,686 Alba shares at an average price of 41.41 euros, for a total of 39.6 million euros, and the cancellation of 500,000 shares. At December 31, 2006, treasury stock amounted to 456,686 shares, valued at 18.8 million euros and representing 0.70% of the company's share capital.

Profit for the year was 918.3 million euros, up 106.7% on the previous year.

For all the reasons just given, *Shareholders' equity* at year-end was 2,381.6 million euros, an increase of 12.0% compared to the previous year.

At the end of 2006, *Provisions* stood at 41.0 million euros. This includes provisions recorded to cover probable or certain expenses, losses or liabilities arising from litigation in progress relating to the company's business.

Current liabilities, including bank loans and other debts, are significantly higher in 2006, at 171.2 million euros, as a result of the investments made during the year.

BALANCE SHEET

Consolidated balance sheets before profit distribucion

Millions of euros

ASSETS	**At December 31, 2006**	At December 31, 2005	At December 31, 2004
Real estate investments	**276.8**	252.8	234.1
Tangible fixed assets	**12.5**	21.3	22.2
Tangible fixed assets, net	**289.3**	274.1	256.3
Investments in associates	**1,947.9**	1,082.7	999.0
Non-current available-for-sale financial assets	**76.7**	788.8	168.9
Other investments	**1.9**	1.9	2.2
Investments	**2,026.5**	1,873.4	1,170.1
Total fixed assets	**2,315.8**	**2,147.5**	**1,426.5**
Current available-for-sale financial assets	**16.7**	-	-
Held-for-trading financial assets	**261.4**	**69.9**	**9.6**
Other current assets	**2.0**	**11.8**	**32.4**
TOTAL ASSETS	**2,595.9**	**2,229.2**	**1,468.4**

Millions of euros

EQUITY AND LIABILITIES	**At December 31, 2006**	At December 31, 2005	At December 31, 2004
Share capital	**65.1**	66.5	66.8
Reserves	**1,420.9**	1,639.3	889.9
Treasury stock	**(18.8)**	(22.7)	(18.0)
Interim dividend	**(3.9)**	(3.9)	(4.0)
Profit for the year	**918.3**	444.3	255.6
Minority interests	-	2.1	1.8
Shareholders' equity	**2,381.6**	**2,125.6**	**1,192.1**
Provisions	**41.0**	**21.3**	**22.6**
Non-current liabilities	**2.1**	**2.6**	**2.5**
Financial debt	**147.9**	54.3	229.4
Other short-term payables	**23.3**	25.4	21.8
Current liabilities	**171.2**	**79.7**	**251.2**
TOTAL EQUITY & LIABILITIES	**2,595.9**	**2,229.2**	**1,468.4**

PROFIT AND LOSS ACCOUNT

In 2006, Alba obtained *Net profit* of 918.3 million euros, up 106.7% on 2005 (444.3 million euros). Earnings per share went from 6.77 euros to 14.15 euros, up 109.2%. The fact that the increase in earnings per share is greater than the increase in net profit is due to purchases of treasury stock.

Income from the *Share of profit* of associates increased considerably in 2006, from 121.8 to 365.6 million euros. This was due to the increase in Alba's shareholding in ACS and Acerinox and to these two companies' excellent performance.

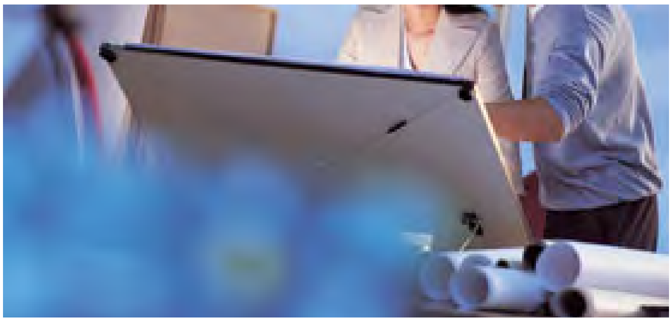
Lease income from investment properties was 15.6 million euros, similar to the previous year. As of December 31, 2006, occupancy was 94.3% on a floor area of 98,779 square metres.

The *Income for services provided* reported in the 2004 and 2005 accounts came from the insurance brokerage business of Unipsa, which was fully consolidated until December 31, 2005 but has been accounted for under the equity method since then.

According to appraisals by independent experts, the value of Alba's real estate assets increased by 16.8 million euros during 2006. This amount has been credited to *Change in the fair value of real estate investments*. This represents an increase of 6.6% compared to the value of the assets at the end of 2005. As of December 31, 2006 the fair value of the real estate assets, including investments and improvements in the amount of 7.2 million euros, was 276.8 million euros, up 9.5% compared to 2005.

Financial income decreased from 29.3 to 22.3 million euros, due to no dividends been received from Carrefour as a result of its divestment.

Profit from asset disposals was 555.3 million euros, compared with 312.6 million euros in 2005. This includes the gains from divestments during the year, mainly 492.9 million euros from the sale of Carrefour shares, and 21.3 million euros from the sale of 40.3% of Unipsa Correduría de Seguros. It also includes the 37.6 million euros of profit on the sale of *Held-for-trading financial assets*.



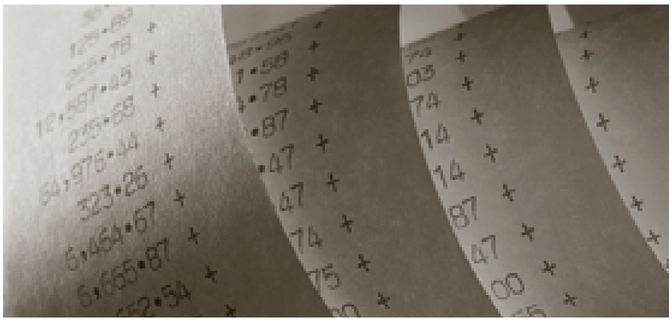
Operating expenses were 34.6 million euros, compared to 27.8 million euros in 2005.

Financial expenses were 6.6 million euros, up from 4.4 million the previous year, due to the higher average level of debt.

Amortisation and depreciation was 0.9 million euros, slightly down from the previous year's figure (1.1 million euros), due to the fact that March Unipsa Correduría de Seguros is no longer fully consolidated.

A total of 15.4 million euros was recorded as *Provisions for liabilities and charges* to cover probable or certain expenses or liabilities.

PROFIT AND LOSS ACCOUNT



Consolidated profit and loss accounts (1)

	2006	2005	2004
		Millions of euros	
Share of profit (loss) of associates	**365.6**	121.8	162.5
Income from leases	**15.6**	15.0	14.0
Income for services provided	-	9.5	7.6
Change in the fair value of investment properties	**16.8**	18.8	11.1
Financial income	**22.3**	29.3	6.5
Profit from asset disposals	**555.3**	312.6	105.7
Sum	**975.6**	**507.0**	**307.4**
Operating expenses	**(34.6)**	(27.8)	(20.9)
Financial expenses	**(6.6)**	(4.4)	(8.8)
Amortisation and depreciation	**(0.9)**	(1.1)	(1.2)
Provisions for liabilities and charges	**(15.4)**	-	-
Corporate income tax	**0.2**	(28.6)	(20.3)
Minority interests	-	(0.8)	(0.6)
Sum	**(57.3)**	**(62.7)**	**(51.8)**
NET PROFIT	**918.3**	**444.3**	**255.6**
Net earnings per share (€)	**14.15**	**6.77**	**3.87**

(1) These income statements are presented grouped according to management criteria which explains the differences in some items compared to the figures in the financial statements for 2006.

Information on Investments

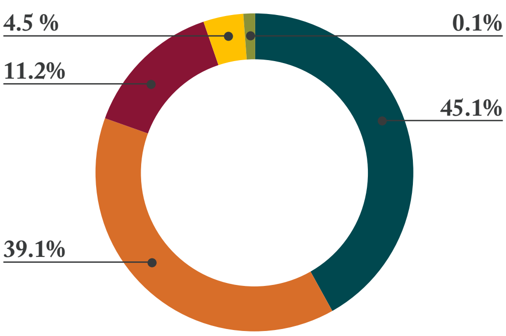
ACERINOX

Company description

Acerinox is one of the world's leading stainless steel manufacturers.

The company has three flat product plants in Algeciras, Spain; Kentucky, U.S. (North American Stainless); and Middelburg, South Africa (Columbus Stainless); three long product plants (Roldán and Inoxfil in Spain and NAS Long Products in the U.S.); and an extensive sales network, with warehouses and service centres in more than 25 countries.

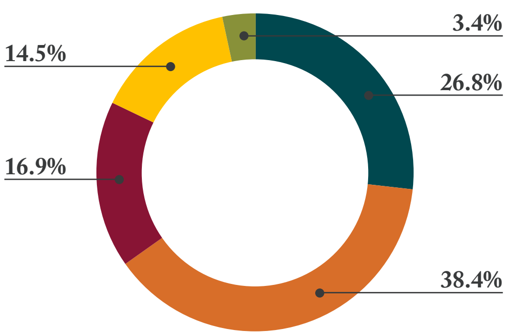
BREAKDOWN OF SALES BY REGION



Total 2006: € 5,637 m

- Europe
- America
- Asia
- Africa
- Oceania

BREAKDOWN OF CONSOLIDATED NET PROFIT BY COMPANY



Total 2006: € 503 m

- Acerinox
- NAS
- Columbus
- Commercial subsidiaries
- Roldán and Inoxfil

Rafael Canogar
Graphite on paper (detail)

ACERINOX

KEY OPERATING DATA

	2006	2005	2004
Output per year in thousands of tonnes			
Raw steel	**2,588**	2,242	2,330
Hot rolled products	**2,249**	2,012	2,072
Cold rolled products	**1,595**	1,470	1,366
Long products	**252**	197	188
Employees	**7,204**	6,695	6,508

In millions of euros unless otherwise indicated

KEY FINANCIAL DATA

	2006	2005	2004
Sales	**5,637**	4,214	4,036
EBITDA	**958**	415	633
EBIT	**858**	258	503
Net profit	**503**	154	313
Earnings per share (€)	**1.94**	0.60	1.19
Dividend per share (€)	**0.45**	0.34	0.34
ROE (%)	**22.1**	7.5	16.2
Total assets	**4,859**	3,647	3,449
Net financial debt	**1,254**	829	671
Shareholders' equity	**2,280**	2,051	1,937
Debt / Equity (%)	**55.0**	40.4	34.7

Review of the company's operations during 2006

2006 saw a strong recovery of demand for stainless steel, combined with high commodity prices, especially in the second half.

Demand grew rapidly in 2006, thanks to the buoyancy of the main steel consuming economies. In Europe, apparent demand increased 17.5% in cold rolled flat products and 29.0% in hot rolled products. The equivalent figures for Spain are 9.0% and 14.0%, making Spain the third largest European market behind Germany and Italy. In the United States apparent consumption of flat products grew 18.2%, with a 36.4% increase in imports. In 2006, Asia accounted for more than 50% of world production. The Chinese market stands out: apparent consumption grew 24.0% to 6.8 million tonnes, equivalent to nearly 25% of world production, with domestic production growing 68.0%. Despite the increases in domestic production capacity, China remained a net importer in 2006.

The above increases in demand translated into annual growth of 14.3% in world stainless steel production in 2006 (17.8% in Asia, 10.3% in Europe and 13.4% in America). Inventory levels remained low compared to the historical average across all markets.

The other significant trend in 2006 was the sharp increase in commodity prices. Nickel's price rose 265% in the London Metals Exchange (LME) in 2006, climbing above $35,000/tonne in December, this upward trend has continued in the first few months of 2007. Already raw materials account for more than 80% of the cost of stainless steel.

Against this background Acerinox has achieved record production. Raw steel output reached 2.6 million tonnes (+15.5%), confirming Acerinox as the world's second largest stainless steel producer, while hot rolled production rose above 2.2 million tonnes, up 11.7% compared to 2005. The higher value added cold rolled production increased 8.5% to 1.6 million tonnes. Long products reached 252,000 tonnes in 2006, signifying growth of 28.0% compared to the previous year.

Record production levels and high selling prices for stainless steel – with increases of 61.0% and 27.0% in base prices in Europe and the United States – have had a very significant impact on Acerinox's results. In 2006, the consolidated group had turnover of 5,637 million euros (+33.8%), EBITDA of 958 million (+130.6%) and net profit of 503 million euros (+225.6%). These results, based on outstanding third and fourth quarter performance, are a new record for Acerinox.

ACERINOX

Acerinox has shareholders' equity of 2,280 million euros and net debt of 1,254 million euros, representing 1.3 times the consolidated EBITDA for 2006.

During 2006 Acerinox made investments totalling 177 million euros and launched an ambitious investment programme worth 437 million euros, to be implemented over 2007 and 2008. Once completed, this programme will boost the Group's production capacity to 3.5 million tonnes in raw steel, 3 million tonnes in flat products (2 million of which in cold rolled products) and 400,000 tonnes of long products.

The following table provides summary production and financial data on the main companies in the Acerinox Group:

DATA FOR 2006

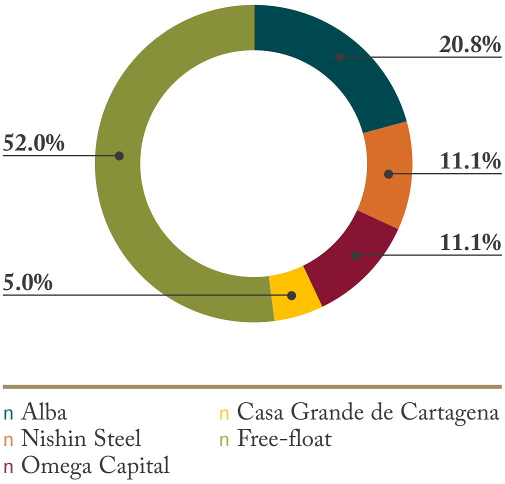
	Acerinox	NAS	Columbus	TOTAL	% 2005
Annual output in thousands of tonnes					
Raw steel	1,012	850	727	**2,588**	+ 15.5%
Hot rolled products	844	723	682	**2,249**	+ 11.7%
Cold rolled products	626	584	385	**1,595**	+ 8.5%
Long products	152 (1)	100	-	**252**	+ 28.0%
Financial information (*)					
Sales	2,279	2,505	1,459	**5,637**	+ 33.8%
Net profit after taxs	140	240	111	**503**	+ 225.6%
No. of Employees	2,678	1,227	1,762	**7,204**	+ 7.6%

(*) In millions of euros, except for NAS, in millions of US dollars.
(1) Production at Roldan.

Shareholder structure

During 2006, Alba increased its stake by 9.62%, investing a total of 337.2 million euros. As a result, as of December 31, 2006, Alba had consolidated its position as Acerinox's leading shareholder, with 20.80% of the share capital and two representatives on the board of directors (Mr. Juan March de la Lastra and Mr. Santos Martínez-Conde Gutiérrez-Barquín).

SHAREHOLDER STRUCTURE OF ACERINOX AS OF 31/12/2006



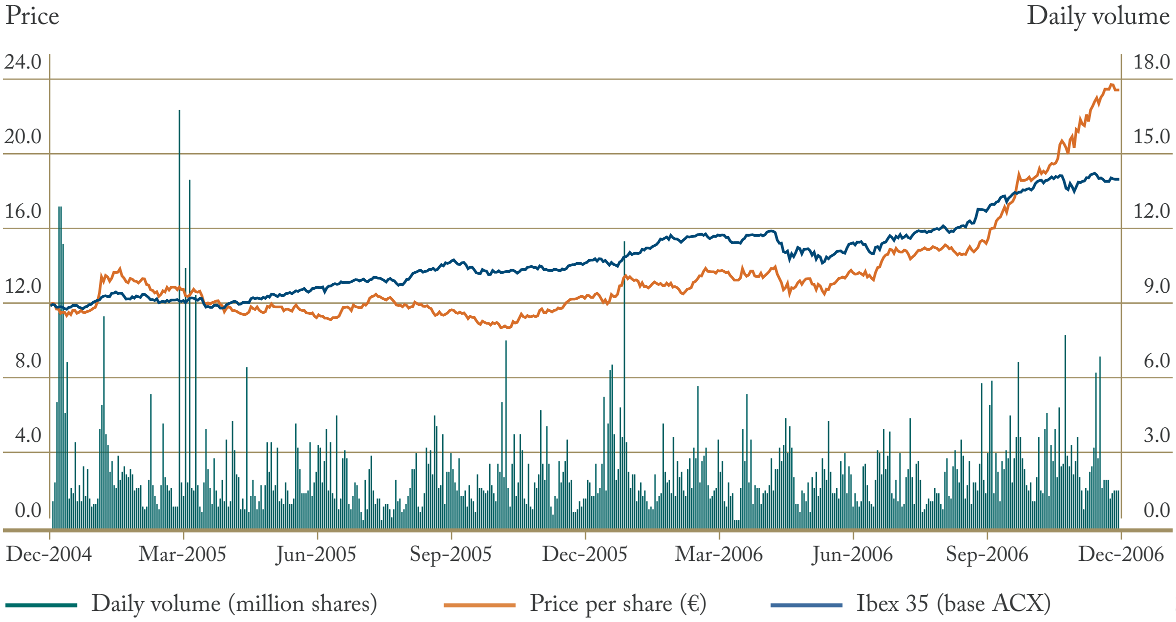
Source: CNMV.

ACERINOX

Acerinox share price performance

Over the course of the year, the company's share price rose dramatically (+87.6%), especially in the last quarter, closing the year at an all-time high of 23.05 euros. This magnificent performance is attributable to the company's excellent results in a year of buoyant demand and strong upward price pressure in all markets.

ACERINOX SHARE PRICE PERFORMANCE SINCE DECEMBER 31, 2004



Source: Bloomberg

SHARE PRICE PERFORMANCE

	2006	2005	2004
Price in euros per share (closing prices)			
High	**23.33**	13.73	11.88
Low	**11.91**	10.66	8.74
Last	**23.05**	12.29	11.81
Number of shares in issue (thousands)	**259,500**	259,500	263,200
Stock market capitalization at 31/12 (million euros)	**5,981**	3,189	3,108
Volume traded			
Total number of securities (thousands)	**576,989**	552,399	558,688
Daily average: In thousands of shares	**2,269**	2,157	2,226
As % of total shares in issue	**0.87%**	0.82%	0.85%
In millions of euros	**34**	26	24
Dividend yield (on closing price for the year)	**1.95%**	2.77%	2.88%
P/E ratio (on closing price for the year)	**11.9 x**	20.5 x	9.9 x

ACS

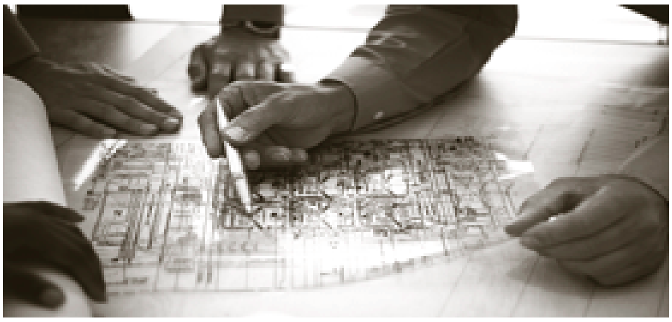
Company description

ACS is Spain's leading construction and services company by sales and stock market capitalization, with a very significant presence in other industries that are fundamental to the economy, such as infrastructure and energy.

ACS was created in 1997 from the merger of three companies: OCP, Ginés Navarro and Auxini. The acquisition of a significant shareholding in Dragados in 2002 and the subsequent merger of ACS and Dragados in 2003 made the ACS Group the market leader in Spain and one of the leading companies in Europe in construction, services and concessions. In recent years, while mergers with other construction and services companies went ahead, ACS has diversified into industries related to its traditional business (concessions) and into other industries that are crucial to its future strategy (energy).

In millions of euros unless otherwise indicated

KEY FINANCIAL DATA	**2006**	2005	2004
Sales	**14,067**	12,114	10,818
EBITDA	**1,270**	1,096	954
EBIT	**972**	817	724
Net profit	**1,250**	609	453
Earnings per share (€)	**3.58**	1.74	1.30
Dividend per share (€)	**1.25**	0.60	0.39
ROE (%)	**45.5**	27.5	23.6
Total assets	**25,183**	17,713	12,400
Net financial debt	**8,746**	4,265	1,424
Shareholders' equity	**3,256**	2,636	2,019
Debt / Equity	**268.6**	161.8	70.5



ACS's activities are divided into five large business areas: Construction, Industrial Services, Environment and Logistics, Concessions and Energy.

• **Construction.** This business area encompasses civil engineering works, residential construction and non-residential construction. ACS is one of Europe's largest construction companies by sales and profitability in this market, with particular strength in civil engineering (58% of sales revenue and 64% of the backlog). Within the civil engineering field, ACS's Construction business area participates in the design, tender, financing and execution of concessions. Construction activities are carried out through Dragados and its subsidiaries.

• **Industrial Services.** ACS has long and varied experience covering the complete industrial services value chain, from promotion, applied engineering and new project construction to industrial infrastructure maintenance in, among others, the energy, communications and control systems industries in more than 25 countries. Industrial services are classified in four business areas: networks, specialized installations, integrated projects and control systems. The services provided include the development and maintenance of electricity generating facilities and electricity, gas and water distribution networks, conventional and high-speed railways, large gas and oil industry projects, combined cycle plants, regasification and renewable energy plants, technology systems related to telecommunications, road and rail traffic, public lighting and industrial control, etc. The main companies in this business area are Cobra, DINSA and their subsidiaries.

• **Environment and Logistics.** This business area encompasses four different business lines all of which operate under concessions or long-term contracts:

- **Environmental services** (Urbaser), specializing in the management and treatment of urban and industrial waste and water management.

- **Integral services** (Clece), which engages in a wide range of activities such as comprehensive building and facility maintenance, gardening and reforestation, airport services, and management of advertising spaces in large facilities and on transport vehicles.

- **Port and logistic services** (Dragados SPL), mainly port management and handling, shipping agency, dry dock management, combined transport and logistics in general.

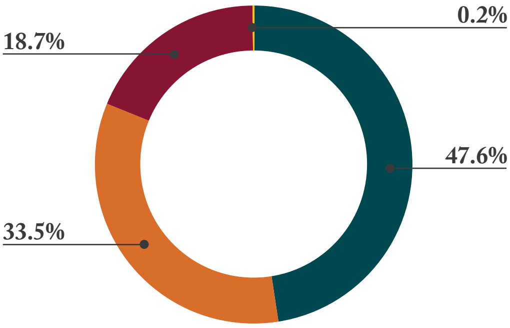
- **Passenger transport services** (Continental Auto), including regular long-distance, local and urban road passenger transport, and station and transport interchange operation. On the 26th of April of 2007, ACS announced the sale of Continental Auto for a total enterprise value of 702 million euros.

ACS

● **Concessions:** Through Iridium, ACS has shareholdings in various motorway and highway concessionaires in Spain, Chile, Greece, Ireland, Portugal, United Kingdom and South Africa; airport concessionaires in Chile, Colombia, Jamaica and Mexico; and railway and public facility concessionaires in Spain. The ACS Group is a world leader in the promotion, financing, construction, management and operation of new transport infrastructures. The concessions in which Iridium has interests total more than 1,900 kilometres of motorway and highway, 15 airports, 82 kilometres of railway track, and 219,000 square meters of public facilities (transport interchanges, hospitals, police stations and prisons). ACS also holds a 24.8% stake in the motorway concession operator Abertis, which has significant business interests in telecommunications, car parks and airports.

● **Energy.** ACS has created a new Energy business area around its stake in Unión Fenosa, which in the future will be fully consolidated, thus becoming one of the main pillars of the Group's strategy over the next few years. Also belonging to this area is a recently acquired shareholding in Iberdrola, amounting to 10.0% at the end of 2006.

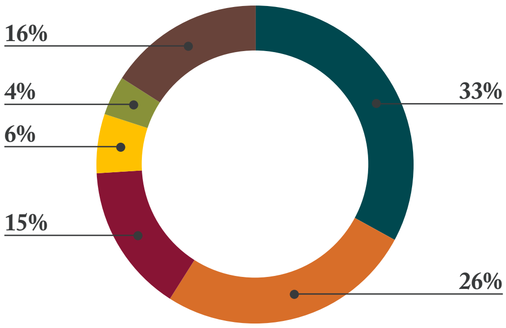
SALES BY BUSINESS SEGMENT



Total 2006: € 14,067 m

n Construction
n Industrial Services
n Environment and Logistics
n Concessions

NET PROFIT BY BUSINESS SEGMENT



Total 2006: € 1,250 m

n Construction
n Industrial Services
n Environment and Logistics
n Concessions
n Urbis
n Energy

Note: Chart based on the contribution of the different businesses to sales and consolidated net profit, the latter excluding €402 m of corporate-level profits and adjustments.

KEY PERFORMANCE INDICATORS BY BUSINESS SEGMENT

	2006	2005	2004
Construction			
Turnover	**6,750**	5,725	5,230
Net profit	**282**	239	221
Project backlog	**10,661**	9,369	8,528
Industrial services			
Turnover	**4,748**	4,077	3,490
Net profit	**223**	179	150
Project backlog	**5,087**	4,269	3,415
Environment and Logistics			
Turnover	**2,657**	2,406	2,187
Net profit	**129**	113	99
Project backlog	**14,171**	13,230	11,988
Listed investments			
Net profit contribution (*)	**232**	79	-
No. of Employees	**123,652**	113,273	107,748

(*) Net of financial expenses and goodwill amortisation.

