Annual Report 2007

ALBA
GRUPO MARCH

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Annual Report 2007

ALBA
GRUPO MARCH

CONTENTS

Contents

The word ALBA is made up of details of 4 works from the exhibition "*The Object of Art*", which was comissioned in 1994 and is part of the collection of the Fundación Juan March.

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Mr. Andrés Temes Lorenzo

COMMUNICATION

Mr. Luis F. Fidalgo Hortelano

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Dear Shareholders,

Once again it is a great pleasure for us to bring you this report on developments at Alba and its investee companies during 2007.

Equity market performance was uneven, especially in the second half of the year. The Ibex 35 gained 7.3%, setting a new record as it peaked above 15,900 points in the first week of November. However, the year was marked by alternation between significant corrections (second half of February, the months of July and August and some weeks in November and December) and periods of strong price recovery (in March, April, September and October). Our view is that these abrupt variations reflect the economic and financial uncertainties that emerged over the course of the year, such as the subprime mortgage crisis, the associated liquidity and solvency problems in the financial industry, the sharp slowdown in the property market and the worse economic outlook in the United States, Spain and other countries. These uncertainties have continued during the first few months of 2008, causing steep market declines. At the end of January, the Ibex 35 fell to 12,250 points, 23.1% below the record high a few months earlier. At the same time, it is worth noting that the movements in the indices during 2007 may not fully reflect the behaviour of the market as a whole, as they were driven mainly by the strong performance of a small number of large-cap stocks, while many companies suffered major drops in their market price, especially those with exposure to the property cycle and high levels of debt.

Our company's net asset value (NAV) decreased by 449 million euros over the period, ending the year at 4,452 million euros, 9.2% below the previous year's level. Despite the decrease, this is the second highest closing level in our company's history, well above the levels recorded in the years prior to 2006. NAV per share at December 31, 2007 was 71.68 euros after deducting treasury shares. This is 5.5% less than the NAV per share at the end of 2006. The fact that NAV per share decreased less sharply than NAV is attributable to the share repurchase programme implemented in recent years.

At the end of 2007, Alba's shares were trading at 46.29 euros, representing a 35.4% discount on NAV per share before taxes. The share price fell 18.1% over the year as a whole, compared with the 7.3% gain in the Ibex 35 mentioned earlier and the 0.4% decline in the Eurostoxx 50.

Consolidated net profit was 525.3 million euros, down 42.8% compared to the previous year's 918.3 million. Earnings per share reached 8.26 euros, down 41.6% compared to 2006. The decrease in net profit and per-share earnings is due to the smaller volume of asset sales during the year and the resulting impact on gains. As usual in our company, capital reductions through 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, *Gain (loss) on sale of assets* in 2007 was 72.1 million euros, a decrease of 87.0% compared to the 2006 figure of 555.3 million. Most of this gain came from the sale of equity investments in March Unipsa, March Gestión de Fondos and March Gestión de Pensiones (43.0 million euros) and of various investment properties (26.9 million euros). In 2006, this non-recurring item included 492.9 million euros of gains on the sale of the investment in Carrefour.

Another noteworthy item is *Share of profit of associates*, which reflects the impact on Alba of the profit recorded by its investee companies. This figure increased substantially between 2006 and 2007, from 365.6 million euros to 423.3 million. This increase is attributable to the increased shareholdings in ACS and Acerinox, the consolidation of Prosegur, and these companies' strong financial performance. Further on in this report you will find a more detailed analysis of the various profit and loss items.

Next we shall briefly discuss the main corporate transactions carried out in the year under review.

During 2007, Alba increased its stake in ACS, Acerinox and Prosegur, invested in Clínica Baviera, entered the growth capital business and made a number of divestments:

~ The most significant investment was the purchase of an additional 0.99% of the share capital of ACS for 149.8 million euros, bringing Alba's stake to 22.13%. At the end of 2007, ACS accounted for 65.2% of Alba's total asset value, slightly down from 65.7% at the close of 2006.

~ Alba also increased its holding in Acerinox to 23.24% by purchasing an additional 2.45% of the company's share capital for 110.1 million euros. Despite this investment, Acerinox accounted for only 20.9% of Alba's total asset value in December 2007, down from 25.3% at the end of the previous year, due to the worse performance of the Acerinox share compared to the rest of the portfolio.

~ Alba increased its ownership interest in Prosegur to 10.01% by purchasing an additional 5.00% of the company's share capital for 83.9 million euros. As a result of this acquisition, coupled with strong share price appreciation during the year, in December 2007 Prosegur accounted for 3.1% of Alba's total asset value, up from 2.0% at the end of 2006.

~ Clínica Baviera was admitted to trading on April 3, 2007. Alba made several purchases of