ACS

Review of the company's operations during 2006

ACS's various divisions showed excellent operating performance, thanks to the strength of demand in their business sectors. Group sales reached 14,067 million euros, up 16% on the previous year, and net profit doubled to 1,250 million euros, up from 609 million in 2005.

Construction posted sales of 6,750 million euros, an improvement of 17.9% compared to 2005. Of this total, 3,889 million (57.6%) was from civil engineering projects and 2,862 million from construction projects (42.4%), both residential (16.6%) and non-residential (25.8%). These sales include 431 million euros of international sales, representing 6.4% of the total. The decline in international sales compared to the previous year is due to the disposal in 2006 of the Portuguese subsidiary Sopol. The Construction division had net profit of 282 million euros, an 18.0% improvement on the previous year.

The Industrial services area continued to grow strongly in 2006, driven by the Specialized facilities, Integrated projects and Control systems businesses, and also by the substantial recovery of the Networks area in the last quarter. Turnover was 4,748 million euros, 16.4% higher than in 2005, and net profit was 223 million, up 24.2%.

The environment and logistics businesses, had sales of 2,657 million euros, up 10.4%, and net profit of 129 million.

The infrastructure development and concessions area posted sales of 26 million euros and net losses attributable to common shareholders of 17 million euros. Given the nature of its business (concession development and operation), this area's results do not reflect the value of its assets, which will only start to contribute significant profits to the Group as projects mature.

There was a notable increase in the profit of companies accounted for by the equity method, which reached 330 million euros, up 128.0%, due to the increased contribution of Unión Fenosa (already included in the consolidated financial statements for 2005) and the larger contribution by Abertis and Urbis, up 15.2% and 19.3%, respectively. Iberdrola contributed 41 million euros in dividends.

Sales increased over the year, so that the Group order book ended the year at 29,918 million euros, up 11.4% on 2005.

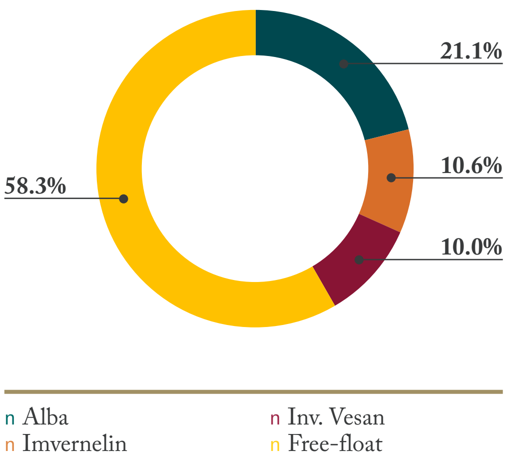
During 2006, ACS made net investments of over 5,400 million euros. Of this total, 3,297 million were for the acquisition of 10% of Iberdrola and 1,728 million euros, for the acquisition of 16% of the share capital of Unión Fenosa. Net investments also include the sale in November 2006 of the group's 24.8% shareholding in Urbis to Construcciones Reyal for 823 million euros, on the occasion of the takeover bid launched by Construcciones Reyal in July 2006. With these investments, ACS's net debt at year-end stood at 8,746 million euros, 80% of which was unsecured financing linked to the acquisition of shares in Iberdrola and Unión Fenosa.

During the first quarter of 2007, ACS entered into a derivatives contract, specifically an equity swap, on Iberdrola shares that currently affects 3.96% of its capital, settleable, at ACS's option, in cash or in shares. Following these investments in Unión Fenosa and Iberdrola, ACS is now one of the largest investors in the electricity industry in Spain.

Shareholder structure

As of December 31, 2006 Alba held 21.14% of ACS's share capital and had four representatives on the company's board of directors: Mr. Pablo Vallbona Vadell, Mr. Isidro Fernández Barreiro, Mr. Santos Martínez-Conde Gutiérrez-Barquín and Mr. Francisco Verdú Pons. During 2006, Alba increased its shareholding by 3.21%, with a total investment of 327.9 million euros. With these acquisitions, Alba has strengthened its position as ACS's main shareholder.

SHAREHOLDER STRUCTURE OF ACS AS OF 31/12/2006



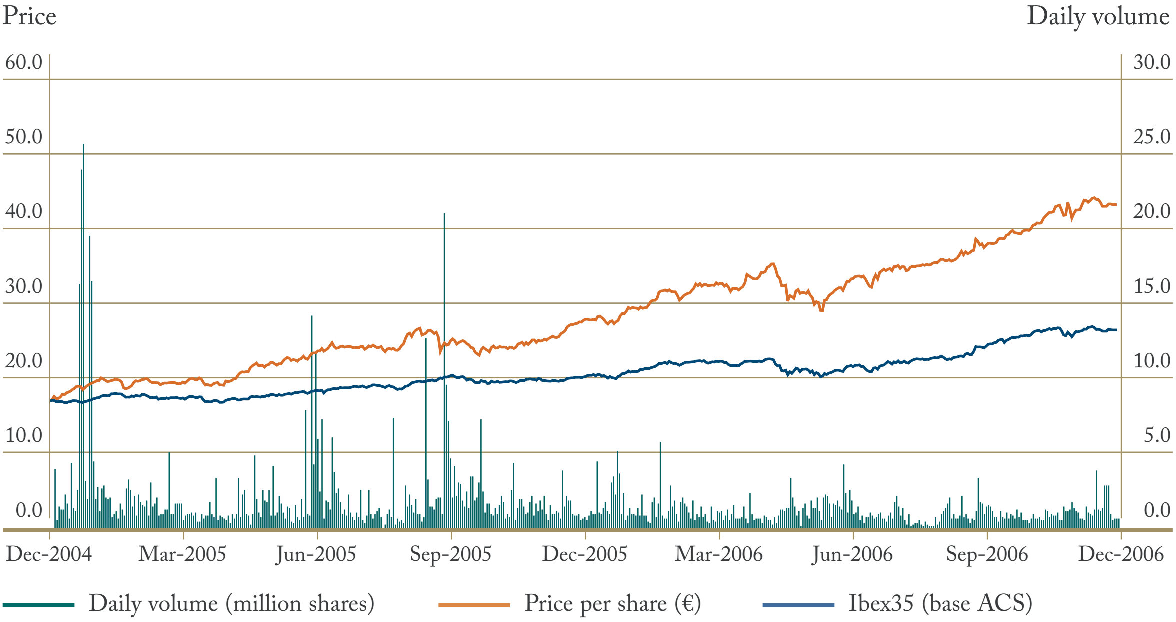
Source: CNMV

ACS

ACS share price performance

ACS share price increased during 2006 (+57.0%), especially in the last quarter, reaching an all-time high of 43.62 euros/share on December 18. This performance is attributable to the company's excellent results and the good prospects for its various business lines.

ACS SHARE PRICE PERFORMANCE SINCE DECEMBER 31, 2004



Source: Bloomberg

SHARE PRICE PERFORMANCE

	2006	2005	2004
Price in euros per share (closing prices)			
High	**43.62**	27.23	17.03
Low	**26.96**	16.98	12.68
Last	**42.71**	27.21	16.80
Number of shares in issue (thousands)	**352,873**	352,873	355,580
Stock market capitalization at 31/12 (million euros)	**15,071**	9,602	5,928
Volume traded			
Total number of securities (thousands)	**326,345**	622,844	503,421
Daily average: In thousands of shares	**1,285**	2,433	2,006
As % of total shares in issue	**0.36%**	0.69%	0.57%
In millions of euros	**43**	53	28
Dividend yield (on closing price for the year)	**2.93%**	2.21%	2.32%
P/E ratio (on closing price for the year)	**11.9 x**	15.6 x	12.9 x

ACS

Through its shareholding in ACS, Alba has an indirect interest in three listed companies: Abertis, Iberdrola and Unión Fenosa.

In millions of euros unless otherwise indicated

	Abertis	**Iberdrola**	**Unión Fenosa**
Business	Infrastructure concessions	Utilities	Utilities
ACS's shareholding (31/12)	24.8%	10.0%	40.5%
Increase in shareholding in 2006	-	10.0%	16.0%
Stock market capitalization (31/12)	13,680	29,859	11,425
Sales 2006	3,335	11,017	6,057
EBITDA 2006	2,099	3,890	1,907
Net profit 2006	530	1,660	635

The market value of these indirect investments at year-end was 2,325 million euros, as detailed below:

	Capitalization (€m)	**ACS's shareholding**	**Alba's indirect shareholding**	**Value of indirect shareholding (€m)**
Abertis	13,680	24.8%	5.24%	717
Iberdrola	29,859	10.0%	2.11%	630
Unión Fenosa	11,425	40.5%	8.56%	978
Total				**2,325**

A summary of these three companies' performance in 2006 is given below.

Abertis

Specialising in mobility and telecommunications infrastructure management, as of December 31, 2006, Abertis operated 3,320 kilometres of motorway in Spain and France, as well as Spain's leading network of sites for the broadcasting of radio and television signals. Through TBI, Abertis operates airports in Luton (London), Belfast, Cardiff, Stockholm and Orlando Sanford, handling more than 22.2 million passengers in 2006. Through its subsidiary SABA it manages more than 87,000 parking places in six countries, principally Spain, Italy and Portugal.

Consolidated revenue from the motorways business grew 110% in 2006 to 2,537 million euros, mainly thanks to the first-time consolidation of Sanef. On a comparable basis, sales grew 9%, thanks to traffic growth (+3.4%) and price increases in various markets. The telecommunications division recorded revenue growth of 31.0%, reaching 369 million euros, with marked improvements in margins, mainly due to the positive impact of the rollout of DTT in Spain.

Passenger numbers in the airports managed by Abertis increased by 3.9%, while consolidated income grew 282 million euros (+5.6% in comparable income). Sales revenue in the car parks business grew 6.3% to 118 million euros. On December 5, 2006, Abertis Telecom reached an agreement to acquire 32% of satellite operator Eutelsat for 1,070 million euros, becoming the largest shareholder. Eutelsat has a fleet of 23 communications satellites and is the leader in Europe and world number three. This acquisition was completed at the beginning of 2007 and therefore is not reflected in the results for 2006.

In 2006, Abertis reported net profit of 530 million euros on revenues of 3,335 million. As of December 31 the market value of ACS's investment in Abertis was 3,397 million euros.

In millions of euros unless otherwise indicated

KEY FINANCIALS	**2006**	2005	2004
Shareholders' equity	**4,447**	3,036	2,904
Turnover	**3,335**	1,906	1,549
EBITDA	**2,099**	1,204	1,050
Net profit	**530**	511	489
Market capitalization (at 31-12)	**13,680**	12,311	8,934

www.abertis.com

ACS

Unión Fenosa

In 2006, ACS increased its shareholding in Unión Fenosa to 40.5%, from 24.5% at the end of 2005. This increase was achieved through a bid for 10% of the company in March and the purchase of an additional 5.96% in the market during the year. The total investment in 2006 was 1,728 million euros.

Unión Fenosa is Spain's third largest electricity company, with total installed capacity of 7,458 MW, net production of 30,727 GWh, energy billed to end users of 33,294 GWh, and 3.5 million customers. Including international activities, installed capacity amounts to 10,231 MW, net production to 45,842 GWh, energy billed to 51,102 GWh, and the number of customers to more than 8.6 million worldwide.

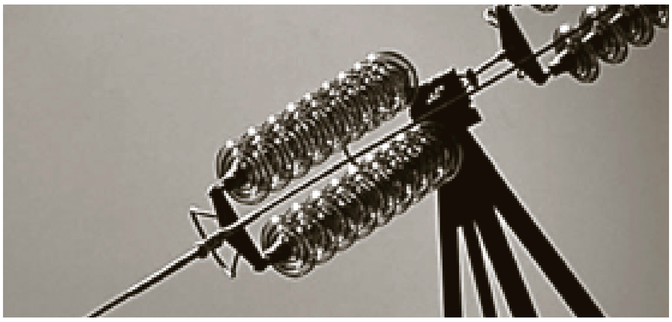
The gas business has become an important part of Unión Fenosa's activities, thanks to the start-up of its main gas facilities – the liquefaction plants in Egypt (2005) and Oman (2006) and the regasification plant at Sagunto (2006) – and the expansion of the distribution network. In 2006 Unión Fenosa billed 60,201 GWh of natural gas in the unregulated market, 39% of which went to combined cycle plants and the remaining 61% to industrial customers, residential customers and the international market. Its market share in 2006 rose to 12.7%, compared to aproximately 10% the previous year. Some 84% of the natural gas imported by Unión Fenosa is sourced from Egypt and Oman. The growth of the gas business in 2006 was spectacular. At year-end it accounted for 10% of Group revenue and 12% of Group operating margin.

As of December 31, ACS's 40.5% interest in Unión Fenosa had a market value of 4,627 million euros.

In millions of euros unless otherwise indicated

KEY FINANCIALS	**2006**	2005	2004
Shareholders' equity	**5,564**	5,067	3,318
Turnover	**6,057**	6,099	4,465
EBITDA	**1,907**	1,477	1,229
Net profit	**635**	824	377
Recurring net profit	**635**	461	377
Market capitalization (at 31-12)	**11,425**	9,578	5,895

www.unionfenosa.com



Iberdrola

At the end of September 2006, ACS acquired a 10% interest in Iberdrola on the open market for a total of 3,297 million euros, becoming a leading shareholder. During the first quarter of 2007, ACS entered into a derivatives contract for a further 3.96% of Iberdrola, settleable in cash or shares.

Iberdrola is Spain's second largest electricity company, with total installed capacity of 25,966 MW, net production of 68,348 GWh, energy billed to end users of 99,520 GWh, and 9.9 million connection points under management. Including international activities, total installed capacity amounts to 30,384 MW, net production to 91,991 GWh, energy billed to 127,182 GWh, and the number of connection points under management to more than 18.4 million worldwide.

Iberdrola is the leading renewable energy company in Spain and the world's largest wind energy operator.

Iberdrola's businesses performed well in 2006, especially electricity generation and gas in Spain, and renewables and other activities in Latin America. In 2006 Iberdrola met the goals set in the 2001-2006 strategic plan, and in November last year announced a new strategic plan for 2007-2009.

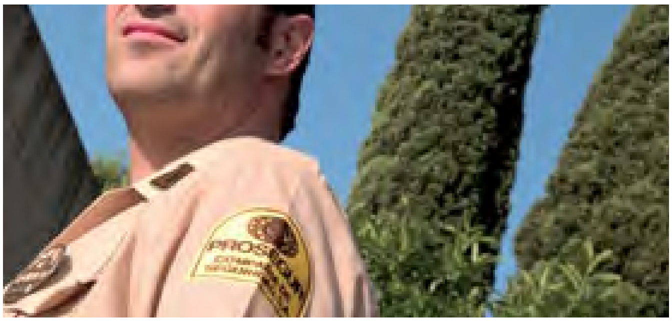
On November 28, 2006, Iberdrola announced a friendly takeover bid for ScottishPower in cash and shares, with an offer worth nearly 17,100 million euros at the time of the announcement. The deal was completed during the first half of 2007.

As of December 31, 2006, ACS's 10.0% interest in Iberdrola had a market value of 2,986 million euros.

In millions of euros unless otherwise indicated

KEY FINANCIALS	**2006**	2005	2004
Shareholders' equity	**10,567**	9,415	8,519
Turnover	**11,017**	11,738	8,725
EBITDA	**3,890**	3,378	2,913
Net profit	**1,660**	1,382	1,196
Market capitalization (at 31-12)	**29,859**	20,817	16,859

PROSEGUR



Company description

Prosegur is the leader in Spain in private security services, with a significant presence in other European countries and Latin America. At present, Prosegur has more than 600 facilities in 11 countries, more than 75,000 employees and a fleet of nearly 4,700 vehicles.

The company offers a wide range of services to corporate clients and private individuals, such as active surveillance, telemonitoring and telesurveillance, intrusion protection, fire protection, cash management, ATM management, cash and valuables in transit, and consulting and training.

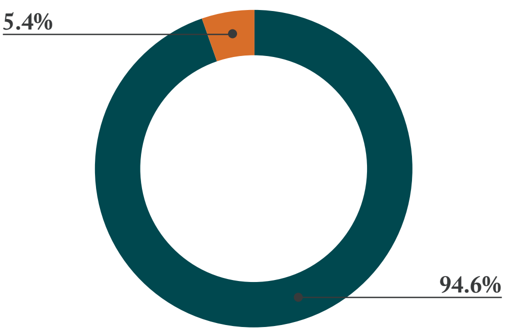
In millions of euros unless otherwise indicated

KEY FINANCIAL DATA	**2006**	2005	2004
Sales	**1,628**	1,388	1,112
EBITDA	**148**	152	142
EBIT	**105**	114	106
Net profit	**58**	65	35
Earnings per share (€)	**0.93**	1.06	0.56
Dividend per share (€)	**0.27**	0.33	0.25
ROE (%)	**18.1**	24.3	14.3
Total assets	**1,123**	1,031	773
Net financial debt	**220**	227	97
Shareholders' equity	**335**	322	267
Debt / Equity (%)	**65.7**	70.5	36.3

Review of the company's operations during 2006

Prosegur closed the year with total consolidated sales of 1,628 million euros, up 17.3% on the previous year. Excluding the effect of acquisitions during the year, comparable organic growth was 13.3%. Consolidated net profit fell 11.8% to 58 million euros as a result of an extraordinary expense of almost 20 million euros. Without this, Prosegur's profit would have risen 18.5% to 77 million euros.

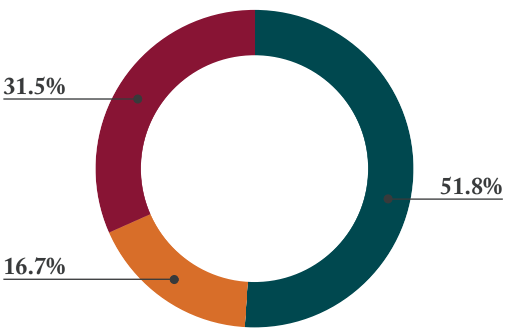
SALES BY BUSINESS SEGMENT



Total 2006: € 1,628 m

n Corporate security n Home security

SALES BY GEOGRAPHY



Total 2006: € 1,628 m

n Spain n Latin America
n Other European countries

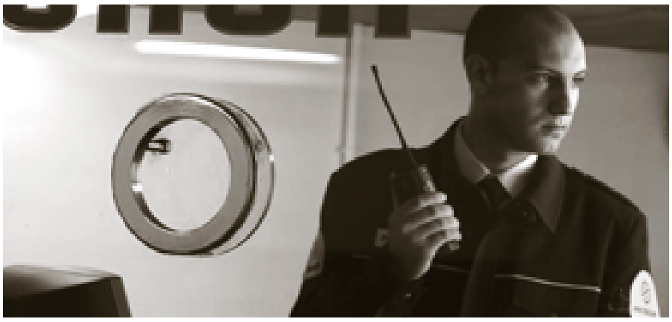
PROSEGUR

The corporate security business area, which comprises security and cash-in-transit, accounts for the bulk of group sales and improved by 17.8% in 2006 to 1,540 million euros. This increase is due to 11.9% organic growth and partially due to acquisitions made during the year. The home security area, which consists mainly of the alarms business, posted revenues of 88 million euros, up 9.7% on the previous year.

By geography, sales growth was especially strong in Latin America, up 30.0%, compared to 11.7% in Spain and 14.2% in the rest of Europe. In Spain, group turnover rose from 755 million euros in 2005 to 843 million in 2006 (+11.7%, or +6.7% excluding acquisitions). Europe, with turnover of 1,115 million euros, accounted for 68.5% of group sales.

2006 was a very satisfactory year in Latin America, too. Sales in Brazil grew 44.3% to 264 million euros. Revenue growth was 23.6% in Argentina, 10.6% in Chile and 10.5% in Peru.

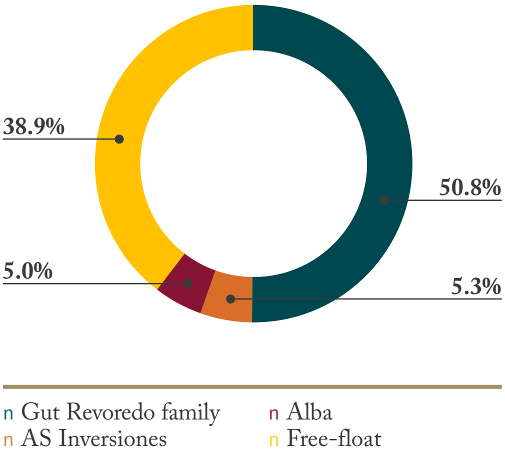
Operating investments in 2006 totalled 54 million euros, mainly for the renewal of the fleet of armoured vehicles in Latin America, technology for the cash and valuables in transit (CIT) area in Spain, and cash management centres in Brazil.



Shareholder structure

As of December 31, 2006 Alba had a 5.0% interest in the share capital of Prosegur and one representative on the company's board of directors: Mr. Isidro Fernández Barreiro.

PROSEGUR'S SHAREHOLDER STRUCTURE AS OF 31/12/2006



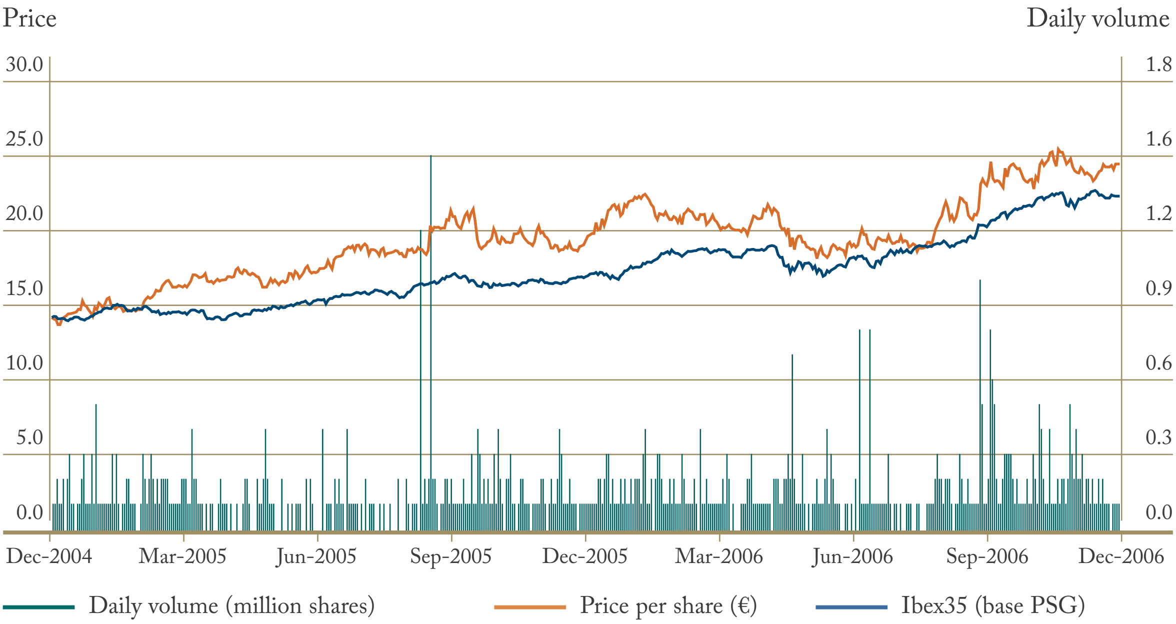
Source: CNMV.

PROSEGUR

Prosegur's share price performance

During 2006, the Prosegur share increased in value (+27.9%), especially in the last quarter, reaching a record high of 25.68 euros per share on December 21.

PROSEGUR SHARE PRICE PERFORMANCE SINCE DECEMBER 31, 2004



Source: Bloomberg

SHARE PRICE PERFORMANCE

	2006	2005	2004
Price in euros per share (closing prices)			
High	**25.68**	21.70	15.11
Low	**18.40**	14.00	12.46
Last	**24.70**	19.32	14.48
Number of shares in issue (thousands)	**61,712**	61,712	61,712
Stock market capitalization at 31/12 (million euros)	**1,524**	1,192	894
Volume traded			
Total number of securities (thousands)	**40,738**	32,165	53,121
Daily average: In thousands of shares	**891**	579	703
As % of total shares in issue	**0.24%**	0.20%	0.34%
In millions of euros	**4**	2	3
Dividend yield (on closing price for the year)	**1.09%**	1.71%	1.73%
P/E ratio (on closing price for the year)	**26.6 x**	18.2 x	25.9 x

ANTEVENIO

Antevenio, formerly I-Network Publicidad, was founded in 1997. Antevenio is one of the leading Internet advertising companies in Spain, offering banner management services and other types of online advertising through specialized websites, contextual advertising, database management, e-mail direct marketing, etc. The online advertising industry is expected to continue to grow strongly over the next few years.

On February 15, 2007, Antevenio was listed on Alternext, the European market for small and mid-cap companies. Antevenio is the first Spanish company to trade on Alternext. The 8.2 million euros raised by the share placement will be used to finance organic growth and selective acquisitions in Spain, and possibly in other markets. The offering price gave an initial stock market capitalization of more than 28 million euros.

Alba is Antevenio's largest shareholder. As of December 31, 2006, Alba's shareholding in the company was 28.8%, diluted to 20.5% after the listing on Alternext.

In millions of euros unless otherwise indicated

KEY FINANCIALS

	2006	2005	2004
Shareholders' equity	**2.2**	1.5	0.7
Turnover	**7.9**	5.8	4.0
EBITDA	**1.0**	0.8	0.5
Net profit	**1.0**	0.8	0.5

MARCH GESTIÓN DE FONDOS MARCH GESTIÓN DE PENSIONES

Both fund managers maintained solid growth during 2006. Total assets under management reached 1,427.9 million euros, up 17.8% compared to 2005.

March Gestión de Fondos S.G.I.I.C. increased its managed assets by 18.2% to reach 1,257.3 million euros at the end of 2006, thanks to the positive performance of both the mutual funds and the open-ended investment companies (Sicav).

The total net assets of the pension funds managed by March Gestión de Pensiones S.G.F.P. grew to 170.6 million euros, a 14.9% increase over the previous year. Notable in this context is the 20.2% growth of the personal pension funds, with managed assets of 117.5 million euros at the end of 2006.

Following the recent change in personal income tax, which broadly levelled the field for the tax treatment of savings income, collective investment schemes are facing more intense competition. This, combined with the rise in interest rates, has led across the industry to a certain shift of savings out of conservative funds into bank deposits.

Nevertheless, to maintain the growth of both companies in 2007, special emphasis will be given to the launch of new products. Already in the first quarter, customers have been offered a new discretionary management service for fund portfolios and two equity funds, one specialized in European equity and the other in high dividend yield stocks.

Over the next few months, these will be followed by the launch of two “free investment funds”, or hedge funds, March Gestión de Fondos S.G.I.I.C. having been one of the first entities in Spain to obtain authorization to manage this type of product. The first will be a product for private banking customers, aimed at leveraging the March Group’s stock market expertise, taking advantage of the greater investment flexibility for this type of fund under the new regulations. The second will be a fund of funds and will include a selection of the best foreign hedge funds specializing in the various alternative investment strategies.

March Gestión de Fondos S.G.I.I.C.

In millions of euros unless otherwise indicated

KEY FINANCIALS	**2006**	2005	2004
Assets under management	**1,257.3**	1,063.8	806.3
Net commissions	**2.6**	2.1	1.5
Net profit	**0.7**	0.5	0.2

March Gestión de Pensiones S.G.F.P.

In millions of euros unless otherwise indicated

KEY FINANCIALS	**2006**	2005	2004
Assets under management	**170.6**	148.5	128.0
Net commissions	**0.5**	0.4	0.4
Net profit	**0.1**	0.0	0.0

MARCH UNIPSA

In 2006, premiums brokered by Unipsa and its investments reached 392.4 million euros, up a satisfactory 13.9% on the previous year, compared to industry average growth of 7.9%.

Net service revenues were 9.1 million euros, an increase of 8.6% compared with 2005.

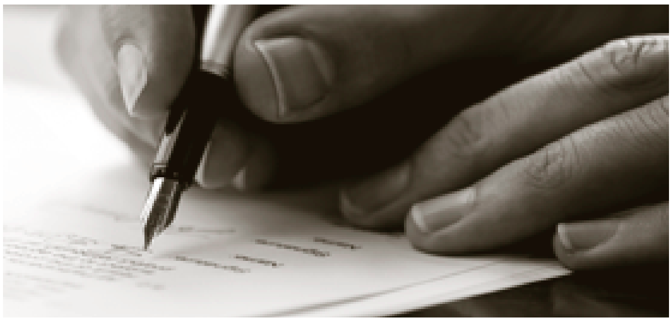
Consolidated net profit came out at 6.7 million euros, compared to 4.4 million euros in 2005, a 52.3% increase. It should be pointed out that this increase is partly due to the extraordinary income from the sale of properties and equity investments, amounting to 1.4 million euros net of taxes. Without this extraordinary income, the increase would have been 20.5 %.

GDS Correduría de Seguros, in which Unipsa has a 33% interest, brokered premiums totalling 115.8 million euros, an increase of 34.5% over 2005. Net service revenues increased 1.0%, due to sales of motor insurance with large transfers of commissions.

The motor insurance business performed particularly well, with premium growth of 27.2% and a 2.0% increase in net service revenues.

Carrefour Correduría de Seguros, in which Unipsa has a 25% ownership interest, reported 34.4 million euros of premiums brokered, up 37% on the previous year, and 5.4 million euros of net service revenues, up 35%.

The brokerage business is based on the sale of insurance through Carrefour hypermarkets.



In the period to November 27, 2006, when Unipsa divested its 35% stake, Urquijo Correduría de Seguros brokered premiums amounting to 16.0 million euros and earned 2.2 million euros for services provided.

In May 2006, Alba sold 40.33% of Unipsa's shares to Banca March. Subsequently Unipsa absorbed March Correduría de Seguros, changing its name to March Unipsa Correduría de Seguros. Since then, Alba's interest in the company has been 35%.

In millions of euros

KEY FINANCIALS	**2006**	2005	2004
Premiums brokered	**392.4**	344.5	288.5
Net service revenues	**9.1**	8.3	6.7
Profit (loss) before taxes	**9.4**	5.8	4.0
Net profit	**6.7**	4.4	3.2

Real Estate Activity

Alba's real estate assets for lease, consisting mainly of office buildings in Madrid and Barcelona, occupy an area of 98,779 square meters. According to a recent appraisal by C. B. Richard Ellis, their value, at market prices, is 276.8 million euros.

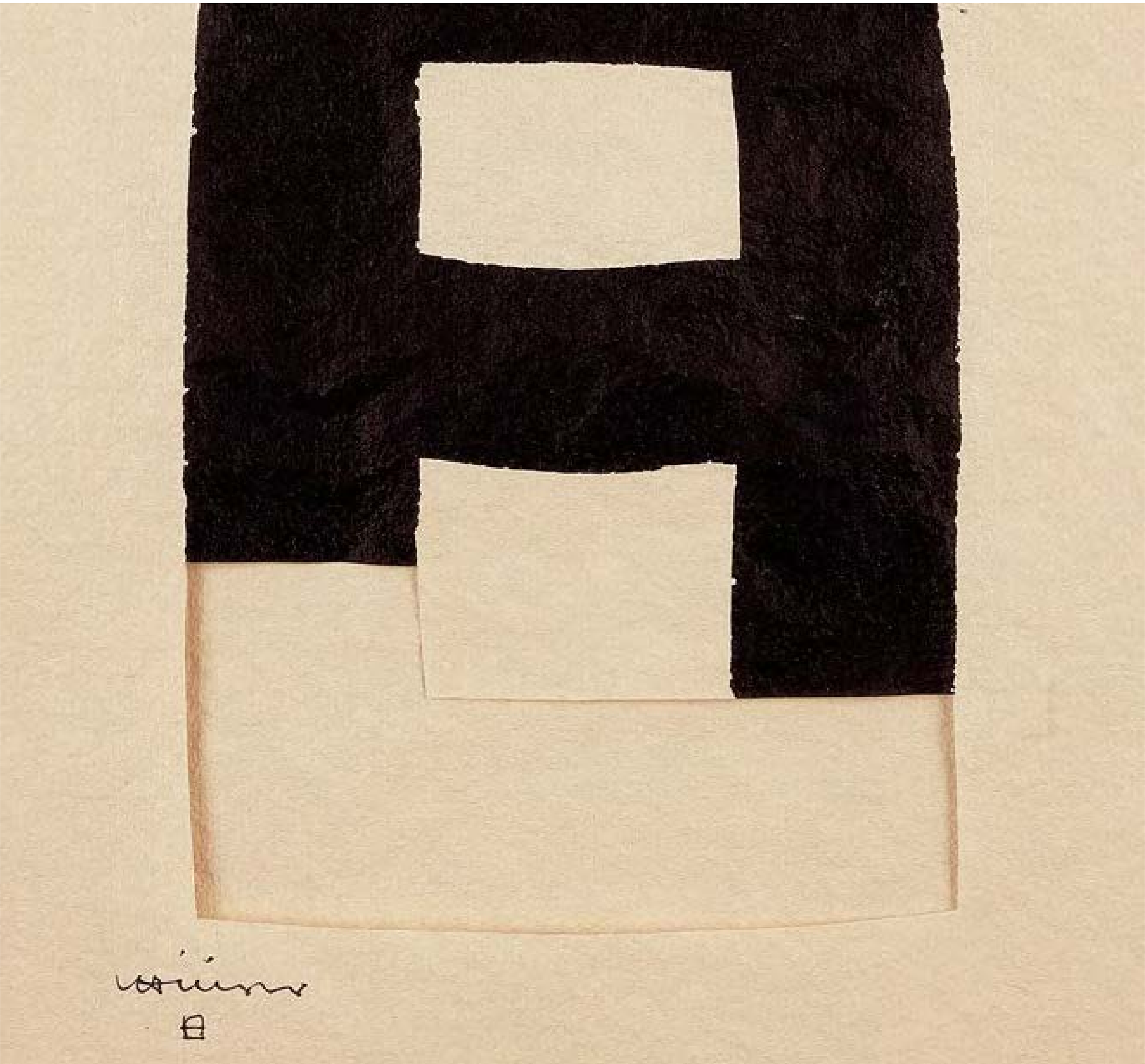
In 2006, lease income was 15.6 million euros, up 3.9% on 2005.

During the year Alba acquired an office building in calle Josefa Valcárcel in Madrid for 6.5 million euros, all of which is leased. This building is adjacent to another Alba property, whose value is enhanced by the acquisition, as the new building faces onto the Madrid-Barcelona motorway (A-2) and the landscaped area surrounding the two buildings has been unified.

Other investments totalling 0.7 million euros were carried out in 2006 to make improvements to the fabric and fittings of various buildings.

The occupancy of Alba's properties was very high throughout the year, ending at 94.3%.

Consolidated Financial Statements and Auditors' Report



CONSOLIDATED FINANCIAL STATEMENTS

Eduardo Chillida
Ink on paper (gravitación) (detail)

Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial staments issued in spanish
in accordance with generally accepted accounting principles in Spain (see Note 27).
In the event of a discrepancy, the Spanish-language version prevails.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2006 AND 2005

In thousands of euros

ASSETS	Notes	2006	2005
Real estate investments	5	276,841	252,824
Tangible fixed assets	6	12,518	21,263
Intangible assets		33	116
Investments in associates	7	1,947,847	1,082,706
Available-for-sale financial assets	8	76,732	788,846
Other financial assets	9	1,905	1,907
NON-CURRENT ASSETS		2,315,876	2,147,662
Inventories		0	41
Trade receivables and other receivables	10	80	11,080
Current tax assets		1,780	543
Available-for-sale financial assets	8	16,706	-
Held-for-trading financial assets	11	261,449	62,844
Cash and equivalents	12	21	7,058
CURRENT ASSETS		280,036	81,566
TOTAL ASSETS		2,595,912	2,229,228

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In thousands of euros

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	2006	2005
Share capital		65,100	66,460
Retained earnings		2,384,967	1,516,019
Treasury stock		(18,825)	(22,658)
Other reserves		(45,782)	567,623
Interim dividend		(3,879)	(3,936)
NET EQUITY		2,381,581	2,123,508
Minority interests		0	2,118
TOTAL SHAREHOLDERS' EQUITY	13	2,381,581	2,125,626
Other liabilities	9	2,071	2,631
Provisions	14	40,981	21,265
NON-CURRENT LIABILITIES		43,052	23,896
Trade payables and other payables	15	22,909	24,337
Current tax liabilities		458	1,084
Debt with financial institutions	16	147,912	54,285
CURRENT LIABILITIES		171,279	79,706
TOTAL LIABILITIES		2,595,912	2,229,228

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CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

In thousands of euros

	Notes	2006	2005
Profit (loss) from the disposal of non-current assets	7 and 8	517,755	306,596
Share of profit (loss) of associates	7	365,599	121,801
Financial income	22.b)	22,262	29,307
Lease income, insurance premium income and other income	21	15,671	26,503
Changes in the fair value of investment properties	5	16,773	18,776
Profit from held-for-trading financial assets	11	37,605	5,401
Personnel expenses	22.a)	(27,049)	(19,973)
Other operating expenses	21	(7,578)	(7,755)
Net provisions	14	(15,380)	-
Financial expenses and exchange differences		(6,646)	(4,408)
Amortisation and depreciation		(881)	(1,147)
Asset impairment (net)		-	(1,111)
Cost of sales	21	-	(303)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING ACTIVITIES		918,131	473,687
Corporate income tax expense	18	174	(28,645)
PROFIT (LOSS) FROM CONTINUING ACTIVITIES		918,305	445,042
Minority interests		-	(773)
PROFIT (LOSS) FROM THE PARENT COMPANY		918,305	444,269
Average number of outstanding shares during the year (excluding treasury stock)		64,876,073	65,615,727
Basic and diluted earnings per share (euros/share)		14.15	6.77

Corporación Financiera Alba, S.A. and Dependent Companies

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STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

In thousands of euros

	Share capital	Reserves for accumulated earnings	Treasury stock	Other reserves	Interim dividend	Net equity	Minority interests	Total net equity
BALANCE AT JANUARY 1, 2005	66,800	1,086,994	(18,033)	58,447	(3,961)	1,190,247	1,824	1,192,071
Increase (decrease) in fair value of financial assets held for sale	-	-	-	545,327	-	545,327	44	545,371
Changes in consolidated net equity of affiliated companies (note 7)	-	937	-	31,652	-	32,589	-	32,589
Other	-	97	-	-	-	97	-	97
Total income and expenses for the year recognised directly in equity	-	1,034	-	576,979	-	578,013	44	578,057
Profit (loss) for the year	-	444,269	-	(67,803)	-	376,466	773	377,239
Total income (expenses) for the year	-	445,303	-	509,176	-	954,479	817	955,296
Interim dividend	-	(3,961)	-	-	3,961	-	-	-
Dividends paid during the year	-	(3,945)	-	-	(3,936)	(7,881)	(523)	(8,404)
Capital write-offs	(340)	(8,372)	8,712	-	-	-	-	-
Purchase of treasury stock	-	-	(13,337)	-	-	(13,337)	-	(13,337)
BALANCE AT DECEMBER 31, 2005	66,460	1,516,019	(22,658)	567,623	(3,936)	2,123,508	2,118	2,125,626
Increase (decrease) in fair value of available-for-sale financial assets	-	-	-	13,819	-	13,819	-	13,819
Increase (decrease) in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(519,601)	-	(519,601)	-	(519,601)
Changes in consolidated net equity of associated companies (note 7)	-	-	-	(107,623)	-	(107,623)	-	(107,623)
Other	-	512	-	-	-	512	(2,118)	(1,606)
Total income and expenses for the year recognised directly in equity	-	512	-	(613,405)	-	(612,893)	(2,118)	(615,011)
Profit for the year	-	918,305	-	-	-	918,305	-	918,305
Total income (expenses) for the year	-	918,817	-	(613,405)	-	305,412	-	303,294
Interim dividend	-	(3,879)	-	-	3,879	-	-	-
Dividends paid during the year	-	(3,936)	-	-	(3,822)	(7,758)	-	(7,758)
Capital write-offs	(1,360)	(42,054)	43,414	-	-	-	-	-
Purchase of own shares	-	-	(39,581)	-	-	(39,581)	-	(39,581)
BALANCE AT DECEMBER 31, 2006	65,100	2,384,967	(18,825)	(45,782)	(3,879)	2,381,581	-	2,381,581

Corporación Financiera Alba, S.A. and Dependent Companies

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CONSOLIDATED CASH FLOW STATEMENT

		In thousands of euros	
	Notes	2006	2005
OPERATING ACTIVITIES			
Profit for the year		918,305	445,042
Amortisation and depreciation		881	1,147
Impairment		-	1,091
Changes in the fair value of investment properties	5	(16,773)	(18,776)
Share of the profit (loss) for the year of associates	7	(365,599)	(121,801)
Profit (loss) from held-for-trading financial assets		(37,605)	(5,640)
Profit (loss) from sale of assets	7 and 8	(517,755)	(306,337)
Provisions for liabilities and charges	14	15,380	-
Deferred expenses		14,423	-
Purchases of securities		(824,198)	(310,647)
Sales of securities		718,747	450,581
Real estate investments purchases		(6,500)	(559)
Real estate investments sales		-	2,602
Financial revenue	22.b)	(22,262)	(29,307)
Financial expenses		6,646	4,408
Dividends received		64,873	57,390
Corporate income tax	18	(174)	28,645
NET CASH FROM OPERATING ACTIVITIES		(51,611)	197,839
INVESTING ACTIVITIES			
Purchases of treasury stock	13	(39,581)	(13,332)
Other items		4,040	5,063
NET CASH FROM INVESTING ACTIVITIES		(35,541)	(8,269)
FINANCING ACTIVITIES			
Dividend payments	3	(7,766)	(8,404)
Net interest		(5,746)	(4,763)
Liabilities to credit institutions		93,627	(175,075)
NET CASH FROM FINANCING ACTIVITIES		80,115	(188,242)
INCREASE (DECREASE) IN NET CASH		(7,037)	1,328
NET CASH AS OF 01/01 (note 12)		7,058	5,730
NET CASH AS OF 31/12 (note 12)		21	7,058

Corporación Financiera Alba, S.A. and Dependent Companies

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2006

1. Activities

Corporación Financiera Alba, S.A. (Alba) is a holding company with equity interests in a number of subsidiaries and associates in various industries, as detailed below. Also included among its primary activities are the lease of real estate assets and participation in start-up businesses.

Given the business of Alba, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to its net assets, financial situation or results. For this reason a specific breakdown of information regarding environmental issues has not been included in the present report.

2. Bases of Presentation of the Consolidated Annual Accounts

2.1. Accounting principles

Alba's consolidated annual accounts for 2006 are presented in accordance with International Financial Reporting Standards (hereinafter IFRS), as adopted by the European Union in accordance with EC Regulation 1606/2002 of the European Parliament and Council, which are obligatory from December 31, 2006.

These consolidated annual accounts have been prepared on the basis of the accounting records of the companies comprising the group in the format established by IFRS prevailing at December 31, 2006 to present fairly the equity, consolidated financial situation and consolidated results of Alba at December 31, 2006, changes in the consolidated net equity and the consolidated cash flows for the year then ended. Alba estimates that adoption of the standards, amendments and interpretations that are obligatory for reporting periods starting January 1, 2007 will not have a significant impact on the consolidated financial statements in the period of initial application.

The valuation principles and standards used are described in Note 4 to these consolidated annual accounts. No obligatory accounting principles or valuation standards with a significant impact on these consolidated annual accounts have been omitted in their preparation.

Directors of the company present, for purposes of comparison, in addition to the 2006 figures for each item in these consolidated annual accounts, the figures for the previous year, which were the first to be prepared in accordance with IFRS.

The consolidated financial statements are presented in thousands of euros unless otherwise indicated.

2.2. Use of judgement and estimates in the preparation of the consolidated financial statements

For the preparation of certain information included in these consolidated annual accounts the Directors have used judgements and estimates based on assumptions that affect the application of accounting principles and standards and the amounts of assets, liabilities, revenue, expenses and commitments recorded therein. The most significant estimates used in the preparation of these consolidated annual accounts refer to:

- Impairment losses and the useful lives of tangible assets (notes 4.b and 6).
- The valuation of consolidation goodwill to calculate the existence of impairment losses thereon. (note 4.c).

The estimates and assumptions used are reviewed regularly. If as a result of these reviews or of future events these estimates were to change, the effect of this change would be recorded in the consolidated profit and loss account for that period and successive periods, in accordance with IAS 8.

2.3. Responsibility for the information

Mr. Santos Martínez-Conde Gutiérrez-Barquín and Mr. Ignacio Martínez Santos, Chief Executive and Financial Director of Corporación Financiera Alba, S.A., have certified that the consolidated annual accounts for the year ended December 31, 2006, presented to the Board of Directors of Corporación Financiera Alba, S.A. for authorization, are complete and provide a true and fair view of the consolidated financial position and that, in accordance with applicable commercial and accounting legislation, they incorporate the financial statements of all the companies included in the scope of consolidation.

The Board of Directors, at its meeting on March 28, 2007, authorized these annual accounts with a view to their verification by the Auditors and subsequent approval by the General Meeting.

2.4. Subsidiaries

Subsidiaries are those companies that comprise a single decision-making unit with the parent company, in other words those over which the parent company is able to exercise control, this being the capacity to direct a company's financial and operating policies. The Company assumes that control exists when it holds the majority of the voting rights, is empowered to appoint or remove the majority of the members of the board of directors, controls, by virtue of agreements entered into with other shareholders, the majority of the voting rights or has appointed exclusively with its votes the majority of the members of the board of directors.

In accordance with International Financial Reporting Standards, group companies have been fully consolidated with all their assets, liabilities, revenues, expenses and cash flows being included in the consolidated financial statements once adjustments and eliminations relating to intragroup transactions have been made.

Information for 2006 and the change with respect to 2005 is shown below:

		Percentage shareholding		thousands of euros
Subsidiary	**Activity**	**At 31-12-06**	**Variation in 2006**	**Net cost in books prior to consolidation**
Alba Participaciones, S.A. Castelló, 77, 5ª planta. 28006 Madrid	Securities investment	100.00	-	117,633

In 2006 the Group's share of Unipsa Correduría de Seguros, S.A. (now called March Unipsa Correduría de Seguros, S.A.) fell below 50%, following the disposal of 40.33%. Accordingly, this investment, which in 2005 was classified as a subsidiary, has been reclassified as an associate.

In 2005 a merger by absorption operation was carried out as a result of which Inversiones Artá, S.A., Alba Inmobiliaria, S.A., Fianteira, S.A. and Inversiones Finalba, S.A. were absorbed by Alba Participaciones, S.A. (formerly Fondarte, S.A.). Corporación Financiera Alba, S.A. has a 100% direct or indirect stake in all these companies.

2.5. Associates

Associates are companies over which Alba has significant influence, even if it holds less than 20% of the voting power. In order to ascertain the existence of significant influence, the Company takes into account, among other factors, representation on the Board of Directors, participation in policy making and the size and permanence of the shareholding.

Information for 2006 and the change with respect to 2005 is shown below:

			Percentage shareholding	
Associate	**Registered address**	**Activity**	**As of 31-12-06**	**Variation in 2006**
Acerinox, S.A.	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of flat stainless steel products	20.80	9.62
ACS, Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102 (Madrid)	Construction and services	21.14	3.21
March Gestión de Fondos, S.G.I.I.C., S.A.	Castelló, 74 (Madrid)	Management of collective investment institutions	35.00	-
March Gestión de Pensiones, S.G.F.P., S.A.	Castelló, 74 (Madrid)	Pension fund manager	35.00	-
Antevenio, S.A.	Marqués de Riscal, 11 (Madrid)	Internet advertising	28.80	-
March, Correduría de Seguros, S.A.	Avda. Alejandro Roselló, 8 (Palma de Mallorca)	Insurance brokerage	-	(35.00)
Urquijo Correduría de Seguros, S.A.	Avda. de Brasil, 29 (Madrid)	Insurance brokerage	-	(35.00)
GDS Correduría de Seguros, S.A.	Avda. Diagonal, 427 Bis (Barcelona)	Insurance brokerage	-	(33.00)
Carrefour Correduría de Seguros, S.A.	Crtra. de Burgos, Km. 14,5 (Madrid)	Insurance brokerage	-	(25.00)
March Unipsa Correduría de Seguros, S.A.	Lagasca, 88 (Madrid)	Insurance brokerage	35.00	-

In 2006, as in 2005, Deloitte is the auditor for ACS, Actividades de Construcción y Servicios, S.A., March Gestión de Fondos, S.G.I.I.C., S.A. and March Gestión de Pensiones, S.G.F.P., S.A.; PriceWaterhouseCoopers is the auditor for Unipsa Correduría de Seguros, S.A.; and KPMG Auditores, S.L. is the auditor for Acerinox, S.A.

Corporación Financiera Alba, S.A. and Dependent Companies

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3. Distribution of Profits

The proposed distibution of profit for 2006 to be submitted by the Board of Directors for the approval of the General Shareholders' Meeting, and the distribution of profit for 2005 approved by the General Shareholders' Meeting are as follows:

	2006	2005
Distribution bases		
Profit (Loss)	918,305	444,269
Distribution bases		
To reserves	910,547	436,446
To dividends	7,758	7,823
Total	918,305	444,269

The profits of the parent company and of its subsidiaries will be distributed as approved by their respective General Shareholders' Meetings.

The dividends paid by the parent company in 2006 and 2005 were as follows:

2006	No. shares with rights	Dividend €/Share	Thousands of euros
Interim dividend for 2006	64,648,301	0.06	3,879
Final dividend for 2005	64,789,245	0.06	3,887
2005			
Interim dividend for 2005	65,600,000	0.06	3,936
Final dividend for 2004	66,460,000	0.06	3,988

A complementary dividend of 0.06 euros per share is to be submitted for the approval of the General Shareholders' Meeting for outstanding shares at the date of the dividend payment.

To comply with article 216 of the Public Limited Companies Act (Ley de Sociedades Anónimas) regarding the distribution of interim dividends, the Board of Directors of the Company, meeting on September 27, 2006, adopted the following resolution:

In view of the results at August 31 and maintaining the same dividend policy as in previous years, the Board has considered the interim dividend to be distributed in November and has unanimously agreed:

- In compliance with article 216 of the Public Limited Companies Act, to prepare the following statement of financial position, relating, as required, to the individual rather than the consolidated financial position of Corporación Financiera Alba:

	Thousands of euros	
1. Maximum amount to be distributed		3,906
2. Distributable profit		50,491
2.1. Accumulated profit at 31-8-06	50,491	
2.2. Less	-	
Losses from previous years	-	
Legal reserve (already at 20% of capital)	-	
Corporate income tax	-	

According to the balance sheet at August 31, 2006, the cash available to the Company was 293,687 thousand euros.

From the above balance sheet it is apparent that the maximum proposed interim dividend is less than the available profit, and that the cash available to the Company is greater than the maximum proposed interim dividend.

Accordingly, the Board unanimously agrees:

- To pay an interim dividend for 2006 of 0.06 euros per share, excluding the amount attributable to the own shares held by the Company on the day said interim dividend is paid.

To that end, Vice-Chairmen Mr. Pablo Vallbona Vadell and Mr Isidro Fernández Barreiro, Chief Executive Mr. Santos Martínez-Conde Gutiérrez-Barquín and Company Secretary Mr. José Ramón del Caño Palop are hereby jointly empowered to determine the total amount to be distributed, within the agreed maximum, the specific figure for which shall be determined based on the number of shares entitled to dividend.

The interim dividend is maintained at 0.06 euros per share entitled to dividend, corresponding to 6% of the par value, from which amount the 15% personal or corporate income tax withholding shall be made, depending on the recipient.

Vice-Chairmen Mr. Pablo Vallbona Vadell and Mr Isidro Fernández Barreiro, Chief Executive Mr. Santos Martínez-Conde Gutiérrez-Barquín and Company Secretary Mr. José Ramón del Caño Palop are likewise empowered to fix the exact date in November on which the interim dividend shall be distributed, publish the announcement thereof and take any other steps as may be necessary in this respect.”

4. Valuation standards

The principal valuation standards used in the preparation of the consolidated annual accounts are as follows:

a) Real Estate Investments (Note 5)

Real Estate Investments, consisting of buildings for lease, are carried initially at cost, including transaction costs. Subsequently they are carried at their fair value, as calculated by independent experts according to the following definition: "Fair value is the price at which the property could be sold through a private contract between a willing seller and an independent buyer at the valuation date if the property were to be offered publicly on the market, market conditions enabled the sale to be carried out in an orderly fashion and a normal period of time were available, taking into account the nature of the property, for the sale to be negotiated"". The valuation includes the expenses normally associated with sale agreements and any taxes that may be applicable at the time of the sale. Any gain or loss arising from changes in the fair value are recorded in the profit and loss account for the period in which they occur (note 18). Real estate investments are not depreciated.

b) Tangible fixed assets (Note 6)

In application of IFRS 1, "First-time adoption of international financial reporting standards", property for own use is recorded at January 1, 2004 at its fair value, as calculated by independent experts as defined in the previous paragraph, this amount being treated henceforth as the cost of acquisition.

Any increase in value is credited to "Equity" in the consolidated balance sheet (Note 18).

Other tangible fixed assets are stated at their acquisition cost, which includes in each case any additional expenses arising until the asset in question is operational; neither interest nor exchange differences are included. Expansion, modernisation or improvement costs that cause an increase in productivity, capacity or efficiency or that extend an asset's useful life are capitalised as an increase in the asset's cost. Maintenance and upkeep expenses incurred during the year are charged to the profit and loss account.

The straight-line depreciation method is used, distributing the book value of the asset over its estimated useful life in accordance with the following percentages:

	Yearly % depreciation rates
Buildings and other structures	2 to 6
Machinery and installations	8 to 24
Transport equipment	16
Furniture and fixtures	10
Data processing equipment	25

If the carrying value of an asset exceeds its recoverable amount, the asset is considered to be impaired and the carrying value is reduced to the recoverable amount. At December 31, 2006 and 2005 there were no assets that could be considered impaired.

c) Investments in associates (Note 7)

Alba's investments in associates are accounted for by the equity method. Under this method, the investments are carried at cost, which includes Alba's share of the associates' net equity plus any unrealised capital gains from goodwill, plus goodwill that has not been allocated to specific items of the associate. Goodwill is subject to annual impairment testing and is not amortised. In the case of listed companies, which includes most of the associates, the market value is compared with the book value to assess whether impairment exists.

Dividends received from these companies are recorded as a reduction of the investment and the profit (loss) of these companies attributable to Alba in proportion to its shareholding is included, net of the tax effect, in the consolidated profit and loss account under the "Share of profit (loss) of associates" caption.

Direct movements in the net equity of an associate are recorded in the same way in the net equity.

d) Available-for-sale financial assets (Note 8)

This includes investments in companies over which the parent does not have significant influence.

Available-for-sale financial assets are carried at fair value, with profit or loss being recorded under the "Other reserves" item of net equity until the investment is taken off the books, when the accumulated profit or loss previously carried under net equity is taken to the profit and loss account (Note 18).

The fair value of investments traded actively on organized financial markets is calculated with reference to listed prices at the market close on the balance sheet date. For those investments for which there is no active market, the fair value is calculated on the basis of valuation techniques if these give a reliable result, otherwise they are carried at cost.

If the fair value of an available-for-sale financial asset is lower than the acquisition cost and this situation continues for a prudent period of time, it is considered impairment. In this case, the amount of the loss is transferred from net equity to the profit and loss account; and if the value is recovered, the gain is recognised in net equity.

e) Held-for-trading financial assets (Note 11)

Held-for-trading financial assets are those which are acquired with the aim of selling them in the short term. Changes in the fair value of these assets are taken to profit and loss (Note 18).

The fair value of investments traded actively on organized financial markets is calculated with reference to listed prices at the market close on the balance sheet date.

f) Treasury stock (Note 13)

Treasury stock is recorded as a reduction of net equity. No profit or loss is recognised for the purchase, sale, issuance, redemption or cancellation of group shares.

g) Provisions (Note 14)

Provisions are made for present obligations arising from past events the settlement of which is likely to result in an outflow of funds and when a reliable estimate can be made of the amount of the obligation. If the time value of money effect is significant, the amount of the provision is discounted using a pre-tax discount rate. When a provision is discounted, the increase in the provision arising from the passage of time is recorded as a financial expense.

h) Corporate income tax (Note 18)

Corporate income tax is recorded in profit or loss or in net equity depending on where the originating profit or loss has been recorded.

Deferred tax liabilities from the revaluation of property and financial assets have been offset, in accordance with IAS 12, against the deferred tax assets that Alba has the right to offset from prior years' operations.

Net deferred tax assets are only recognised when it is likely that sufficient taxable profit will be available in the future to recover these.

i) Alternative pension plan systems

Alba has externalised two alternative defined contribution pension plan systems. Employees on the payroll of Corporación Financiera Alba, S.A. or Alba Participaciones, S.A. who retire on reaching retirement age are entitled to receive benefits from these alternative pension plan systems.

The main assumptions used to calculate the value of these commitments are:

Mortality and survival tables	PERM/F 2000 NP and GRM/F 80-2
The interest rate included in the policies	4.00% - 6.00%
Growth in the CPI	2.00%
Growth in salaries	2.50%
Increase in social security bases	2.00%
Retirement age	65

The following table shows the results of the actuarial valuation carried out, including the value of the pension commitment, the fair value of the assets (insurance policies) associated with the coverage of said commitments, and the amounts recognised in assets and liabilities and the profit and loss account.
In accordance with the above mentioned assumptions, the valuation of pension commitments and risks is as follows:

	31-12-2006	31-12-2005
Commitments for pensions of retired personnel	5,635	5,790
Risks for pensions of active personnel	39,718	34,065
Accrued	32,604	27,777
Unaccrued	7,114	6,288
Commitments to cover	38,239	33,567
Fair value of the plan's assets (policies)	39,308	33,567

Contributions to the two systems are made separately to the relevant insurance companies and the personnel cost recognised in the consolidated profit and loss account is detailed in note 22.a.

j) Share-based payment transactions

On May 22, 2002 the General Meeting of Shareholders and the Board of Directors of Corporación Financiera Alba, S.A. approved a Company stock option plan for executive directors and senior officers, covering a total of 20 people and 552,000 shares. The strike price was fixed at 22.38 euros per share. The rights of this plan could be exercised within the six-month period following May 23, 2005.

As the options plan was established prior to November 7, 2002, Alba considered that IFRS 2 did not apply.

All these options were exercised in 2005 with amounts of 3,362 thousand euros being recorded in 2005 under the personnel costs caption of the consolidated profit and loss account.

k) Revenue recognition

Revenue and expenses are allocated on an accrual basis.

5. Real Estate Investments

This caption includes real estate for lease carried at fair value. At December 31, 2006 and 2005, this property was valued by C.B. Richard Ellis, S.A., specialists in appraising this type of assets.

The geographical distribution of the fair value is as follows:

	2006	2005
Madrid	212,871	191,674
Barcelona and Tarragona	39,990	37,065
Palma de Mallorca	22,280	22,420
Rest	1,700	1,665
Balance at December 31	276,841	252,824

Movement in the "Real Estate investments" account is as follows:

Balance at 1-1-05	234,089
Additions	969
Retirements	(1,010)
Revaluation	18,776
Balance at 31-12-05	252,824
Additions	7,244
Revaluation	16,773
Balance at 31-12-06	276,841

	2006	2005
Surface area above ground level (sqm)	98,779	98,633
Rented surface area	93,129	95,949
% surface area unoccupied	5.7%	2.7%

Additions in 2006 correspond to the purchase of an office building in Madrid and improvements made to certain buildings.

Additions in 2005 corresponded to improvements made to certain buildings. Retirements in 2005 corresponded to the sale of a bank building in Madrid.

The expenses related with unoccupied space are not significant enough to be detailed.

Insurance policies are taken out in sufficient amounts to cover potential risks to these assets.

6. Tangible fixed assets

The variations in tangible fixed asset accounts and in the related accumulated depreciation were as follows:

	Property	Other fixed assets	Total
Cost			
Balance at 1-1-05	23,424	3,731	27,155
Additions	17	158	175
Balance at 31-12-05	23,441	3,889	27,330
Additions	-	802	802
Retirements	(7,229)	(2,053)	(9,282)
Balance at 31-12-06	16,212	2,638	18,850
Accumulated depreciation			
Balance at 1-1-05	(3,187)	(1,739)	(4,926)
Additions	(1,012)	(129)	(1,141)
Balance at 31-12-05	(4,199)	(1,868)	(6,067)
Additions	(749)	(118)	(867)
Retirements	539	63	602
Balance at 31-12-06	(4,409)	(1,923)	(6,332)
Net tangible fixed assets at 31-12-05	19,242	2,021	21,263
Net tangible fixed assets at 31-12-06	11,803	715	12,518

Retirements in 2006 are attributable to the sale of 40.33% of Unipsa Correduría de Seguros, S.A. (now called March Unipsa Correduría de Seguros, S.A.), reducing the shareholding to below 50%. For this reason the company has been reclassified as an associate, having been a subsidiary in 2005.

At January 1, 2004, TINSA, Tasaciones Inmobiliarias, S.A. valued the head office of Corporación Financiera Alba, S.A. A summary of this valuation is shown below:

	Book value	Appraisal value	Revaluation
Castelló, 77 (4th and 5th)	5,568	13,950	8,382

Insurance policies are taken out in sufficient amounts to cover potential risks to tangible fixed assets.

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7. Shareholdings in associates

Changes in this caption in 2006 are shown in the following table:

Company	Consolidated cost at 1-1-06	Group share in profit (loss)	Dividends received	Acquisitions (disposals)	Change in consolidated net equity of associates	Transfers and reclassifications	Consolidated cost at 31-12-06	Stock market value at 31-12-06
Acerinox, S.A.	315,989	100,416	(9,996)	332,911	(37,235)	-	702,085	1,244,014
ACS, Actividades de Construcción y Servicios, S.A.	762,943	261,633	(42,511)	327,926	(70,388)	-	1,239,603	3,185,537
Antevenio, S.A.	394	267	-	-	-	-	661	(a)
March Gestión de Fondos, S.G.I.I.C., S.A.	1,458	284	(118)	-	-	-	1,624	n.p.
March Gestión de Pensiones, S.G.F.P., S.A.	977	35	-	-	-	-	1,012	n.p.
March Unipsa Correduría de Seguros, S.A.	-	2,964	(422)	-	-	320	2,862	n.p.
March Correduría de Seguros, S.A.	578	-	-	-	-	(578)	-	n.p.
Urquijo Correduría de Seguros, S.A.	71	-	-	-	-	(71)	-	n.p.
GDS Correduría de Seguros, S.A.	215	-	-	-	-	(215)	-	n.p.
Carrefour Correduría de Seguros, S.A.	81	-	-	-	-	(81)	-	n.p.
TOTAL	1,082,706	365,599	(53,047)	660,837	(107,623)	(625)	1,947,847	

(a) Antevenio started trading at 6.77 €/share, which would mean our investment is valued at 5,849 thousand euros.

Changes in the net equity of Acerinox, S.A. correspond to translation differences. In the case of ACS, Actividades de Construcción y Servicios, S.A., changes are mainly due to translation differences, retirement of treasury stock and changes in the fair value of financial instruments.

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Changes in this caption in 2005 are shown in the following table:

Company	Consolidated cost at 1-1-05	Group share in profit (loss)	Dividends received	Acquisitions (disposals)	Change in consolidated net equity of associates	Transfers and reclassifications	Consolidated cost at 31-12-05	Stock market value at 31-12-05
Acerinox, S.A.	275,009	17,266	(7,379)	17,671	13,422	-	315,989	356,443
ACS, Actividades de Construcción y Servicios, S.A.	461,317	102,443	(22,009)	202,042	19,150	-	762,943	1,721,472
Antevenio, S.A.	175	202	-	-	17	-	394	n.p.
Carrefour, S.A.	259,248	-	-	-	-	(259,248)	-	n.p.
March Gestión de Fondos, S.G.I.I.C., S.A.	1,365	124	(31)	-	-	-	1,458	n.p.
March Gestión de Pensiones, S.G.F.P., S.A.	961	16	-	-	-	-	977	n.p.
March Correduría de Seguros, S.A.	712	552	(686)	-	-	-	578	n.p.
Urquijo Correduría de Seguros, S.A.	66	45	(40)	-	-	-	71	n.p.
GDS Correduría de Seguros, S.A.	120	1,094	(999)	-	-	-	215	n.p.
Carrefour Correduría de Seguros, S.A.	22	59	-	-	-	-	81	n.p.
TOTAL	998,995	121,801	(31,144)	219,713	32,589	(259,248)	1,082,706	

Changes in the net equity of Acerinox, S.A. correspond to retirement of treasury stock purchased at more than underlying book value and to translation differences. In the case of ACS, Actividades de Construcción y Servicios, S.A. changes are mainly due to translation differences.

In 2005 Carrefour, S.A. was no longer considered a strategic investment and was classified as an available-for-sale financial investment, being withdrawn from the scope of consolidation.

Profit (loss) from the disposal of investments in associates, recorded under "Profit (loss) from the disposal of non-current assets" in the profit and loss account, is as follows:

	2006	2005
Acerinox, S.A.	-	937
ACS, Actividades de Construcción y Servicios, S.A.	-	1,039
Unipsa, Correduría de Seguros, S.A.	21,326	-
TOTAL	21,326	1,976

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Information regarding the financial statements of associates is provided below:

	Assets		Liabilities			
	Current	Non-current	Current	Non-current	Sales	Consolidated profit (loss)
For 2006						
Acerinox, S.A.	3,260,314	1,599,092	2,084,387	494,744	5,637,227	502,991
ACS, Actividades de Construcción y Servicios, S.A.	10,098,829	15,083,875	11,200,158	10,726,185	14,067,171	1,250,088
Antevenio, S.A. (As of 30-06-2006)	3,306	469	2,664	147	2,673	286
March Gestión de Fondos, S.G.I.I.C., S.A.	10,363	122	5,850	-	11,977	692
March Gestión de Pensiones, S.G.F.P., S.A.	3,853	16	973	-	2,126	109
March Unipsa Correduría de Seguros, S.A.	28,701	7,692	28,217	-	15,588	6,702
For 2005						
Acerinox, S.A.	1,942,460	1,704,525	1,085,899	509,697	4,213,559	154,468
ACS, Actividades de Construcción y Servicios, S.A.	8,176,753	9,535,737	9,296,055	5,780,911	12,113,886	608,657
Antevenio, S.A.	4,539	526	3,625	-	5,766	770
March Gestión de Fondos, S.G.I.I.C., S.A.	8,430	123	4,289	-	9,430	456
March Gestión de Pensiones, S.G.F.P., S.A.	3,574	17	802	-	1,769	44
March Correduría de Seguros, S.A.	6,597	1,208	6,121	32	4,860	1,577
Urquijo Correduría de Seguros, S.A.	2,569	14	2,361	21	1,763	129
GDS Correduría de Seguros, S.A.	6,314	267	5,840	87	8,469	3,317
Carrefour Correduría de Seguros, S.A.	5,824	5	5,497	8	3,965	236

Notifications of changes in shareholdings:

Notice has been given when equity holdings in listed companies have been taken, changed or divested if the consequent percentage stake increases to more, or decreases to less, than a multiple of 5 percent. In relation to unlisted companies, such notice is issued when the total holding initially exceeds 10 percent and 5 percent tranches thereafter.

• In 2006, the Company provided notification to:

Acerinox, S.A. that it had reached a shareholding of	15.83 %
Acerinox, S.A. that it had reached a shareholding of	20.25 %
Actividades de Construcción y Servicios, S.A. that it had reached a shareholding of	20.01 %
March Unipsa Correduría de Seguros, S.A., sale of	40.33 %

• In 2005 no notification was given.

8. Available-for-sale financial assets

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006				2005			
		Fair value				Fair value		
	% holding	In '000 euros	In foreign currency	Revaluation reserve	% shareholding	In '000 euros	In foreign currency	Revaluation reserve
Listed shares								
Carrefour, S.A.	-	-	-	-	2.53	705,316	-	519,601
Prosegur, Compañía de Seguridad, S.A.	5.01	76,315	-	27,977	5.23	62,397	-	11,869
Spirent, plc	0.62	4,641	3,128	675	0.58	3,965	2,728£	0
		80,956		28,652		771,678		531,470
Unlisted shares								
C. E. Extremadura, S.A.	2.55	417	-	-	2.55	417	-	-
Celtel International B.V.	0.45	11,396	15,041	8,736	0.45	12,715	15,041$	8,736
Xfera, S.A.	-	-	-	-	11.35	-	-	-
Other		669	856	-	-	4,036	-	2,964
		12,482		8,736		17,168	-	11,700
Total		93,438		37,388		788,846		543,170
Balance at 31-12 non-current		76,732				788,846		
Balance at 31-12 current		16,706						

Profit (loss) from the disposal of available-for-sale financial assets, recorded under "Profit (loss) from disposal of non-current assets" in the profit and loss account, is as follows:

	2006		2005	
	%	Amount	%	Amount
Carrefour, S.A.	2.53	492,941	0.89	163,407
Prosegur, Compañía de Seguridad, S.A.	0.23	1,081	0.44	1,142
Xfera, S.A.	11.35	584	-	-
Celtel International B.V.	-	-	2.55	43,720
Gestión de Explotaciones Aeroportuarias, S.A.	-	-	32.93	(389)
Havas, S.A.	-	-	0.63	6,573
Princes Gate	-	-	n.p.	715
Vodafone Group, plc	-	-	0.07	89,201
Other	-	1,823	-	251
Total		496,429		304,620

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9. Other financial assets and other non-current liabilities

The detail of "Other financial assets" as of December 31, 2006 is as follows:

	2006	2005
Guarantees received from customers	1,905	1,907

The detail of "Other liabilities" at December 31, 2006 is as follows:

	2006	2005
Guarantees given to public bodies	2,033	2,142
Other	38	489
Balance at December 31	2,071	2,631

10. Trade accounts receivable and other receivables

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Sundry debtors	80	7,983
Trade receivables	-	3,097
Balance at December 31	80	11,080

Trade receivables do not accrue interest.

11. Held-for-trading financial assets

Investments included in this caption are shares listed on organised financial markets.

The detail of this caption as of December 31, 2006 and 2005, by currency, is as follows:

	2006		2005	
Moneda	'000 euros	In foreign currency	'000 euros	In foreign currency
In euros	254,207	-	51,056	-
In pounds	7,242	4,880	6,648	4,575
In dollars	-	-	5,140	6,087
TOTAL	261,449	4,880	62,844	10,662

The effect on the consolidated profit and loss account, at December 31, 2006 and 2005, of the changes in the fair value of held-for-trading financial assets, according to the prices quoted in organized exchanges, was 33,590 thousand and 3,379 thousand euros, respectively.

12. Cash and equivalents

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Cash and banks	21	1,624
Deposits and short-term investments	-	5,434
Balance at December 31	21	7.058

Cash in banks accrues variable interest based on the interest rate for bank deposits.

13. Net equity

At December 31, 2006 share capital was represented by 65,100,000 bearer shares with a par value of 1 euro each, fully subscribed and paid up, all of which are listed on the continuous market of the Spanish Stock Exchanges (*Sociedad de Interconexión Bursátil Española*). In January 2006, as a consequence of the resolution approved at the Extraordinary General Meeting held on December 14, 2005, 860,000 shares were retired, and in June, 2006 by resolution of the Ordinary General Meeting of May 31, 2006, 500,000 shares were retired. As a result, share capital is now represented by 65,100,000 shares. At December 31, 2005 share capital was represented by 66,460,000 bearer shares with a par value of 1 euro each, fully subscribed and paid up, all of which were listed on the continuous market of the Spanish Stock Exchanges (Sociedad de Interconexión Bursátil Española).

The shareholders of Corporación Financiera Alba, S.A. in their General Meeting on May 25, 2004 agreed to grant the Board of Directors the authority to increase share capital one or more times up to a maximum total of 50% of share capital, against cash contributions, within a maximum period of five years, with this power not having been exercised to date.

Corporación Financiera Alba, S.A. forms part of the Banca March Group, which directly controls 31.22% of Corporación Financiera Alba, S.A.'s capital.

Control of Banca March, S.A. is exercised by Mr. Juan March Delgado, Mr. Carlos March Delgado, Ms. Gloria March Delgado and Ms. Leonor March Delgado, who jointly control 100% of the company's share capital, without any of them doing so individually as a result of either their shareholding or any agreement.

At year-end 2006, Banca March, S.A. and its shareholders jointly controlled 61.351% of Corporación Financiera Alba, S.A.

The breakdown of the "Other reserves" account of the consolidated balance sheet is as follows:

	2006	2005
Changes arising from currency differences in the consolidated net equity of associates		
Treasury stock	(52,994)	3,365
Translation differences	(34,346)	25,001
Financial instruments	6,635	(3,681)
Other	(2,465)	(232)
Due to revaluation of assets held for sale	37,388	543,170
TOTAL	(45,782)	567,623

Movements in treasury stock in 2006 and 2005 were as follows:

	No. of shares	Percentage of share capital	Average price of acquisition euros/share	'000 euros
At January 1, 2005	794,298	1.19%	22.70	18,033
Acquisitions	406,702	n.p.	33.79	13,337
Retirements (General Meeting 25/05/05)	(340,000)	0.51%	25.62	(8,712)
At December 31, 2005	861,000	1.29%	26.32	22,658
Acquisitions	955,686	n.p.	41.41	39,581
Retirements (General Meeting 14/12/05)	(860,000)	1.29%	26.30	(22,622)
Retirements (General Meeting 31/05/06)	(500,000)	0.76%	41.58	(20,792)
At December 31, 2006	456,686	0.70%	41.22	18,825

The General Meeting of Shareholders resolved on May 25, 2005 to retire 340,000 shares; on December 14, 2005, to retire 860,000 shares; and on May 31, 2006, to retire 500,000 shares.

The acquisitions made during the year reflect the considerable discount of Alba's trading price in relation to the net asset value.

14. Provisions

Movements in provisions in 2006 and 2005 are as follows:

	2006	2005
Balance at January 1	21,265	22,575
Allocations	30,926	472
Reversals	-	(1,239)
Applications	(11,210)	(543)
Balance at December 31	40,981	21,265

Allocations for 2006 include 15,380 thousand euros for provisions established by the Company to cover probable or certain expenses, losses or liabilities arising from litigation in progress deriving from the Company's business in the estimated amount of the assets that will have to be disposed of in order to cancel said liabilities; and 15,023 thousand euros corresponding to Alba's liability under guarantees provided to Xfera, S.A. This latter amount has been offset against the proceeds of the sale of the equity interest in Xfera, S.A.

Applications include 9,111 thousand euros paid in February 2006 for the 1991 corporate income tax inspection assessment, for which a provision was established at December 31, 2005. This payment was made in compliance with the High Court decision of May 2005 dismissing the appeal against the tax assessment.

15. Trade payables and other payables

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Trade payables	5,002	21,286
Compensation pending payment	17,512	2,528
Social security payable	45	98
Accrued interest not yet due	350	423
Other	-	2
Balance at December 31	22,909	24,337

"Compensation pending payment" includes accrued extraordinary bonus pay linked to the increase in net asset value.

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16. Debt with financial institutions

The breakdown of this item by maturity at December 31, 2006 is as follows:

Bank	Balance drawn down at 31/12/06	Maturity	Balance drawn down at 31/12/05
Banca March	55,516	13/1/07	27,135
SCH	44,128	2/4/07	19,691
BBVA	25,544	11/2/07	4,232
Unicaja	10,000	17/12/07	-
La Caixa	6,597	31/7/07	894
Barclays	6,127	23/6/07	1,131
Banesto	-	15/4/07	1,202
TOTAL	147,912		54,285
Limit granted	425,000		455,000

Interest is generally paid on a quarterly basis.

These loans bear interest at market rates.

The financing from Banca March, S.A. and BBVA was renewed at maturity for one year. The remaining credit facilities are expected to be renewed at maturity.

17. Risk management objectives and policies

Corporación Financiera Alba, S.A. engages in two types of business activities: (i) the holding of equity interests in listed and, in some cases, unlisted companies; and (ii) investment in office buildings for lease.

The main activity is the one relating to investee companies, which are the most important asset in the Company's consolidated balance sheet. The most significant and common risk of these companies is the risk inherent in their own business, but also, if they are listed, the state of the stock market.

Alba monitors its investee companies closely. Monitoring covers (i) investees' business activity and performance, usually through participation in the companies' governing bodies and sometimes in their Audit Committees, (ii) and any changes in their share price (if they are listed).

As regards buildings for lease, the risks are: loss of income if the buildings are unoccupied; changes in long-term interest rates; damage; and default by lessees.

Based on the abovementioned activities, the main risks affecting the Company can be grouped in the following categories:

Cash flow interest rate risk

The group is exposed to this risk mainly through short-term liabilities to credit institutions at variable interest rates. Alba's financing has been and is expected to continue to be short-term with variable interest.

Foreign exchange rate risk

Alba's balance sheet could be affected by fluctuations in the exchange rates of foreign currencies, mainly the dollar and the pound sterling.

Stock market risk

The most important asset on the Company's consolidated balance sheet is the investments in listed companies, whose fair value, based on their share prices at the end of 2006, was 4,767 million euros. These investments are, and are expected to continue to be, mainly long-term and hedging them would not be financially viable.

The Company also uses derivatives on listed stocks (note 22.b).

Credit risk

Credit risk derives basically from the possibility that the lessors of buildings belonging to the Company will fail to meet their obligations under the lease agreements. However, it is group policy to maintain business relations exclusively with financially responsible entities.

Liquidity risk

The Company's liquidity management is based on short-term instruments and cash to easily cover envisaged liquidity requirements.

18. Tax matters

Alba Participaciones is taxed as a “Foreign Security Holding Company” and, together with Corporación Financiera Alba, S.A., is subject to the corporate group taxation system.

The reconciliation of the group’s taxable income with book income is as follows:

	2006	2005
Consolidated profit for the year attributable to the parent company	918,305	444,269
Permanent differences due to consolidation adjustments	(406,157)	(36,758)
Accounting profit of companies under consolidated tax regime	512,148	407,511
Permanent differences		
Corporate income tax	(1,582)	29,205
For dividends and capital gains under rules for foreign security holding companies	(399,629)	(238,872)
For dividends distributed between companies in the consolidated tax group	(50,438)	(97,129)
Other	-	(505)
Timing differences		
Contribution to alternative pension plans and insurance premiums	3,437	1,086
Reversal of provision for deferred profits	-	(71,930)
Intragroup transactions in the consolidated tax group	896	(635)
Other provisions that will be deductible in future years	14,129	72
Preliminary taxable income	78,961	28,803
Tax loss carryforward to be offset	(22,146)	-
Taxable income	56,815	28,803
Corporate income tax charge (35%)	19,885	10,081
Deductions	(19,885)	(10,081)
Tax payable	0	0

The amount for the "Reversal of provision for deferred profits" results from the sale in 2002 of shares in Vodafone Group plc, generating a profit of 203,555 thousand euros that was cancelled in the accounting consolidation process. The operation generated prepaid tax of 66,563 thousand euros, which appeared under the "Taxes receivable" item on the asset side of the Balance Sheet. The changes in the items in this operation have been as follows:

	2002	2003	2004	2005	Sum
Gains cancelled	203,555	(79,157)	(52,468)	(71,930)	0
Prepaid tax	66,563	(23,024)	(18,364)	(25,175)	0

The 25,175 thousand euros for 2005 are shown in the "Corporate tax expense" caption of the profit and loss account for 2005.

In 2005, the consolidated tax group obtained 13 thousand euros of profit on the sale of assets that were included in the deduction for the reinvestment of extraordinary profits, in accordance with section 36ter of the Corporate Income Tax Act. The proceeds of the sale equalled 511 thousand euros and were fully reinvested in 2005.

In 2003, the consolidated tax group obtained 1.6 million euros of profit on the sale of assets that were included in the deduction for the reinvestment of extraordinary profits (article 36ter of the Corporate Income Tax Act). The proceeds of the sale equalled 6.3 million euros and were fully reinvested in 2003, 2004 and 2005.

In 2002, the consolidated tax group obtained 90.5 million euros profit on the sale of assets that were included in the deduction for the reinvestment of extraordinary profits, in accordance with section 36ter of the Corporate Income Tax Act. The proceeds of the sale equalled 112.5 million euros and were fully reinvested in the same year.

The outstanding tax loss carryforward and deductions pending application at December 31, 2006 and 2005 are as follows:

	2006		2005	
Year of expiry	Tax loss carry-forward	Deductions from charge	Tax loss carry-forward	Deductions from charge
2011	-	-	-	5,517
2012	-	-	-	10,798
2013	-	18,710	-	196
2014	-	-	73	131
2015	12,028	-	35,619	3
2016	12,444	-	12,444	-
2018	66,027	-	66,027	-
2019	116,256	-	116,256	-
TOTAL	206,755	18,710	230,419	16,645

Details of the deferred tax assets to be offset against tax loss carryforward and deductions pending application are given below:

Deferred tax for revaluations of:	2006	2005
Real estate investments and fixed assets	126,668	113,680
Available-for-sale assets	37,388	33,136
Held-for-trading assets	36,973	3,379
	201,029	150,195

Financial years 2001, 2002 and 2003 are currently being audited by the tax authorities. It is estimated that any additional taxes that might arise as a result of this tax audit will not be material.

19. Guarantees provided to third parties and other contingent liabilities

The detail of guarantees and contingent liabilities as of December 31, 2006 is as follows:

	2006	2005
Counter-guarantee for bank guarantees in favour of Xfera Móviles, S.A.	11,588	38,683
Guarantees given for the sale of the shareholding in Banco Urquijo, S.A.	4,427	9,960
Other guarantees	955	1,000
Guarantees given for tax assessments	-	7,015
Total	16,970	56,658

In February 2006, 9,111 thousand euros were paid in settlement of the tax assessment for corporate income tax for 1991, for which a provision was established at December 31, 2005. This payment was made in compliance with the High Court decision of May 2005 dismissing the appeal against the tax assessment.

20. Headcount

The average number of persons employed at the end of each year, according to category, was as follows:

	2006	2005
Degree holders	21	20
Administrative assistants	23	23
Others	4	4
Total	48	47

21. Segment reporting

The following tables show information about the revenue and profit (loss) and certain information about assets and liabilities related to the business segments for the years ended December 31, 2006 and 2005.

There are no significant operations among the various segments, so there are no transfer prices.

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a) Business segments

In thousands of euros

SEGMENT REPORTING 2006	Real estate leasing	Securities investment	Group total
Segment revenue and expenses			
Revenue from leases, insurance premiums and other	15,671		15,671
Profit from disposals		517,755	517,755
Share in profit (loss) of associates		365,599	365,599
Dividends received		8,186	8,186
Increase (decrease) in fair value	16,773	37,605	54,378
Other direct segment operating expenses	(3,476)		(3,476)
Segment profit (loss)	28,968	929,145	958,113
Expenses not assigned to segments			
Personnel costs			(27,049)
Other expenses			(4,102)
Depreciation and amortisation			(881)
Net financial expenses			7,430
Provision for liabilities and charges			(15,380)
Profit (loss) before tax and minority interests			918,131
Corporate income tax			174
Net profit (loss) for the year			918,305
Assets and liabilities			
Segment assets	276,841	2,302,734	2,579,575
Unassigned assets			16,337
Total assets			2,595,912
Segment liabilities	2,071	38	2,109
Unassigned liabilities			212,222
Total liabilities			214,331

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In thousands of euros

SEGMENT REPORTING 2005

	Real estate leasing	Insurance brokerage	Securities investment	Sale of inventories	Group total
Direct segment revenue and expenses					
Revenue from leases, insurance premiums and other	15,051	9,485		1,967	26,503
Profit from disposals			306,596		306,596
Share in profit (loss) of associates			121,801		121,801
Dividends received			26,609		26,609
Increase (decrease) in fair value	18,776		5,401		24,177
Impairment / (Reversal) of assets			(1,111)		(1,111)
Other direct segment operating expenses	(2,908)	(5,435)		(303)	(8,646)
Segment profit (loss)	30,919	4,050	459,296	1,664	495,929
Expenses not assigned to segments					
Personnel costs					(16,384)
Other expenses					(3,001)
Depreciation and amortisation					(1,147)
Net financial expenses					(1,710)
Profit (loss) before tax and minority interests					473,687
Corporate income tax					(28,645)
Minority interests					(773)
Net profit (loss) for the year					444,269
Assets and liabilities					
Segment assets	254,731	23,802	1,934,396	41	2,212,970
Unassigned assets					16,258
Total assets					2,229,228
Segment liabilities	2,139	17,812	6,500		26,451
Unassigned liabilities					77,151
Total liabilities					103,602

b) Geographical segments

Alba operates entirely in Spain so group operations comprise a single geographical segment.

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22. Other revenues and expenses

a) Personnel expenses

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Salaries	22,820	17,169
Social security expenses	452	981
Alternative pension plan systems	3,531	1,269
Insurance premiums	177	169
Other welfare expenses	69	385
Balance at December 31	27,049	19,973

b) Financial revenue

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Dividends	8,186	26,607
Gain on derivatives	12,556	2,693
Other financial revenue	1,520	7
Balance at December 31	22,262	29,307

At December 31, 2006 and 2005 Alba had no significant positions in financial instruments to be reported.

23. Related parties

In 2006, the following transactions were carried out:

Description of the transaction	Amount	Related party
Transactions carried out with core shareholders of the company		
Operating lease contracts	221	CIMSA
Interest charged	626	Banca March
Unpaid accrued interest	332	Banca March
Provision of services	60,000	Banca March
Guarantees	13,991	Banca March
Dividends and other distibuted profit	2,173	Banca March
Interest paid	1,036	Banca March
Provision of services	219	March Vida
Sale of investments	24,196	Banca March

All transactions carried out with Banca March are part of the company's ordinary business and were carried out under normal market conditions. Sale of investments refers to the sale of 40.33% of March Unipsa Correduria de Seguros, S.A.

Description of the transaction	Amount	Related party
Transactions carried out with company directors and management		
Remuneration	17,558	Directors + Management
Contributions to pension plans and life insurance	2,648	Directors + Management
Transactions carried out with other related parties		
Provision of services	2,416	Others (a)
Operating lease contracts	255	Others (b)
Dividends and other distibuted profit	56,687	Others (c)

(a) Correspond to insurance premiums under market conditions brokered by March Unipsa, Correduría de Seguros, S.A. as part of the company's ordinary business.
(b) Renting of offices to March Gestión de Fondos, S.G.I.I.C., S.A. March Gestión de Pensiones, S.G.F.P., S.A. and March Unipsa Correduria de Seguros, S.A.
(c) Dividends paid by ACS, Actividades de Construcción y Servicios, S.A., Acerinox, S.A., March Gestión de Fondos, S.G.I.I.C., S.A. March Gestión de Pensiones, S.G.F.P., S.A. and March Unipsa Correduria de Seguros, S.A.

In 2005, the following transactions were carried out:

Description of the transaction	Amount	Related party
Transactions carried out with core shareholders of the company		
Operating lease contracts	367	CIMSA
Interest charged	1,213	Banca March
Unpaid accrued interest	337	Banca March
Provision of services	157	Banca March
Provision of services	220	March Vida
Financing arrangements: loans	60,000	Banca March
Guaranteess	35,458	Banca March
Dividends and other distibuted profit	4,953	Banca March
Interest paid	163	Banca March

All operations carried out with Banca March are part of the company's ordinary business and were carried out under normal market conditions.

Transactions carried out with company directors and management		
Remuneration	7,832	Directors + Management
Contributions to pension plans and life insurance	745	Directors + Management

Remuneration includes the amount accrued during the year corresponding to the stock options exercised in May 2005

Transactions carried out between group personnel, companies or entities		
Provision of services	1,735	March Unipsa Correduría de Seguros, S.A.

Insurance premiums under market conditions brokered by Unipsa, Correduría de Seguros, S.A. as part of the company's ordinary business

Transactions carried out with other related parties		
Provision of services	63,015	Others (a)
Co-operation agreements	110	Others (b)
Operating lease contracts	179	Others (c)
Dividends and other distibuted profit	31,144	Others (d)

(a) Correspond to insurance premiums under market conditions brokered by March Unipsa, Correduría de Seguros, S.A. on behalf of Grupo ACS, Carrefour, Xfera, March Gestión and Antevenio that are part of the company's ordinary business.
(b) Fees for insurance operations with Urquijo Correduría, March Correduría and Carrefour Correduría.
(c) Renting of offices to March Gestión.
(d) Dividends paid by ACS, Acerinox, March Gestión, March Correduría, Urquijo Correduría and GDS.

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24. Board and senior executive remuneration

The Company and its subsidiary Alba Participaciones, S.A. have recorded the following amounts as remuneration earned by directors and senior executives of Corporación Financiera Alba, S.A.

			Board remuneration		Alternative pension plan systems and insurance
In 2006	Nº of persons	Salary and others	Alba	Group companies	
Shareholder-nominated non-executive directors	4	-	300	54	21
Independent non-executive directorss	5	-	171	-	-
Executive directors	3	8,803	90	-	2,408
Senior executives	6	8,113	-	-	578

The remuneration of executive directors includes the remuneration of one more executive director than in 2005 and also the pre-retirement commitments with respect to the previous managing director.

The “Senior executives” item includes the accrual of extraordinary bonus pay linked to the increase in net asset value and maturing in 3 years.

				Board remuneration		Alternative pension plan systems and insurance
In 2005	Nº of persons	Salary and others	Stock options	Alba	Group companies	
Shareholder-nominated non-executive directors	3	-	-	246	66	11
Independent non-executive directors	4	-	-	120	-	-
Other non-executive directors	2	28	292	60	-	69
Executive directors	2	1,456	585	60	-	217
Senior executives	7	3,677	1,242	-	-	448

The “Senior executives” item includes the accrual of extraordinary bonus pay linked to the increase in net asset value and maturing in 3 years.

Directors receive no additional remuneration for participation in Board committees.

At December 31, 2006 and 2005, no advances or loans had been granted to members of the Board of Directors or to members of senior management.

Pursuant to article 127, ter, 4 of the Public Limited Companies Act, brought into effect by Act 26/2003 of July 17, 2003, amending the Securities Market Act 24/1988, of July 28, 1988 (Ley del Mercado de Valores) and the Consolidated Text of the Public Limited Companies Act, companies that members of the board hold shares in, with a type of business that is the same as or similar or complementary to that of the Company, are shown below. The table also shows the functions, if any, that each director performs in these companies.

Name	Company	Business	Shareholding	Functions
Alfredo Lafita Pardo	Banco Guipuzcoano,S.A.	Banking	1.54%	Director
Alfredo Lafita Pardo	Diana, Sociedad de Capital Riesgo, S.A.	Venture capital	n.m.	Chairman
Manuel Soto Serrano	Banco Santander Central Hispano	Banking	n.m.	Fourth Vice-Chairman
Manuel Soto Serrano	Instituto per le Opere di Religiones	Banking	n.m.	Director
Luis Angel Rojo Duque	Banco Santander Central Hispano	Banking	n.m.	Director

25. Auditors' remuneration

The amount received or receivable by Ernst & Young was 52,000 euros. This corresponded entirely to the auditing of the 2006 individual and consolidated annual accounts. Fees paid for 2005 amounted to 50,000 euros.

26. Post-balance sheet events

Subsequent to year-end 2006 and prior to the authorization of the financial statements, the following events occurred:

- In February 2007, Alba Participaciones, S.A., an investee of Corporación Financiera Alba, S.A., acquired 74.68% of the company Islalink for 14.6 million euros. Islalink is the leading independent submarine cable operator in Spain.

- In the last quarter of 2006, Antevenio, an investment of Alba, prepared for its admission to trading on the Alternext financial market, a market belonging to the Euronext system and specializing in small and medium-sized companies in the euro zone. Antevenio's shares started trading on February 15, 2007.

27. Explanation added for translation to English

These consolidated financial statements are presented on the basis of accounting principles generally accepted in Spain may not conform with generally accepted accounting principles in other countries.

AUDITORS' REPORT

ERNST & YOUNG

Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid

Teléfono: 915 727 200
Fax: 915 727 270
www.ey.com/es

INFORME DE AUDITORÍA DE CUENTAS ANUALES CONSOLIDADAS

A los Accionistas de
Corporación Financiera Alba, S.A.

1. Hemos auditado las cuentas anuales consolidadas de Corporación Financiera Alba, S.A. y Sociedades dependientes (el Grupo), que comprenden el balance de situación consolidado al 31 de diciembre de 2006 y la cuenta de resultados consolidada, el estado de flujos de efectivo consolidado, el estado de cambios en el patrimonio neto consolidado y la memoria correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de los administradores de la Sociedad dominante. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales consolidadas en su conjunto, basada en el trabajo realizado de acuerdo con normas de auditoría generalmente aceptadas en España, que requieren el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales consolidadas y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas. Nuestro trabajo no incluyó la auditoría de las cuentas anuales del ejercicio 2006 de determinadas sociedades asociadas (ver Nota 2.5 de la memoria), cuyos activos y contribución al resultado neto consolidado del ejercicio ascienden a 1.947.186 y 365.332 miles de euros, respectivamente. Las mencionadas cuentas anuales de dichas sociedades asociadas fueron auditadas por otros auditores (ver Nota 2.5 de la memoria) y nuestra opinión expresada en este informe sobre las cuentas anuales consolidadas de Corporación Financiera Alba, S.A. y Sociedades dependientes se basa, en lo relativo a dichas sociedades asociadas, únicamente en los informes de los otros auditores.

2. De acuerdo con la legislación mercantil, los administradores de la Sociedad dominante presentan, a efectos comparativos, con cada una de las partidas del balance de situación consolidado, de la cuenta de resultados consolidada, del estado de flujos de efectivo consolidado, del estado de cambios en el patrimonio neto consolidado y de la memoria, además de las cifras del ejercicio 2006, las correspondientes al ejercicio anterior. Nuestra opinión se refiere exclusivamente a las cuentas anuales consolidadas del ejercicio 2006. Con fecha 10 de abril de 2006 emitimos nuestro informe de auditoría acerca de las cuentas anuales consolidadas del ejercicio 2005 en el que expresamos una opinión favorable.

3. En nuestra opinión, basada en nuestra auditoría y en los informes de los otros auditores (ver Nota 2.5 de la memoria) las cuentas anuales consolidadas del ejercicio 2006 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Corporación Financiera Alba, S.A. y Sociedades dependientes al 31 de diciembre de 2006 y de los resultados consolidados de sus operaciones, de sus flujos de efectivo consolidados y de los cambios en el patrimonio neto consolidado correspondientes al ejercicio anual terminado en dicha fecha y contienen la información necesaria y suficiente para su interpretación y comprensión adecuada, de conformidad con las normas internacionales de información financiera adoptadas por la Unión Europea que guardan uniformidad con las aplicadas en el ejercicio anterior.

ERNST & YOUNG

4. El informe de gestión consolidado adjunto del ejercicio 2006 contiene las explicaciones que los administradores de la Sociedad dominante consideran oportunas sobre la situación de Corporación Financiera Alba, S.A. y Sociedades dependientes, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2006. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de las sociedades consolidadas.

ERNST & YOUNG, S.L.
2007
COPIA GRATUITA

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores de Cuentas con el N° S0530)

Francisco V. Fernández Romero

10 de abril de 2007

Translation

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

To the Shareholders of Corporación Financiera Alba, S.A.

1. We have audited the consolidated annual accounts of Corporación Financiera Alba, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2006, the consolidated income statement, consolidated cash flow statement and statement of changes in consolidated equity and the notes thereto for the year then ended, the preparation of which is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts taken as a whole, based upon work performed in accordance with auditing standards generally accepted in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the annual accounts, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made. Our work as auditors did not include the audit of the 2006 annual accounts for certain associated companies (see Note 2.5), whose assets and contribution to consolidated net profit amount to 1,947,186 and 365,332 thousand euros respectively. Given that the annual accounts of these associated companies were audited by other auditors (see Note 2.5), our opinion on these associated companies expressed in this audit report on the consolidated annual accounts of Corporación Financiera Alba, S.A. and its subsidiaries is based solely on the audit reports issued by the other auditors.

2. In accordance with mercantile law, for comparative purposes the Parent Company's Management has included for each of the captions included in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and the notes thereto, in addition to the figures of 2006, those of 2005. Our opinion refers only to the consolidated annual accounts for 2006. On April 10, 2006, we issued our audit report on the 2005 consolidated annual accounts, in which we expressed an unqualified opinion.

3. In our opinion, based on our audit and the reports of other auditors (see Note 2.5), the accompanying 2006 consolidated annual accounts give a true and fair view, in all material respects, of the consolidated net equity and consolidated financial position of Corporación Financiera Alba, S.A. and its subsidiaries at December 31, 2006 and the consolidated results of their operations, and contain the required information necessary for their adequate interpretation and comprehension, in conformity with International Financial Reporting Standards (IFRS) endorsed by the European Union, applied on a basis consistent with those of the preceding year.

4. The accompanying consolidated management report for the year ended December 31, 2006 contains such explanations as the Parent Company's directors consider appropriate concerning the situation of Corporación Financiera Alba, S.A. and its subsidiaries, the evolution of their business and other matters, and is not an integral part of the consolidated annual accounts. We have checked that the accounting information included in the consolidated management report mentioned above agrees with the consolidated annual accounts for the year ended December 31, 2006. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Group companies' accounting records.

CONSOLIDATED MANAGEMENT REPORT 2006

Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial staments issued in spanish
in accordance with generally accepted accounting principles in Spain (see Note 27).
In the event of a discrepancy, the Spanish-language version prevails.

MANAGEMENT REPORT 2006

1. Company business and financial position

The consolidated financial statements at December 31, 2006 provide a true and fair view of the net worth, financial position, earnings and business performance of the Company and have been prepared by the Company Board of Directors.

During 2006 financial year Grupo Alba business consisted of:

- Management of controlling and influencing interests in a series of companies conducting business in different sectors of the economy.
- Development of and participation in start-up businesses.
- Lease or sale of real estate.
- Insurance brokerage

2. Significant post-balance sheet events

Subsequent to the year end and prior to the preparation of the financial statements, the following events occurred:

- In February 2007 Alba Participaciones, S.A., a company controlled by Corporación Financiera Alba, S.A., acquired 74.68% of the company Islalink for 14.6 million euros. Islalink is the leading independent submarine cable operator in Spain.
- During the last quarter of 2006, Antevenio has been preparing its listing in Alternext, a market created for and specialized in small and midsized companies in the euro-zone and integrated within the Euronext system.
  Its shares listed on February 15, 2007.

3. Projected evolution of the Company

Alba's priority objective is to assure that the companies in which it has holdings obtain maximum returns, enhance their competitiveness and strengthen their human, financial and technological potential. In addition, the Company's financial structure, its size and flexibility will allow us to pursue future business opportunities as they arise.

4. Research and development activities

The nature of the Company's specific businesses and the absence of manufacturing activity make direct R&D investment unnecessary.

5. Acquisitions and disposals of treasury stock

Shown below are the changes in the number of shares of treasury stock recorded in the accompanying consolidated balance sheets:

	Number of shares	Percentage of share capital	Average acquisition price €/share	'000 euros
Balance at January 1, 2005	794,298	1.19%	22.70	18,033
Acquisitions	406,702	n.p.	33.79	13,337
Retirements (General Meeting 25/05/05)	(340,000)	0.51%	25.62	(8,712)
Balance December 31, 2005	861,000	1.29%	26.32	22,658
Acquisitions	955,686	n.p.	41.41	39,581
Retirements (General Meeting 14/12/05)	(860,000)	1.29%	26.30	(22,622)
Retirements (General Meeting 31/05/06)	(500,000)	0.76%	41.58	(20,792)
Balance at December 31, 2006	456,686	0.70%	41.22	18,825

AUDIT COMMITTEE REPORT

Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial staments issued in spanish
in accordance with generally accepted accounting principles in Spain (see Note 27).
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I.- Introduction

This report on the duties and activities of the Audit Committee of Corporación Financiera Alba, S.A. has been prepared in accordance with current recommendations on good governance of listed companies, in particular the recommendations of the Aldama Committee, in its report (the "Aldama Report") published on January 8, 2006, and the Unified Code on Good Corporate Governance (Código unificado de recomendaciones sobre buen gobierno de las sociedades cotizadas) passed by the National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV) on May 22, 2006.

The Audit Committee was created by the Board of Directors on March 29, 2000, following the recommendations of the "Olivencia Code". At that time, it was called the Audit and Compliance Committee.

Subsequently, Law 44/2002 of November 22 on Financial System Reform Measures (the "Finance Law") made it compulsory for listed companies to have an Audit Committee. It also established certain requirements regarding the Committee's membership, powers and operating rules.

In compliance with the Finance Law, Corporación Financiera Alba, S.A. amended its articles of association and its Board of Directors Regulations and defined the Audit Committee's powers and procedures as described below.

II.- Functions of the Audit Committee

In accordance with Additional Provision 18a of the Securities Market Act (Ley del Mercado de Valores) (introduced by Law 44/2002, of November 22, on Financial System Reform Measures), article 47 of the articles of association of Corporación Financiera Alba, S.A. attributes to the Audit Committee the following functions, notwithstanding any other functions it may be assigned by the Board of Directors:

- Report to the General Meeting on matters within its remit raised by shareholders.
- Submit a proposal to the Board of Directors nominating external auditors for approval by the shareholders in General Meeting.
- Oversee the internal audit function, if any.
- Report on the Company's financial reporting and internal control systems.
- Conduct relations with the external auditors to gather information on matters liable to affect the external auditors' independence and any other matters arising from the auditing of the Company's accounts, and make any other disclosures required by auditing rules and regulations.

III.- Membership

The Audit Committee is a Board committee and so is made up of directors. A majority of the members must be non-executive directors appointed by the Board of Directors, and the Chairman must be chosen from among these non-executive directors. By law and under the Company's articles of association, the Chairman is replaced every four years and may be re-elected after one year out of office.

Because of the new legal provisions concerning the Audit Committee and the amendments to the Company's articles of association and Board of Directors Regulations, the Board of Directors at its meeting on May 22, 2003 renewed the membership of the Committee, reappointing the same people who previously made up the Audit and Compliance Committee.

In 2006 the Audit Committee had the following members: Mr. Manuel Soto Serrano as Chairman; Mr. Francisco Verdú Pons and Mr. Enrique Piñel López as members; and Mr. José Ramón del Caño Palop as Secretary. The Chairman is an independent non-executive director and the other two members are domanial non-executive directors.

IV.- Functioning and activities

The Committee's internal functioning is regulated by article 47 of the Company's articles of association and articles 29 to 34 of the Board of Directors Regulations, governing meetings, notices, quorums, adoption of resolutions, minutes, relations with the Company's Board of Directors and management, and authority to request information on any aspect of the Company and to seek the advice of outside professionals.

During 2006, the Audit Committee met five times. The matters discussed at these meetings, on which the Committee had all the necessary information and documentation, were:

- Review of periodic financial reports for submission to the CNMV.
- External audit of the annual accounts.
- Risk identification and internal risk control system.
- Legal compliance and compliance with company regulations.

a) Review of periodic financial reports

The Audit Committee analyzed, prior to submission, the quarterly and half-yearly financial information that the Company submits to the CNMV for public disclosure, and the complementary brochures that the Company publishes.

This was done with the collaboration of the Company's financial director, who is responsible for preparing this information and who explained to the Committee the accounting procedures followed and the decisions and criteria adopted.

The Committee approved the reports and brochures, subject to the inclusion of certain suggestions it had made.

In one of its meetings the Committee examined the financial statements prior to their submission to the Board of Directors for authorization.

b) External audit of the annual accounts and relations with the external auditors

The meeting just mentioned was attended by the external auditors, who reported in depth on the audit work, the main issues raised and the criteria used. The auditors detected no significant risks in the Company and considered the Company's internal audit to be effective. Accordingly, their opinion on the Company's financial statements was unqualified. In carrying out their task, the independent auditors were assisted by the Company's officers. At the same time, the plan for the audit for financial year 2006 was explained.

Note that, because of the change of auditor decided in 2004, the current auditor has been appointed for fiscal years 2005, 2006 and 2007. In 2006, therefore, no renewal or change of auditor was considered.

c) Risk identification and internal risk control system

Internal control is the responsibility of the finance director and is governed by a set of operating rules. These rules are set out in the "Operations Handbook". They relate, among other things, to investments and divestments, budgets and expense control, consolidation, IT systems, administrative controls, and file keeping.

The Audit Committee has authority in this matter and determines whether the Company has the necessary organization, staff and processes to identify and monitor its main operational, financial and legal risks. It is also empowered to investigate any aspect of the risk identification and internal control system, as it sees fit. In 2004 the Company commissioned the independent auditors to carry out an in-depth review of the Company's internal control system, and of the "Operations Handbook" in particular. The auditors' opinion was that the Company's internal control system is satisfactory.

No material incident in relation to risk identification and internal control was detected during 2006.

d) Regulatory compliance

In accordance with article 26.c) of the Board of Directors Regulations, the Audit Committee provides the following, more detailed information on the Company's compliance with legal requirements and internal regulations.

First, the Committee confirms that the Company has the necessary organization to guarantee compliance with applicable law. Specifically, it has a legal department, a tax department and a finance department, each of which, in its area of competence, works to ensure that current (external and internal) regulations are respected. In addition, the Board Regulations charge the Secretary with a duty to ensure that the Company acts, in form and substance, within the law, respecting both statutory obligations and company procedures and rules of governance.

One of the Audit Committee's tasks is to make sure the Company has an effective system of internal supervision to guarantee the Company's compliance with applicable laws and regulations, and to verify that the necessary procedures are in place to ensure that managers and employees comply with internal regulations. Audit Committee meetings are attended by the Company's finance director, who is responsible for internal control and reports to the Committee on this matter.

As mentioned previously, the Company has a set of operational rules ("Operations Handbook") that provide criteria for internal control.

Bearing all this in mind, the Committee considers that the Company has the necessary organizational resources and rules to ensure compliance with applicable internal and external regulations.

In this same area of responsibility, the Audit Committee examined the proposal for an Annual Corporate Governance Report. Said proposal was subsequently ratified by the Board of Directors. It also reviewed the Report submitted by the Supervisory Body set up under the Company's Code of Conduct on the measures taken to meet the requirements of said Code. Lastly, it reviewed the plan to amend the Code of Conduct as a consequence of the approval of Royal Decree 1333/2005, of November 11, which develops the Securities Market Act (Ley del Mercado de Valores) in matters of market abuse.

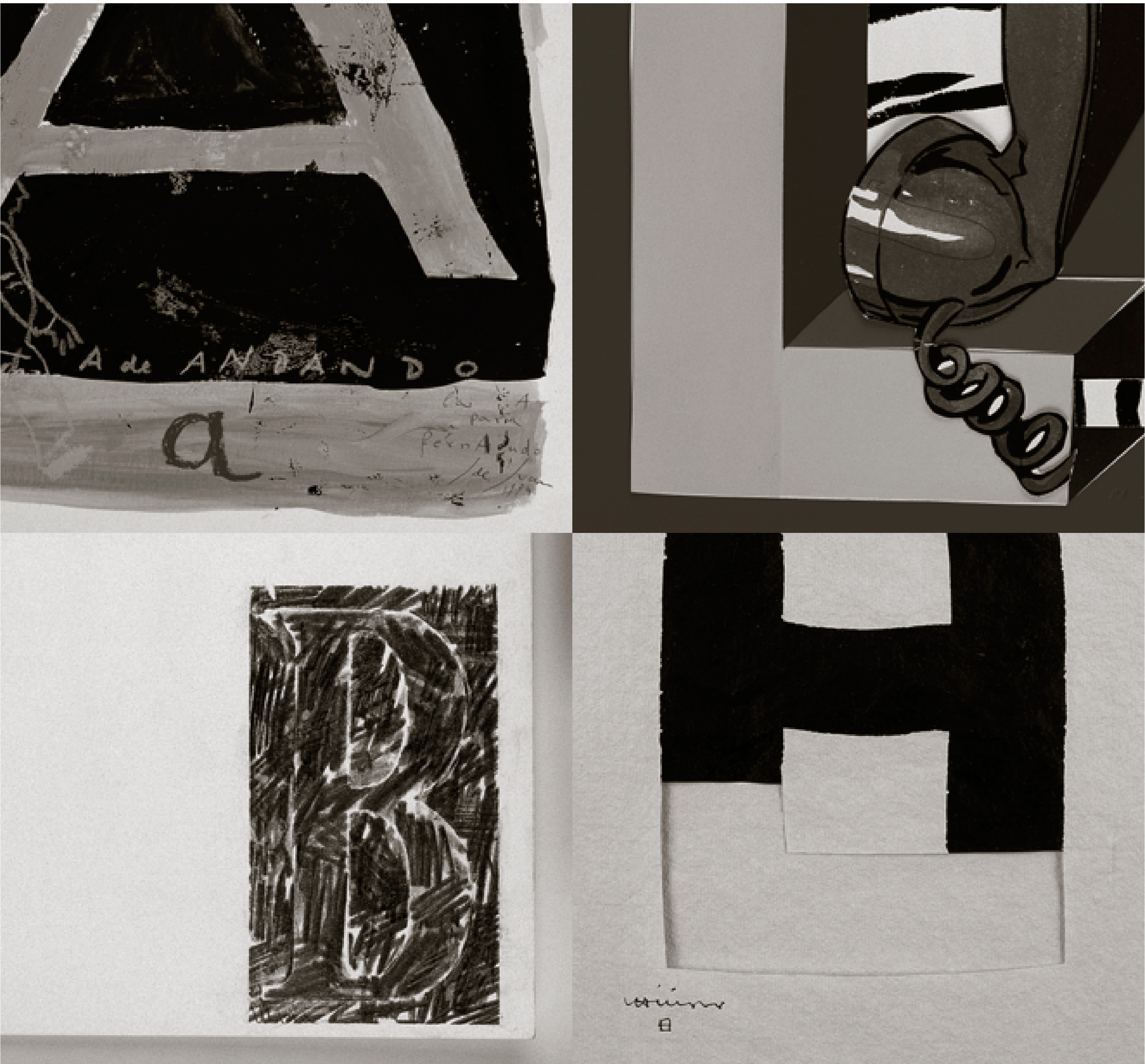
In relation to compliance, the Committee examined related-party transactions. During the year, two transactions with significant shareholders were examined to verify whether they were carried out under market conditions. In both cases the finding was favourable. One of the transactions was carried out during the year and so was disclosed in the company's periodic disclosures, while the other has not yet taken place.

Lastly, the Committee monitored the functioning of the Company's web site, which is fully compliant with current regulations.

In view of all the above, the Committee considers that the Company's compliance with corporate governance regulations is satisfactory and that the Company fulfils current legal obligations and recommendations. The Unified Code of Corporate Governance, approved by the CNMV on May 22, 2006 has yet to be adapted and implemented, but plans to do so are in place.

Madrid, February 21, 2007

Corporate Governance Report



Annual Corporate Governance Report

Public Listed Companies

Identification of the issuer

Year 2006

Spanish tax identification No A-28060903

Company name:

Corporación Financiera Alba, S.A.

Registered office

C/ Castelló, 77 – 5ª planta
Madrid 28006
Spain

Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial staments issued in spanish
in accordance with generally accepted accounting principles in Spain (see Note 27).
In the event of a discrepancy, the Spanish-language version prevails.

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLIC LISTED COMPANIES

For a better understanding of the form and its subsequent completion, please read the instructions at the end of it.

A. Ownership structure

A.1. Complete the following table regarding Company share capital

Date last changed	Share capital (€)	Number of shares
31-05-2006	65,100,000.00	65,100,000

If there are different share classes, state this in the following table:

Class	Number of shares	Unit face value

A.2. Specify significant direct and indirect shareholders at year-end excluding directors

Name or company name of shareholder	Number of shares directly owned	Number of shares indirectly owned	% of total share capital
Banca March, S.A. (see Section G)	18,275,850	21,663,752	61,351
Arnhold and S. Bleichroeder Adviser LLC (see Section G)	0	6,504,286	9,991
State Street Bank and Trust Co (includes the above – see Section G)	7,824,411	0	12,019

(*) Through:

Name or company name of direct shareholder	Number of shares directly owned	% of share capital
March de Patrimonio, S.A.	1,569,830	2.411
March de Inversiones, S.A.	182,180	0.280
Igalca, S.A.	158,026	0.243
Syndication agreement (see Section A.6)	19,753,716	30,344
Société Générale International Sicav (see Section G)	289,695	0.445
First Eagle Global Fund (see Section G)	3,247,188	4.988
First Eagle Overseas Fund (see Section G)	2,434,740	3.740
ASB Diversified International Equity (see Section G)	121,737	0.187
UTA Retirement Systems	34,503	0.053
MacArthur Foundation	31,899	0.049
Other indirect shareholdings (see Section G)	344,524	0.529
Total	**28,168,038**	

Corporación Financiera Alba, S.A. and Dependent Companies

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State the year's most significant changes in the shareholder base:

Name or company name of direct shareholder	Operation date	Description of operation

A.3. Complete the following tables on members of the Board of Directors owning shares in the Company:

Name or company name of director	Date first appointed	Date last appointed	Number of shares directly owned	Number of shares indirectly owned (*)	% total of share capital
Mr. Juan March Delgado	08-10-1973	31-05-2006	4,746,444	2,158,844	10,607
Mr. Carlos March Delgado	22-06-1988	25-05-2004	7,502,910	661,806	12,542
Mr. Pablo Vallbona Vadell	26-06-1990	31-05-2006	6,937	0	0.011
Mr. Isidro Fernández Barreiro	28-05-1994	31-05-2006	0	0	0,000
Mr. Santos Martínez-Conde Gutiérrez-Barquín	27-09-2006	27-09-2006	343	0	0,001
Mr. Nicholas Brookes	26-05-1999	22-05-2003	2,301	0	0,004
Mr. Alfredo Lafita Pardo	22-06-1988	22-05-2004	0	0	0.000
Mr. Enrique Piñel López	28-05-1994	22-05-2003	12,426	0	0,019
Mr. Luis Angel Rojo Duque	25-09-2002	25-09-2002	152	0	0.000
Mr. Manuel Soto Serrano	26-05-1999	22-05-2003	0	8,952	0.014
Mr. Francisco Verdú Pons	26-05-1998	31-05-2006	0	0	0,000

Corporación Financiera Alba, S.A. and Dependent Companies

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(*) Through:

Name or company name of direct shareholder	Number of shares directly owned
M.B. Inversiones, S.A.	1,522,858
Ampuero, S.A.	599
Cosgaya, S.A	488
Foncanal, S.A.	2,087
Sunsia, S.A.	288,228
Invercoy, S.A.	769
Fundacion Juan March	342,511
Mª Antonia Juan Garau	1,199
Titulos Caspe, S.A.	385,698
Citadel, S.L.	15,972
Agropecuario Altarejos, S.L.	196,532
Tauton, S.L.	19,886
Encinalejo, S.L.	41,613
Ace Global, Sicav, S.A.	6,952
Total	**2,829,692**

% Total share capital held by Board of Directors	23.198

Complete the following tables on members of the board of Directors owning rights to Company shares.

Name or company name of director	Number of option rights directly owned	Number of option rights indirectly owned	Equivalent number of shares	% total of share capital

A.4. If applicable, state the family, trading, contractual or company relationships existing between significant shareholders to the extent known by the Company, unless of little significance or relating to ordinary trading business:

Names or company names of related shareholders	Type of relationship	Brief description
Banca March, S.A., Mr. Juan March Delgado and Mr. Carlos March Delgado	Family	Between them, Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own 100% of Banca March, S.A. and have reached the shareholder agreement referred to in section A.6.

A.5. If applicable, specify the trading, contractual or company relationships existing between significant shareholders and the Company, unless of little significance or resulting to ordinary trading business:

Names or company names of related shareholders	Type of relationship	Brief description

A.6. State agreements between shareholders that have been reported to the Company:

Participants in shareholder agreement	% of share capital affected	Brief description
Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado	61.351	Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own all the shares in Banca March, S.A., which also has a significant shareholding in Corporación Financiera Alba, S.A. The above persons on May 24, 2004 signed a shareholder agreement relating to the abovementioned banking institution that also affects Corporación Financiera Alba, S.A. given its shareholder position in Corporación Financiera Alba, S.A. The agreement lasts until March 31, 2015 and is the renewed version of the agreement signed on March 10, 1980 and amended on May 4, 1994. Taking into account the shareholdings of both Banca March, S.A. and the shareholders signing the agreement, they did and still do exercise joint and coordinated control of Corporación Financiera Alba, S.A. The abovementioned agreement does not set limits on the transferability of the shares in Corporación Financiera Alba, S.A. but does affect the exercise of voting rights of related shares belonging to signatories to the agreement.

Corporación Financiera Alba, S.A. and Dependent Companies

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in accordance with generally accepted accounting principles in Spain (see Note 27).
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If applicable, describe the coordinated activities between shareholders of which the Company is aware:

Participants in coordinated activities	% of share capital affected	Brief description of coordinated activities

State expressly if any of these agreements or coordinated activities have changed or been terminated in the year.

A.7. State if there is a private individual or legal entity that can exercise control over the company in accordance with article 4 of Spain's Securities Market Act (Ley del Mercado de Valores):

Name or company name
Banca March, S.A.

Observations
Corporación Financiera Alba, S.A. forms part of the Banca March Group, which owns more than 50% of its share capital. Control of the Banca March Group is exercised by Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado, who jointly control 100% of the share capital of Banca March, S.A. without any of these doing so individually, as indicated in section A.6. There is a shareholder agreement signed between the abovementioned persons on May 24, 2004. Banca March, S.A. and its shareholders on December 31, 2006 jointly controlled 61,351% of Corporación Financiera Alba, S.A., without any of these doing so individually.

A.8 Complete the following tables regarding company treasury stock:

At year-end:

Number of directly owned shares	Number of indirectly owned shares(*)	% total of share capital
456.685	0	0.702

(*) Through:

Name or company name of direct shareholder	Number of directly owned shares
Total	

Breakdown of significant changes in the year pursuant to Royal Decree 377/1991:

Date	Number of directly owned shares	Number of indirectly owned shares	% total of share capital
Results in the year from treasury stock operations (000s of €)			

A.9. Detail the conditions and period(s) of authorisation(s) granted by the general meeting for the board of directors to acquire or transfer the treasury stock described in section A.8.

The General Meeting has authorised the related acquisition of the Company treasury stock through sale-purchase transactions within legal limits, subject to requirements in applicable provisions.

The authorisation covers purchases by subsidiaries of Corporación Financiera Alba, S.A. within the limit indicated, as well as to apply the shares purchased in virtue with this authorisation and those granted previously to implementing remuneration plans for executive directors and senior officers involving the allotment of shares or stock options.

The purchase price is based on the quoted stock market level the day it is carried out or if appropriate that authorised by the relevant stock market body.

Authorisations valid in 2006 were those agreed by the General Meetings of May 25, 2005 and May 31, 2006, respectively lasting until June 30, 2006 and June 30, 2007.

A.10. If applicable, state the restrictions on the exercise of voting rights established in law and the articles of association, as well as legal restrictions on the purchase or transfer of shareholdings in the Company:

There are no restrictions in law or the articles of association on the exercise of voting rights.
With regard to the right to attend General Meetings of Shareholders, the articles of association require ownership of at least 25 shares.
There are no legal restrictions on the purchase or transfer of shareholdings in the Company.

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B. Structure of the Company's management

B.1. Board of Directors.

B.1.1. Specify the minimum and maximum number of directors envisaged in the articles of association.

Maximum number of directors	15
Minimum number of directors	7

B.1.2. Complete the following table for the members of the board:

Director name or company name	Representative	Post on Board	Date first appointed	Date last appointed	Appointment procedure
Mr. Juan March Delgado		Chairman	08-10-1973	31-05-2006	Shareholders' Meeting
Mr. Carlos March Delgado		Chairman	22-06-1998	25-02-2004	Shareholders' Meeting
Mr. Pablo Vallbona Vadell		First Vice-Chairman	26-06-1990	31-05-2006	Shareholders' Meeting
Mr. Isidro Fernandez Barreiro		Second Vice-Chairman	28-05-1994	31-05-2006	Shareholders' Meeting
Mr. Santos Martinez-Conde		Chief Executive	27-09-2006	27-09-2006	Coopted
Mr. Nicholas Brookes		Director	26-05-1999	22-05-2003	Shareholders' Meeting
Mr. Alfredo Lafita Pardo		Director	22-06-1988	22-05-2004	Shareholders' Meeting
Mr. Enrique Piñel López		Director	28-05-1994	22-05-2003	Shareholders' Meeting
Mr. Luis Angel Rojo Duque		Director	25-09-2002	28-09-2002	Shareholders' Meeting
Mr. Manuel Soto Serrano		Director	26-05-1999	22-05-2003	Shareholders' Meeting
Mr. Francisco Verdú Pons		Director	26-05-1998	31-05-2006	Shareholders' Meeting

Total number of directors	11

Specify terminations in the Board of Directors in the period:

Name or company name of director	Termination date
Mr. Alfonso Tolcheff Alvarez	27-09-2006

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B.1.3. Complete the following tables on members of the Board of Directors and their different types

Executive Directors

Name or company name of director	Committee proposing appointment	Post in Company organisational chart
Mr. Pablo Vallbona Vadell	Nomin. & Remun. Committee	First Vice-Chairman
Mr. Isidro Fernandez Barreiro	Nomin. & Remun. Committee	Second Vice-Chairman
Mr. Santos Martínez-Conde	Nomin. & Remun. Committee	Chief Executive

Domanial Directors

Name or company name of director	Committee proposing appointment	Name or company name of significant shareholder they represent or that proposed their appointment
Mr. Juan March Delgado	Nomin. & Remun. Committee	Banca March, S.A.
Mr. Carlos March Delgado		Banca March, S.A.
Mr. Francisco Verdú Pons	Nomin. & Remun. Committee	Banca March, S.A.
Mr. Enrique Piñel Lopez		Banca March, S.A.

Independent Directors

Name or company name of director	Committee proposing appointment	Profile
Mr. Nicholas Brookes		Chairman De La Rue, plc; ex-Chief Executive of Spirent, plc
Mr. Alfredo Lafita Pardo		State lawyer; Director of Banco Guipuzcoano, S.A.
Mr. Luis Angel Rojo Duque		Professor of Economic Theory; ex-Governor of the Bank of Spain; Director of BSCH
Mr. Manuel Soto Serrano		Economist; Former Chairman of the Arthur Andersen World Council; Director of BSCH

Other External Directors

Name or company name of director	Committee proposing appointment

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Detail the reasons for not being considered as domanial or independent director:

Give changes in the status of each director that occurred in the period if applicable:

Name or company name of director	Date of change	Previous status	Current condition
Mr. Enrique Piñel Lopez	01-01-2006	Other External Director	Domanial External Director

B.1.4. Confirm if the types of director described in the previous point are compatible with proportions envisaged in Board Regulations:

The types of Director given in the above point correspond to proportions envisaged in Board Regulations.

B.1.5. If applicable, state the authority delegated to the managing director(s):

Name or company name of director	Brief description
Mr. Santos Martínez-Conde Gutiérrez-Barquín	The chief executive has been delegated authority in the area of Company staff matters, as well as with a broad scope of matters relating to the representation of the Company and recruitment of personnel.

B.1.6. If applicable, name the members of the board that hold posts as directors or managers in other companies forming part of the group of the listed company:

Name or company name of director	Group company name	Post
Mr. Francisco Verdú Pons	Alba Participaciones, S.A.	Director

B.1.7. If appropriate, detail the Company directors who are members of the board(s) of directors of other companies listed on official securities markets in Spain outside the Group and of which the Company has been informed:

Name or company name of director	Listed company	Post
Mr. Pablo Vallbona Vadell	ACS, Actividades de Construcción y Servicios, S.A.	Vice-Chairman
Mr. Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Vice-Chairman
Mr. Isidro Fernández Barreiro	ACS, Actividades de Construcción y Servicios, S.A.	Director
Mr. Isidro Fernández Barreiro	Prosegur, Compañía de Seguridad, S.A.	Director
Mr. Santos Martínez-Conde Gutiérrez-Barquín	ACS, Actividades de Construcción y Servicios, S.A.	Director
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Acerinox, S.A.	Director
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Unión Fenosa, S.A.	Director
Mr. Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	Director
Mr. Manuel Soto Serrano	Banco Santander Central Hispano, S.A.	Fourth Vice-Chairman
Mr. Manuel Soto Serrano	Indra Sistemas, S.A.	Second Vice-Chairman
Mr. Luis Angel Rojo Duque	Banco Santander Central Hispano, S.A.	Director
Mr. Francisco Verdú Pons	ACS, Actividades de Construcción y Servicios, S.A.	Director

B.1.8. Complete the following tables regarding total remuneration accruing to directors in the year:

a) At the company subject to this report

Remuneration item	000s of €
Fixed remuneration	1,325
Variable remuneration	8,039
Expenses	
Statutory attendance	
Options on shares and/or other financial instruments	877
Other	
Total	**9,364**

Other benefits	000s of €
Advances	
Loans granted	
Pension plan and fund contributions	2,015
Pension plan and fund commitments assumed	
Life insurance premiums	55
Guarantees given by the Company in favour of directors	

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b) For directors belonging to boards of directors and/or senior management of other group companies

Remuneration item	000s of €
Fixed remuneration	54
Variable remuneration	
Expenses	
Statutory attendance	
Options on shares and/or other financial instruments	
Other	
Total	54

Other benefits	000s of €
Advances	
Loans granted	
Pension plan and fund contributions	
Pension plan and fund commitments assumed	
Life insurance premiums	
Guarantees given by the Company in favour of directors	

c) Total remuneration by director type:

Type of director	Company	Group
Executive	8,893	
Dominical	300	54
Independent	171	
Other external		
Total	9,364	54

d) Remuneration in relation to profit attributable to parent company

Total remuneration of directors (000s of €)	9,418
Total remuneration of directors/profit attributable to the parent company (in percentage)	1,030

B.1.9. Name the senior company officers other than executive directors and total remuneration accruing to them in the year:

Name or company name	Post
Mr. José Ramón del Caño Palop	Manager
Mr. Luis Lobon Gayoso	Manager
Mr. Juan March de la Lastra	Manager
Mr. Ignacio Martínez Santos	Manager
Mr. Fernando Mayans Altaba	Manager
Mr. Tomas Villanueva Iribas	Manager

Total remuneration of senior management (000s of €)	6,113

B.1.10. Provide overall information of any guarantee or blocking clauses for cases of redundancy or changes in control in favour of members of senior management, including executive directors of the company and its group. State if these contracts have to be reported to and/or approved by bodies of the company or its group:

Number of beneficiaries	10

Body authorising the clauses	Board of Directors	General Meeting

	Yes	No
Is the General Meeting informed of these clauses		X

B.1.11. State the process for establishing the remuneration of the members of the board of directors and significant related clauses of the articles of association.

In accordance with the articles of association, the Board of Directors shall receive a fixed remuneration component established by the General Meeting when the annual accounts are approved. In the absence of express agreement in a year, the fixed remuneration level of the previous year shall be considered as renewed. The Board must decide on how to distribute the remuneration agreed by the General Meeting among its members, including even in different amounts. Furthermore, in addition to the above, remuneration of members of the Board performing management roles at the Company may consist of allotments of shares or stock options or incentives related to the value of Company shares with the form, terms and conditions decided by the General Meeting of Shareholders pursuant to legally established requirements.

Specific remuneration of the Directors is determined based on a prior report from the Nominations and Remuneration Committee, which must state the form and amount of annual remuneration of the Directors in their capacity as such, as well as related revisions.

B.1.12. If applicable, give the names of board members who are also members of the board of directors or managers of companies with significant shareholdings in the listed company/and or its group companies:

Name or company name of director	Name or company name of significant shareholder	Post
Mr. Carlos March Delgado	Banca March, S.A.	Chairman
Mr. Juan March Delgado	Banca March, S.A.	Director
Mr. Pablo Vallbona Vadell	Banca March, S.A.	Executive Vice-Chairman
Mr. Francisco Verdú Pons	Banca March, S.A.	Chief Executive
Mr. Isidro Fernández Barreiro	Banca March, S.A.	Director
Mr. Enrique Piñel Lopez	Banca March, S.A.	Director

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Specify significant relationships of members of the board of directors with significant shareholders and/or group companies other than those envisaged in the previous section, if applicable:

Name or company name of director	Name or company name of significant shareholder	Description of relationship

B.1.13. If appropriate, detail amendments to regulations of the board in the year.

There were no amendments to the Board Regulations in 2006.

B.1.14. State procedures for appointment, re-appointment, evaluation and termination of the tenure of directors. Detail the competent bodies, processes followed and criteria used in each procedure.

The director appointment proposals to be submitted by the Board of Directors to the General Meeting and the appointment resolutions adopted by the Board itself in virtue of the cooption authority legally attributed to it should, firstly, respect the provisions of the Regulations with regard to the proportions of executive and non-executive directors. Secondly, a proposal for the appointment, renewal or termination of a director's responsibilities should be subject of a report from the Nominations and Remuneration Committee prior to discussion in Board meetings.

In addition, in accordance with the Regulations of the Board, once external directors—both independents and owners—have been elected by the General Meeting, the Board of Directors will not propose termination of their duties before their tenure ends, apart from for exceptional and justified causes noted by the Board of Directors itself, based on a prior report by the Nominations and Remuneration Committee.

B.1.15. State the cases when the directors would be obliged to resign.

In accordance with the Regulations of the Board the directors should tender their resignation to the Board of Directors and, if the Board deems appropriate, formalize the corresponding resignation in the following cases:

a) When the director reaches 70 years of age.
b) When legally prevented from doing so or subject to circumstances of disqualification or conflicts of interest;
c) When accused of allegedly criminal acts or subject to disciplinary measures by the securities market supervisory bodies for a serious or very serious violation;
d) When seriously reprimanded by the Audit Committee for having infringed their obligations as directors; and
e) When the reasons for which they were appointed cease to apply, in particular, when an independent director or owner director loses his or her status as such.

B.1.16. Explain if the function of managing director of the company is held by the chairman of the board. If applicable, indicate measures taken to limit risks of combining authority in a single person:

Yes ☐ No ☒

Measures to limit risks

B.1.17. Are enhanced majorities different to the legal minimum required in any type of decision?

Yes ☐ No ☒

State how resolutions are adopted by the board of directors, specifying at least the minimum attendance quorum and the type of majorities for adopting resolutions.

Adoption of resolutions

Description of resolution	Quorum	Type of majority
All	The personal attendance or representation is required of at least half the directors plus one to meet valid quorum requirements for Board meetings.	Board resolutions are adopted by an absolute majority of the votes of directors in attendance or represented, with the Chairman of the Board or whoever performs this role having the casting vote in the event of a tie.

B.1.18. Explain if there are specific requirements other than those relating to directors to be appointed Chairman.

Yes ☐ No ☒

Description of requirements

B.1.19 State if the chairman has a casting vote.

Yes ☒ No ☐

Areas in which a casting vote applies
For all resolutions where voting results in a tie

B.1.20. State if the articles of association or Board regulations establish an age limit for directors:

Yes ☐ No ☒

Age limit of chairman	
Age limit of chief executive	
Age limit of director	

B.1.21. State if the articles of association or Board regulations establish time limits on the tenure of independent directors.

Yes ☐ No ☒

Maximum number of years	

B.1.22. State if there are formal procedures for delegating voting authority in the board of directors and if so specify them briefly.

The Directors may delegate their voting authority to another director to vote for and represent them in the Board meetings. Delegation of such authority must be granted in a letter sent to the Chairman.

B.1.23. State the number of meetings of the board of directors in the year. Also, if applicable, give the number of times the Board has met without the Chairman present.

Number of board meetings	5
Number of board meetings without chairman present	0

State the number of meetings of different board committees in the year:

Number of meetings of executive or delegated committee	0
Number of meetings of audit committee	5
Number of meetings of nominations and remuneration committee	3
Number of meetings of strategy and investment committee	0
Number of meetings of committee	0

B.1.24. State if the annual individual and consolidated accounts submitted to the board for approval are certified previously:

Yes ☒ No ☐

If applicable, name the person(s) who certified the annual individual and consolidated annual accounts of the Company for formulation by the Board:

Name	Post
Mr. Santos Martinez-Conde Gutiérrez-Barquín	Chief Executive
Mr. Ignacio Martinez Santos	Financial Director

B.1.25. If appropriate, explain measures introduced by the board of directors to avoid the audit report for the individual and consolidated accounts it formulates for submission to the general meeting containing qualifications.

The functions of the Audit Committee include relations with external auditors. As part of this task they must supervise procedures for the audit report opinion on the annual accounts to contain no qualifications.

B.1.26. Detail steps taken for information disclosed to the securities markets to be conveyed equitably and symmetrically.

The Company reports all information it releases firstly to the CNMV. Then once proof of reception has been received, it is disclosed to the media and also analysts and investors who have demonstrated an interest in receiving such information.

B.1.27. Does the board secretary have the status of director?

Yes ☐ No ☒

B.1.28. If applicable, state measures introduced by the company to ensure independence of the auditor, financial analysts, investment banks and rating agencies.

It falls to the Audit Committee, among other tasks, and pursuant to the law, to ensure the independence of external auditors and in particular receive information on such issues that could jeopardise this.

In addition, the Company fully respects the restrictions and conflicts of interest established in the Audit Act (Ley de Auditoria), as amended by the Financial Act 44/2002 (Ley Financiera).

The Company changed its external auditor in 2005 to ensure independence.

There is currently no procedure to ensure the independence of financial analysts and investment banks although the Company has always acted transparently with these.

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There is no current relationship with any rating agencies so this does not apply for these.

B.1.29. State if the audit firm conducts work for the company and/or its group other than auditing and, if so, related fees received and the percentage they represent as part of overall fees invoiced to the company and/or its group.

Yes ☐ No ☒

	Company	Group	Total
Work other than auditing (000s of €)	0	0	0
Work other than auditing/total amount invoiced by audit firm (in %)	0.000	0.000	0.000

B.1.30. State the number of continuous years the current audit firm has been auditing the annual accounts of the company and/or group. In addition, give the percentage of the number of years audited by the current firm in the total number of years the annual accounts have been audited:

	Company	Group
Number of continuous years	2	2

	Company	Group
Number of years audited by current audit firm/Number of years the company has been audited (in %)	9.520	9.520

B.1.31. State shareholdings of members of the company board of directors in firms with an identical, similar or complementary nature of business to the corporate purpose of both the company and group that have been reported to the company. Also state the posts or responsibilities they have at the companies:

Name or company name of director	Name of company concerned	% shareholding	Post or responsibilities
Mr. Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	1.536	Director
Mr. Alfredo Lafita Pardo	Diana, Sociedad de Capital Riesgo	0.000	Chairman
Mr. Manuel Soto Serrano	Banco Santander Central Hispano	0.003	Fourth Vice-chairman
Mr. Manuel Soto Serrano	Instituto per le Opere di Religione	0.000	Director
Mr. Luis Angel Rojo Duque	Banco Santander Central Hispano, S.A.	0.000	Director

B.1.32. State if there is a procedure for directors to obtain outside advice and if so provide details:

Yes [X] No [ ]

Detail the procedure
- a majority of outside members can agree to contract legal, accounting or financial advisers or other experts at the expense of the company to support themselves in performance of their tasks - the order made should necessarily concern specific problems of a certain significance and complexity that arise in the performance of their tasks - the decision to contract outside services must be reported to the Chairman of the Company through the Chief Executive and may be vetoed by the Board when not considered necessary for the due performance of tasks entrusted to Directors, when its cost is considered unreasonable relative to the importance of the problem or the advice could be provided adequately by Company experts and specialists. A majority of two-thirds of Directors participating in the related meeting is required for the veto to be valid.

B.1.33. State if there is a procedure for directors to have necessary information for preparing for management body meetings sufficiently in advance and if so provide details.

Yes [X] No [ ]

Detail the procedure
The Chief Executive is responsible for preparing and providing other Directors with all information necessary for adopting resolutions proposed on the agenda in each meeting of the Board of Directors, at least three days prior to the meeting concerned.

B.1.34. Specify if there is liability insurance in favour of the company directors:

Yes [ ] No [X]

B.2. Committees of the Board of Directors

B.2.1. List the management bodies

Name of body	Number of members	Functions
Board of Directors	11	See article 44 of the articles of association
Audit Committee	3	See article 47 of the articles of association and articles 21 to 26 of the Board Regulations
Nominations and Remuneration Committee	3	See article 18 of the Board Regulations

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B.2.2. Specify all committees of the board of directors and their members:

Executive or delegated committee

Name	Post

Audit committee

Name	Post
Mr Manuel Soto Serrano	Chairman
Mr. Francisco Verdú Pons	Member
Mr. Enrique Piñel Lopez	Member

Nominations and remuneration committee

Name	Post
Mr. Carlos March Delgado	Chairman
Mr. Alfredo Lafita Pardo	Member
Mr. Luis Angel Rojo Duque	Member

Strategy and investment committee

Name	Post

B.2.3. Briefly describe the rules of organisation and functioning and the responsibilities of each committee.

Audit Committee.

This committee is regulated by the articles of association, as supplemented by the Regulations of the Board of Directors. The main parts of these regulations are summarised below.

a) Establishment of the committee. In accordance with the recommendations of the "Olivencia Code", the Audit and Compliance Committee was formed in 2000 as part of the Board of Directors and so covered by its Regulations. Pursuant to provisions of the Financial Act, its existence is now a legal requirement. For this reason, the amendment of the company articles adopted lin 2003 incorporated the existence of this body of the Board of Directors and the rules relating to its functions, organisation and operation.

b) Composition and the chair. The Audit Committee shall consist of at least three and at most five members, one of which shall act as Chairman. The Committee shall be composed of a majority of non-executive directors and the chair of the committee falls to a non-executive director. The Board Secretary shall act as Secretary to the Committee and may or may not be a member of the Audit Committee.

c) Appointment. The Company Board of Directors shall appoint the Committee members from among directors. It shall also decide who holds the post of Chairman.

d) Tenure. The term of appointment shall be for the period remaining until the end of the tenure as director. Reappointment in this respect shall be possible. However, whoever has held the post of Chairman of the Audit Committee for four years consecutively should cease to do so. This person may be re-elected to this post after one year has subsequently elapsed.

e) Meetings. The Audit Committee shall determine a calendar for its ordinary meetings, with the necessary frequency for subjects specific to its responsibilities to be dealt with adequately. The Committee must also meet whenever required by its Chairman or any of its members or on instruction from the Board of Directors with a particular agenda.

f) Convening and meeting venue. The meeting of the Audit Committee shall be convened at least five days beforehand by the Secretary of the Committee. Notification to each member should include the meeting agenda, previously approved by the Chairman of the Committee.
The Audit Committee meetings shall normally be held at the registered office but may be held at any other place decided by the Chairman and given in the meeting notice. The Committee may be validly held without prior notice when all its members are present and accept it as being held. For reasons of urgency, the Committee may be called to meet with less than the minimum advance notice, in which case all members attending the meeting must agree on its urgency at the beginning of the meeting.

g) Constitution, representation and adoption of resolutions. For the Committee meeting quorum to be reached, a majority of its members must be in attendance or represented. Each member of the Committee may grant representation to another. Delegation of such authority must be granted in a written document sent to the Chairman of the Committee. The resolutions shall be adopted by a majority of the members in attendance or represented. In the event of a tie, the Chairman shall have the casting vote.

h) Minutes. The Committee Secretary shall prepare minutes for each of the meetings held and these shall be approved in the meeting itself or the one immediately afterwards.

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I) Areas of activity

The activities of the company's Audit Committee are focused on four main areas:

- Risk identification and internal control system;
- Review and approval of financial information;
- External audit of the annual accounts; and
- Compliance with legal provisions and internal regulations

The Regulations of the Board of Directors set out the functions of the Audit Committee in detail for each of the four areas mentioned.

Nominations and Remuneration Committee.

This Committee is regulated by the Regulations of the Board of Directors. The main points of this regulation are as follows:

a) Establishment of the committee. This committee was established in accordance with the amendment to the Regulations of the Board of Directors approved in May 2003, pursuant to recommendations of the "Aldama Report". In view of the company's shareholder base and the limited number of executive directors and senior managers, it was not previously considered necessary.

b) Composition. The Nominations and Remuneration Committee is formed by a minimum of three and maximum of five directors, all external or non-executive and appointed by the Board of Directors from among its members. The Board of Directors also decides who should hold the post of Chairman.

c) Tenure. The duration of the appointment shall be for the period remaining until the end of the term as Director. In this respect, re-appointment is possible.

d) Meetings. The Nominations and Remuneration Committee shall meet as many times as convened on agreement of the Committee itself or its Chairman and at least once a year. Any person from inside or outside the company may be called to attend the meetings as considered appropriate.

B.2.4. If applicable, indicate the authority of each Committee in respect of advice, consultancy and if appropriate delegation of authority.

Committee Name	Brief description
Audit Committee	In accordance with the articles of association, the Audit Committee has the following competences - information to the General Meeting of Shareholders on issues that shareholders raise in it in the area of its competence - proposals to the Board for submission to the General Meeting regarding the appointment of the external auditors - supervision of the internal audit if such a body exists in the corporate structure - knowledge of the Company's financial information processes and internal control systems - relations with external auditors to receive information on matters that could jeopardise their independence and any others related to performance of the account auditing process, as well as other reporting envisaged in the account auditing legislation and Spanish technical auditing standards
Nominations and Remuneration Committee	As envisaged in the Regulations of the Board of Directors, the Nominations and Remuneration Committee has the following functions: - to report objectively and in accordance with company interests on proposals for appointment, re-appointment, ratification and termination of directors, as well as the appointment of members of committees of the Board of Directors. - to inform the Board of the form and amount of Directors' annual remuneration in their capacity as such, in addition to revisions to this - to ensure the transparency of remuneration and the inclusion in the annual report of information regarding Directors' compensation.

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B.2.5. If applicable, specify the existence of board committee regulations, where they are available for consultation and amendments made in the year. In addition, indicate if the annual report on activities of each committee has been prepared voluntarily.

Each of the two abovementioned committees is regulated in the Regulations of the Board of Directors. This document may be examined at the registered office of the Company, its website, at the CNMV and the Companies Registry

The Audit Committee is referred to in article 47 of the articles of the association and articles 21 to 34 of the Regulations of the Board of Directors

Meanwhile, the Nominations Committee is mentioned in article 16 of the Regulations of the Board of Directors.

The Audit Committee prepared a report on its activities in 2006.

B.2.6. If an executive committee exists, explain the degree of delegation of authority and independence in performing its tasks for adopting resolutions on company administration and management.

There is no Executive Committee

B.2.7. State if the executive committee composition reflects the proportions of different types of directors on the Board:

Yes ☐ No ☒

If answering no, explain the composition of the executive committee
There is no Executive Committee

B.2.8. If there is a nominations committee, specify if all its members are external directors:

Yes ☒ No ☐

C. Related-party transactions

C.1. Detail significant operations representing a transfer of group resources or obligations between the company and other group firms and the company's significant shareholders:

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Name or company name of significant shareholder	Name or company name of company or group firm	Type of transaction	Type of relationship	Amount (000s of €)
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Financing agreements: loans	60,000
Banca March, S.A.	Corporación Financiera Alba, S.A.	Contractual	Guarantees	13,991
Banca March, S.A.	Corporación Financiera Alba, S.A.	Corporate	Dividends and other distributed profits	2,173
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest charged	626
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest payable but unpaid	332
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest paid	1,036
Banca March, S.A.	Corporación Financiera Alba, S.A.	Contractual	Sale of investments	24
Cimsa	Corporación Financiera Alba, S.A.	Commercial	Operating lease agreements	221
March Vida	Corporación Financiera Alba, S.A.	Commercial	Service provision	219

C.2. Detail significant operations representing a transfer of group resources or obligations between the company and other group firms and the company directors or senior officers:

Name or company name of director or senior officer	Name or company name of company or group firm	Type of operation	Type of relationship	Amount (000s of €)
Directors and Executives	Corporación Financiera Alba, S.A.	Remuneration	Remuneration	17,531
Directors and Executives	Corporación Financiera Alba, S.A.	Pension Plans	Contributions to pension plans and life insurance	2,648

C.3. Detail significant operations between the company and other group firms whenever not eliminated in the consolidated financial statement preparation process and, based on amounts and conditions, not part of the usual company business:

Company name of group firm	Brief description of operation	Amount (000s of €)

C.4. If appropriate, identify any conflicts of interest applicable to company directors pursuant to article 127 ter of Spain's Public Limited Companies Act.

There are no reported conflicts of interest on the part of Directors of the Company.

C.5. Detail measures introduced to detect, determine and resolve possible conflicts of interest between the company and/or its group and directors, senior officers and significant shareholders.

In accordance with the Board Regulations, the Directors may not directly or indirectly conduct professional or trading transactions with the company or any of its subsidiaries unless beforehand it informs the Board of Directors and this approves the transaction, after receiving a report from the Audit Committee

In addition, if there is public proxy solicitation by the Board of Directors or any of its members, if the shareholder does not give instructions the direction of the vote cast by the representative should be indicated. Furthermore, for public proxy solicitation, the Director may not exercise the vote for shares represented relating to items on the agenda where there is a conflict of interest and, in any case, those specifically covered by article 114 of Spain's Securities Market Act (as enacted by Act 26/2003 of 17 July 2003).

D. Risk control systems

D.1. Give a general description of the risk policy of the company and/or its group. Specify and evaluate risks covered by the system and explain how the system is adapted to the profile of each type of risk.

Corporación Financiera Alba, S.A. has two main activities: (i) participation in the share capital of listed and, in some cases, unlisted companies, and (ii) investment in office buildings for lease.

The main activity is participation in investee companies, which are the most important asset in the Company's consolidated balance sheet. The most significant and common risk of these companies is the risk inherent in their own business, but also, if they are listed companies, the state of the stock market.

Alba monitors its investee companies closely. Monitoring covers (i) investees' business activity and performance, usually through participation in the companies' governing bodies and sometimes in their Audit Committees, and (ii) any changes in their share price (if they are listed).

With regard to real estate properties for lease, the risks are those of the property market, that is, loss of income in the event the buildings are unoccupied (particularly those with a large floor area), changes in long-term interest rates, damage, and non-payment.

Based on the abovementioned activities, the main risks affecting the Company can be grouped in the following categories:

- Cash flow interest rate risk.
The group is exposed to this risk mainly through short-term debts with credit institutions at variable interest rates. Alba's financing has been and is expected to continue to be short-term with variable interest.

- Exchange rate risk
Alba's balance sheet could be affected by fluctuations in the exchange rates of foreign currencies, mainly the dollar and the pound sterling.

- Stock market risk
The most important asset on the Company's consolidated balance sheet is the investments in listed companies, whose fair value, based on their share prices at the end of 2006, was 4,767 million euros. These investments are, and are expected to continue to be, mainly long-term and hedging would not be financially viable.

The Company also uses derivatives on listed shares

- Credit risk
Credit risk derives basically from the possibility that the lessors of buildings belonging to the Company will fail to meet their obligations under the lease agreements. However, it is group policy to maintain business relations exclusively with financially responsible entities.

To cover the risks mentioned, the company monitors business developments and results of the investee companies—generally participating in their management bodies and in some cases audit committees—and their stock market price if listed. In respect of real estate, risks indicated are covered through appropriate contractual clauses, the requirement of guarantees from tenants, adaptation of rents to market prices in the case of long-term rentals and the taking out of insurance policies covering the risk of damage and civil liability, updated annually.

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D.2. State the control systems established to evaluate, mitigate or reduce the major risks for the company and its group.

For risk identification and internal control, the Company has a Financial Department and a series of operating standards laying down the internal control policy. These standards are grouped together in the "Operating Manual" and updated whenever necessary. Among other issues, they relate to expenses, budgets, filing, the IT system, consolidation, administrative controls and investments and disinvestments.

Furthermore, the Audit Committee has authority in this area and can therefore assess if the company has the adequate organisation, staff and procedures to enable the identification and control of the main operating, financial and legal risks. The Committee is also given the authority to investigate any aspect of the risk identification and internal control system that it considers appropriate.

D.3. In the event one of the risk factors affecting the company and/or its group materialised, indicate the reasons why and if the internal control systems established were successful.

No material incident was detected in this regard during 2006.

D.4. Specify if any committee or other governance body has been established to determine and supervise such control arrangements. Detail its functions.

The Audit Committee is the body responsible for supervising the Company's internal control arrangements.

The Audit Committee evaluates if the Company has the adequate organisation, staff and procedures to identify and control its main operating, legal and financial risks. To achieve this objective, the Committee must check that the Company has introduced the following correctly functioning elements:

- The identification and description of the main Company operating process, duly documented in operating standards and manuals.

- An integrated information system based on modern technology allowing the preparation of reliable, one-off financial information on the Company as well as the operating data necessary for efficient business management.

- A budgeting system that enables the main Company quantitative targets to be established beforehand as part of its strategy, as well as an analysis of the reasons for major divergences of actual from budgeted data.

D.5. Identify and describe the process of compliance with different regulations affecting the company and/or its group.

The Company has adequate organisation to ensure compliance with applicable legislation, notably including the existence of a Legal Advisor, Tax Advisor and Financial Department that each in its area of competence ensures applicable legislation and internal rules are respected. In addition, for the Board, its Regulations envisage that the Secretary is responsible for ensuring the formal and material legality of its activities, their conformity with articles of association and that they respect governance procedures and rules.

Furthermore, the functions of the Audit Committee include ensuring the existence of an efficient internal process for monitoring that the Company complies with the laws and regulatory provisions affecting its business and checking that the necessary procedures have been established to ensure that the management team and employees comply with internal regulations. Similarly, it should be highlighted that when appropriate the head of finance attends the Committee meetings, who is in charge of the internal control of the Company and reports on subjects related to this matter.

E. General Meeting

E.1. Describe the quorum requirements for the general meeting established in articles of association. If applicable, describe how it differs from the minimum system envisaged in Spain's Public Limited Companies Act.

The meeting quorum for the General Meeting on first call is 25% of the subscribed share capital with voting rights.

On second call, the Meeting may be validly held and adopt resolutions irrespective of the proportion of shares of which the owners are in attendance or represented.

There are no differences from the minimum system envisaged in the Public Limited Companies Act.

E.2. Explain the system for adopting company resolutions. Describe how this differs from the system envisaged in the Public Limited Companies Act.

Adoption of resolutions in the General Meetings generally requires half the votes plus one of the shares of which the owners are in attendance or represented.

However, for valid adoption by the General Meeting of a reduction or increase in the capital stock, a transformation, merger, spin-off or winding-up of the Company, issue of fixed-income securities or amendment to the articles of association, shares representing at least half of the share capital with voting rights must support it when meeting on first call. On second call, the approval of at least 25% of the abovementioned share capital is required, although when shareholders representing less than half the share capital with voting rights attend or are represented, the adoptions referred to may only be adopted validly if supported by at least two-thirds of the shares present and represented at the Meeting.

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There are no differences from the system envisaged in the Public Limited Companies Act.

E.3. If different from the provisions of the Public Limited Companies Act, describe shareholder rights in relation to the general meetings.

In relation to the General Meeting, the shareholders enjoy the rights established in the Public Limited Companies Law. In addition, the shareholders may make proposals, suggestions or comments and raise issues related to the business or interests of the Company.

E.4. If applicable, state measures adopted to encourage shareholder participation in general meetings.

The Company complies with all the requirements established in law and the articles of association relating to the convening and holding of the General Meetings. As a specific measure, the use of the Company website should be highlighted, prior to it becoming a regulatory requirement, to bring to the attention of the shareholders all proposals to be submitted to the Meeting, as well as all documentation necessarily available to the shareholders for the occasion and resolutions adopted once held. Furthermore, the Company responds to queries made by shareholders both by traditional post and e-mail.

E.5. State if the general meeting is chaired by the chairman of the board of directors. If applicable, specify measures adopted to ensure the independence and smooth functioning of the general meeting:

Yes [X] No [ ]

Detail the measures
In accordance with the Regulations of the General Meeting: - It falls to the Chairman to guide the deliberations and ensure the orderly nature of the debates. - The debate can be organised such that shareholders can participate once for each of the items to be deliberated or once for all the issues they wish to raise. - As a general rule, the Chairman shall reply to the issues raised by shareholders but may also request the participation of the Directors or managers of the Company. In particular, if relating to issues that are in the remit of the Audit Committee, he or she may seek the participation of the Chairman of this committee or failing that one of its other members. - The Chairman may limit the time available for those who have the floor, as well as determine that an item has been sufficiently discussed in the case of a difference of opinion between the shareholders present if in a prudent time of at the most one hour it has not been possible to harmonise these opinions, so deciding to proceed to the vote immediately. - When given the complexity of the issue raised, the Chairman considers it impossible to provide an adequate reply in the Meeting, this reply shall both be given in writing and published on the Company website.

E.6. If applicable, state amendments to the regulations of the shareholder meeting in the year.

There were no amendments.

E.7. Provide the attendance data for the general meetings held in the year referred to in the present report:

Attendance data

General Meeting date	% of physical attendance	% represented	% distance voting	Total %
31-05-2006	55.850	27.760	0.000	83.610

E.8. Briefly describe resolutions adopted in general meetings in the year as referred to in the present report and the percentage of votes supporting each resolution.

General Meeting of May 31, 2006. Resolutions:

1.- Approval of both individual and consolidated annual accounts for the year ended December 31, 2005.

2.- Approval of the management of the Board of Directors in the same period.

3.- Approval of the proposed appropriation of earnings and dividend payment.

4.- Nomination, ratification and re-election of Directors.
- Mr. Juan March Delgado (domanial director) was re-elected for a term of four years.
- Mr. Pablo Vallbona Vadell (executive director) was re-elected for a term of four years.
- Mr. Isidro Fernández Barreiro (executive director) was re-elected for a term of four years.
- Mr. Alfonso Tolcheff Alvarez (independent external director) was re-elected for a term of four years.
- Mr. Francisco Verdú Pons (domanial director) was re-elected for a term of four years.

5.- Directors' remuneration. The maximum amount of director's remuneration under the articles of association for the Board as a whole was set at 624,000 euros. This maximum will apply in 2006 and subsequent years, so long as it is not modified by the General Meeting. The total amount will be distributed by the Board of Directors in accordance with article 39 of the articles of association.

6.- Authorisation of the purchase of own shares in accordance with the limits and requirements established in the Spanish Public Limited Companies Act as well as to reduce capital stock, if appropriate.

7.- Reduction of share capital in the amount of 500,000 euros through the retirement of 500,000 own shares, and amendment of article 5 of the articles of association.

8.- Transfer of the 172,000 euros surplus in the legal reserve, resulting from the reduction of share capital, to voluntary reserves.

9.- Authorisation to the Board of Directors to implement the resolutions adopted in the General Meeting.

10.- Approval of the Meeting minutes.

The resolutions were adopted with the following votes against and abstentions:
Resolution 1: Six shareholders, owning a total of 118,382 shares and representing 0.18% of the share capital, who had delegated their votes, stated their intention to abstain.
Resolution 2: Unanimous.
Resolution 3: Thirty-five shareholders, owning 2,600,343 shares and representing 3.9% of the share capital, who had delegated their votes, stated their intention to vote against, and one shareholder, owning 9,635 shares and representing 0.01% of the share capital, stated his intention to abstain.
Resolution 4: Two shareholders, owning 74,907 shares and representing 0.11% of the share capital, who had delegated their vote, stated their intention to abstain.
Resolution 5: Unanimous.
Resolution 6: One shareholder, owning 150 shares and representing 0.0002% of the share capital, who had delegated his vote, stated his intention to vote against.
Resolution 7: One shareholder, owning 150 shares and representing 0.0002% of the share capital, who had delegated his vote, stated his intention to vote against.
Resolution 8: One shareholder, owning 150 shares and representing 0.0002% of the share capital, who had delegated his vote, stated his intention to vote against.
Resolution 9: Unanimous.
Resolution 10: Unanimous.

E.9. If applicable, state the number of shares needed to attend the General meeting and if the articles of association establish any restrictions in this respect.

Ownership of at least 25 Company shares is required to attend the General Meetings.

E.10. State and explain company policies in relation to delegation of voting authority in the general meeting.

The Company has no policy on delegation of voting authority in the General Meetings and the Directors do not make any public proxy solicitations in their favour.

E.11. State if the company has knowledge of the policy of institutional investors for participating or not in company decisions:

Yes ☐ No ☒

Describe the policy

E.12. Specify the address and method of accessing the corporate governance content on the website.

Website address: www.cf-alba.com
Access method: Home page / corporate information.

F. Degree of fulfilment of corporate governance recommendations

State the degree of fulfilment by the company of existing corporate governance recommendations or if applicable of not following these recommendations.

In the event of not complying with any, explain the recommendations, standards, practice or criteria adopted by the company.

In as much as the only document referred to—Order ECO/3722/2003, of December 26, 2003—has not been prepared, the recommendations of the "Olivencia Code" and "Aldama Report" should be referred to in completing this section.

To provide information on the monitoring of corporate governance recommendations, the recommendations contained in the "Olivencia Code" have been taken as a suitable benchmark, updated as necessary to include those of the "Aldama Report". This report has not been drawn up in accordance with the recommendations of the Unified Code of Corporate Governance because said Unified Code is due to be applied for the first time in the Annual Corporate Governance Report for 2007.

- Recommendation 1: The Board of Directors should as its core mission assume the general function of supervision, exercising the responsibilities this involves without delegation and establishing a formal list of matters reserved for its information.

The Board of Directors of Corporación Financiera Alba expressly assumes as its core mission the general function of supervision, this being recognised accordingly in its Regulations. In addition, it is stipulated that those responsibilities reserved by law or the company articles to be the direct decision-making responsibility of the Board cannot be delegated, in particular:

a) Approval of the general strategies of the company;
b) Appointment and dismissal of the most senior company managers;
c) Approval of treasury stock policy;
d) Control and evaluation of the management activity of its directors and managers;

e) Identification of the main risks of the company and monitoring the appropriate internal control and information systems;
f) Ensuring that information and communication policies adhere to applicable regulations and all relevant data and information is conveyed for forming a judgment on the company to shareholders, markets and the public; and
g) Investment and divestment policy for the company's assets.

- Recommendation 2: The Board of Directors should include a reasonable number of independent directors, with a professional profile of high standing, unconnected to the executive team and significant shareholders.

The Board of Directors of the company in 2006 was composed of eleven members. Of these eleven, two were classified as executive directors, increasing to three from September, while nine were outside directors, decreasing to eight from September. Of these eight outside directors, four were domanial and four were independent—meeting the criteria mentioned in the recommendation.

- Recommendation 3: In the composition of the Board of Directors, the outside directors, both domanial directors and independent directors, should represent a large majority over executive directors, and among the outside members there should be a very significant proportion of independent directors, taking into account the shareholder structure of the company and equity represented on the Board.

As indicated, in the composition of the Board of Directors of the company the outside or non-executive directors represent a comfortable majority, with nine/eight outside members against two/three executive members. Among the outside members, the independent directors form a very significant proportion (four independent and four domanial).

- Recommendation 4. The Board of Directors should adapt its size in order to function most efficiently and with the greatest level of participation. In principle, the appropriate size may vary between five and 15 members.

The number of directors currently envisaged by the company is 11, this being considered adequate for its efficient and participative functioning.

- Recommendation 5. If the Board chooses to combine the roles of chairman and chief executive of the company, it should adopt the precautionary measures necessary to reduce the risks of concentrating authority in the hands of a single person.

Corporación Financiera Alba does not combine the functions of Chairman and chief executive of the company.

- Recommendation 6. The company should afford the greatest importance to the figure of Secretary to the Board, strengthening this role's independence and stability and putting the emphasis on the Secretary's task of ensuring the formal and substantive legality of the Board's actions.

The role of Secretary to the Board is envisaged in the Board Regulations. These stipulate that the Secretary must be a lawyer, supporting the chairman in his tasks and providing for the smooth functioning of the Board, focusing in particular on providing directors with the necessary information and advice. The Secretary should also ensure the formal and substantive legality of the Board's actions and its compliance with the articles of association, in addition to respecting its governance rules and procedures. Furthermore, to ensure his or her independence, it is stipulated that the exercise of his or her functions is not dependent on the executive management of the company.

The Secretary to the Board fulfils the condition of being a lawyer and has the appropriate training and experience for the post.

- Recommendation 7. The composition of the Executive Committee, when one exists, should reflect the same balance as there is on the Board between the different types of director. Relations between both bodies should be based on the principle of transparency, such that the Board is fully aware of the subjects dealt with and the decisions taken by the Executive Committee.

Corporación Financiera Alba has no Executive Committee.

- Recommendation 8. The Board of Directors should form delegated committees responsible for monitoring, composed entirely of outside directors, in the area of accounting information and control (audit); selection of directors and senior management (nominations); determination and revision of the remuneration policy (remuneration); and evaluation of the governance system (compliance).

The Board of Directors of Corporación Financiera Alba has established two specialised committees:

- The Audit Committee, whose task is to monitor financial reporting and accounting and evaluate the governance system (compliance); and
- The Nominations and Remuneration Committee, whose task is to select directors and fix and review their remuneration.

Both the Audit Committee and the Nominations and Remuneration Committee are composed of three members, all of whom are outside directors.

- Recommendation 9. The necessary measures should be adopted to ensure that far enough in advance directors have sufficient information, provided specifically to prepare for Board meetings. Save for exceptional circumstances, the importance or reserved nature of such information should not be considered grounds for an exemption from this requirement.

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Meetings are convened with at least five days notice at the address given by each director. It is the responsibility of the chief executive to prepare and provide the other directors with all the necessary information for approving the recommended agreements in the agenda for each meeting of the Board, at least three business days prior to the date of the respective meeting. In accordance with the Regulations of the Board, the information provided should be comprehensive and include—provided this is required by the nature of the subject to be discussed—business plans, recommendations and summaries of agreements and any other document that may be necessary or appropriate in each case.

Directors may also seek the information and advice they need on any aspect of the company whenever necessary for the performance of their functions. On an exceptional basis, however, the chairman may temporarily restrict access to certain information, with an explanation of such a decision to the Board of Directors.

In addition, it is also envisaged in the Regulations of the Board of Directors that a majority of outside members can agree to contract legal, accounting or financial advisers or other experts at the expense of the company to support the directors in the performance of their functions.

- Recommendation 10. To ensure the adequate functioning of the Board, its meetings should be held with the frequency necessary to accomplish its mission; the chairman should encourage all directors to participate and take positions as they wish. Special care in particular should be taken in drawing up the minutes and the quality and efficiency of its work should be evaluated at least once a year.

The Board of Directors ordinarily meets once a quarter but may also meet as many times as considered appropriate by the chairman for the smooth functioning of the company or when a fourth of directors request it. In 2006, the Board of Directors of Corporación Financiera Alba met five times.

In the Board meetings, the participation of directors is encouraged and the minutes adequately reflect discussions and, above all, the decisions taken.

- Recommendation 11. The participation of the Board in the selection and re-election of its members should adhere to a formal procedure, using a reasoned proposal from the Nominations Committee. Once the independent directors or domanial directors are elected by the General Meeting, the Board of Directors should not propose the termination of their duties prior to completion of the term or office for which they were appointed according to the articles of association, except for exceptional and justified reasons approved by the Board of Directors, upon a prior report from the Nominations Committee.

In accordance with the provisions of the Regulations of the Board, the director nomination proposals to be submitted by the Board of Directors to the General Meeting and the nomination agreements decided by the Board itself in virtue of the cooption authority legally attributed to it should, firstly, respect the provisions of the Regulations with regard to the distribution of directors between executive and non-executive directors. Secondly, a proposal for the nomination, renewal or termination of a director's responsibilities should be subject to a report from the Nominations and Remuneration Committee prior to discussion in Board meetings.

In addition, in accordance with the Regulations of the Board, once the outside members, both independent directors and domanial directors, have been elected by the General Meeting, the Board of Directors will not propose the termination of their duties before the term of their appointment is over, except for exceptional and justified causes noted by the Board of Directors itself, upon a prior report by the Nominations and Remuneration Committee.

- Recommendation 12. Company regulations should include the requirement of directors to resign in events that could negatively affect the functioning of the Board or the credit or reputation of the company.

In accordance with the Regulations of the Board the directors should tender their resignation to the Board of Directors and, if the Board deems appropriate, formalize the corresponding resignation in the following cases:

a) When the director reaches 70 years of age.
b) When legally prevented from doing so or subject to disqualification;
c) When accused of allegedly criminal acts or subject to disciplinary measures by the securities market supervisory bodies for a serious or very serious violation;

d) When seriously reprimanded by the Audit Committee for having infringed their obligations as directors; and
e) When the reasons for which they were appointed cease to apply, in particular, when an independent director or owner director loses his or her status as such.

- Recommendation 13. A company that adopts a policy limiting the age of directors should clearly set this out in its internal regulations.

In accordance with the Regulations of the Board, amended in this respect in May 2003, the company regulations do not envisage an age limit for directors but, as already indicated, the directors should tender their resignation to the Board of Directors upon reaching the age of 70 and, if the Board deems appropriate, should formalize this resignation.

- Recommendation 14. The right of any director to obtain the necessary information and advice for performance of his or her supervisory functions should be formally recognised and adequate channels for exercising this right should be established, including recourse to external experts in particular circumstances.

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As indicated, the directors have the information and documentation available to them to prepare for the Board meetings sufficiently in advance but, in addition, may seek the information and advice they need on any aspect of the company whenever required for performance of their functions. Furthermore, the Regulations of the Board envisage that, to support the directors in the performance of their functions, a majority of those that are outside members may agree to contract legal, accounting or financial advisers or other experts at the expense of the company.

- Recommendation 15 The proposal, evaluation and revision of the director remuneration policy should be the responsibility of the remuneration committee. This policy should conform to criteria of moderation, be linked to the company's performance and be subjected to detailed and individualized disclosure.

The Board aims for the remuneration of the directors to be adapted to market circumstances. The Nominations and Remuneration Committee should evaluate its form, amount and transparency. Directors' remuneration is transparent and for this reason it is stipulated that the Notes to the annual accounts contain both the information required by law and the relevant information regarding remuneration received by the members of the Board of Directors.

With regard to the outside directors, the Regulations of the Board stipulate that the remuneration should adhere to the guidelines below:

a) The outside director should be remunerated in accordance with his or her effective dedication.
b) Outside directors are not included in employee welfare systems financed by the company for termination of office, loss of life or other circumstances.
c) The amount of remuneration of the independent director should be calculated such that it offers incentives for dedication, but does not represent an obstacle to independence.

- Recommendation 16. The internal regulations of the company should specify the obligations arising from the directors' general responsibilities of diligence and loyalty, particularly considering situations of conflicts of interest, professional secrecy requirements, exploitation of business opportunities and use of company assets.

The Regulations of the Board of Directors govern the abovementioned responsibilities in detail, in accordance with Law 26/2003 of July 17, 2003 and the recommendations of the "Aldama Report".

- Recommendation 17. The Board of Directors should encourage the introduction of appropriate measures to extend the responsibilities of loyalty to significant shareholders, establishing in particular safeguards for transactions taking place between these and the company.

The Regulations of the Board expressly cover this type of transaction, stipulating both the information to be provided for each company transaction with a significant shareholder and its obligatory evaluation by the Audit Committee prior to its authorisation.

- Recommendation 18. As from the time General Shareholders' Meetings are convened, the company should provide information on the entire contents of all proposed resolutions to be submitted to the Meeting, using its own web site for this purpose, independently of any other legal or voluntary procedure available to the company.

Upon announcing the convening of the General Meeting, the following are made available to shareholders at the registered office of the company and on its web site:

- The text of the convening itself.
- The agenda.
- The text of the proposed resolutions to be adopted.
- The balance sheet, profit and loss account, report, management report and report of the account auditors.
- The Corporate Governance Report,
- The Audit Committee report, and
- Other pertinent reports and documents, as legally required in applicable circumstances.

In addition, after the Meetings are held, information is provided on the resolutions adopted by means of the related report of significant event, also available at the company web site.

- Recommendation 19. Every company should establish a set of corporate governance rules or criteria for itself including at least the Regulations of the General Meeting and of the Board of Directors.

The company has rules and criteria for its corporate governance included in the Regulations of the General Meeting, Regulations of the Board of Directors and the Internal Rules of Conduct.

- Recommendation 20. Measures should be adopted to increase transparency in the methods for delegating voting authority and for fostering company communication with its shareholders, particularly institutional investors.

The methods for delegating voting authority are fully transparent and are included in the articles of association and in the Regulations of the Meeting. In addition, all investors may obtain a broad array of corporate information either directly from the company itself or through its web site.

-Recommendation 21. Above and beyond requirements established in applicable regulations, the Board of Directors should be responsible for providing markets with timely, precise and reliable information, particularly on the structure of the shareholder base, substantial amendments to governance rules, treasury stock and material transactions with associated parties.

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In line with corporate governance recommendations, the Board of Directors has provided information on the abovementioned aspects, particularly through its Corporate Governance Report.

- Recommendation 22. All periodic financial information provided to markets, in addition to annual reporting, should be prepared in accordance with the same principles and professional practices as the annual accounts and should be verified by the Audit Committee before being distributed.

Periodic financial information provided to markets, in addition to annual reporting, is prepared in accordance with the same principles and professional practices as the annual accounts and is verified by the Audit Committee before being distributed.

- Recommendation 23. The company should have a web site and through this be able to inform shareholders, investors and the market in general of financial and all other significant events occurring in relation to the company. The web site should also enable shareholder participation in the exercise of information rights and, if appropriate, other corporate rights.

The minimum company web site content in relation to corporate governance aspects was approved in the May 22, 2003 meeting of the Board of Directors, pursuant to the recommendations of the "Aldama Report". It was adapted to requirements established in Order ECO/3722/2003 of December 26, 2003 and in CNMV Circular 1/2004 of March 17, 2004, as resolved by the meeting of the Board of Directors of March 31, 2004.

- Recommendation 24. The Board of Directors and the Audit Committee should monitor situations that may represent a risk to the independence of the external company auditors and, specifically, should verify the fees paid for all items as a percentage of all revenues of the audit firm and provide public information on fees corresponding to professional services other than audit work.

Throughout 2005, the Board of Directors and the Audit Committee supervised the remuneration of the auditors and the maintenance of their independence. The auditors did not provide professional services other than the audit itself.

- Recommendation 25. The Board of Directors should seek to avoid the accounts it formulated being submitted to the General Meeting with qualifications and reservations in the audit report and, when unavoidable, for both the Board and the auditors to explain clearly to shareholders and markets the content and scope of the discrepancies.

The audit report for the annual accounts formulated by the Board of Directors in 2006 and submitted to the General Meeting for its approval contained no qualifications or reservations.

G. Other information of interest

If any significant aspect or principle is considered to exist relating to the company corporate governance practices that has not been raised in the present report, please mention and provide an explanation of it below.

Any other information, clarification or qualification related to the previous sections of the report may be included in this section to the extent the information is significant and not repeated.

In particular, specify if the company is subject to corporate governance legislation other than that of Spain and if applicable include such information that has to be provided other than that included in the present report.

Section A.1. Box one

In the General Meeting held on May 31, 2006, the Company agreed to reduce its share capital by 500,000 euros, leaving the capital at 65,100,000 euros. This capital reduction was registered at the Companies Register on July 20, 2006.

Section A.2. Box one

- Banca March, S.A.
The brothers and sisters Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own all shares in Banca March, S.A. These people on May 24, 2004 signed a shareholder agreement relating to the abovementioned banking institution that also affects Corporación Financiera Alba, S.A. given its shareholder position in Corporación Financiera Alba, S.A. This agreement is referred to section A.6. The shareholding mentioned of Banca March, S.A. (61.35%) therefore includes those of Mr. Juan and Mr. Carlos March Delgado specified in section A.3.

- Arnhold and S. Bleichroeder Adviser LLC.
Arnhold and S. Bleichroeder Adviser LLC has declared to the CNMV that it is an American financial advisory company that manages the investments of a number of funds and entities, for which it has acquired shares of Corporación Financiera Alba, S.A. Under the management contracts with its clients, it has discretionary investment authority and reserves for itself the voting rights associated with its investments. Accordingly, for the purpose of disclosure of significant shareholdings, these investments as a whole should be considered as investments of Arnhold and S. Bleichroeder Adviser LLC. The direct owner of the shares of Corporación Alba, S.A. belonging to the funds and entities mentioned in the declaration is State Street Bank and Trust Co. as custodian of the same.

Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial staments issued in spanish
in accordance with generally accepted accounting principles in Spain (see Note 27).
In the event of a discrepancy, the Spanish-language version prevails.

- State Street Bank and Co.

State Street Bank and Co., in its capacity as a depositary institution, informed the CNMV on January 9, 2007, through Deutsche Bank, that its shareholding amounts to 6,509,958 shares (9.999%) and that none of its clients domiciled in a tax haven holds shares equivalent to 1% or more, and that none of its clients domiciled outside any tax haven has a shareholding of more than 5%.

Section A.8.

In 2006, 955,686 own shares were purchased and 500,000 were retired.

Section B.1.3

For part of the year Mr. Alfonso Tolcheff Alvarez was also classified as an "independent external director", but as he resigned before the end of the year, he is not included in the list of independent external directors.

Section B.1.8 a) Box two

The contributions refer to alternative pension schemes.

Section B.1.8 c)

Remuneration for all Directors irrespective of their status totalled €36,000 each. In remuneration given for owner directors the additional amount accruing to the Co-Chairmen is included at the rate of €78,000 each.

Section B.1.8. d) Box two

The 1.03% percentage is the total remuneration of the Directors in profit for the year attributable to the Group.

Section B.1.10.

Guarantee or blocking clauses are authorised by the Chairmen or the Chief Executive.

Payments for unfair dismissal consist of an amount no less than the fund set aside as a pension supplement or the value of one year of certain remuneration items increased by a 12th for each year with the Company.

Section B.1.20

As a general rule, all Directors upon reaching the age of 70 should offer their resignation to the Board, which can ask them to formalise this.

Section C.1.

All transactions with Banca March, S.A. are part of the Company's ordinary activities and are conducted under normal market conditions.

This annual corporate governance report was approved by the Board of Directors unanimously in its meeting of March 28, 2007.

PROPOSED RESOLUTIONS

The Board of Directors proposes that the General Meeting consider and, if thought fit, pass the following resolutions:

1. Approve the individual and consolidated annual accounts for the financial year ended December 31, 2006.

2. Approve the work of the Board of Directors during the year.

3. Adopt the proposed appropriation of earnings and declaration of dividends.

4. Appoint, ratify and re-elect directors.

   – Re-elect Mr. Nicholas Brookes, Mr. Enrique Piñel López and Mr. Manuel Soto Serrano as directors.
   – Appoint Mr. Alfonso Tolcheff Alvarez as a director.
   – Ratify the appointment of Mr. Martínez-Conde Gutiérrez-Barquín and Mr. Alfredo Lafita Pardo as directors.

5. Amend the Regulations of the General Shareholders' Meeting (article 5, "Functions", and article 26, "Adoption of resolutions") and receive a report about the amendment of the Board of Directors Regulations.

6. Authorise the purchase of treasury stock in accordance with the limits and requirements established in Spain's Public Limited Companies Act (*Ley de Sociedades Anónimas*) and the use of the shares purchased under this and previous authorisations to implement remuneration plans for executive directors and senior management consisting of the assignment of shares or stock options; and that the Board of Directors be empowered to reduce share capital as necessary.

7. Reduce share capital by one million euros through the retirement of one million shares held as treasury stock and that article 5 of the articles of association be amended.

8. Transfer to voluntary reserves two hundred thousand euros, representing the surplus of the legal reserve formed by the Company pursuant to article 214 of Spain's Public Limited Companies Act.

9. Authorise the Board of Directors to implement the resolutions adopted in the Meeting.

10. Approve the minutes of the Meeting.

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CORPORACIÓN FINANCIERA ALBA, S.A.

Castelló, 77, 5.º 28006 Madrid
Telephone 91 436 37 10. Fax 91 575 67 37
www.corporacionalba.es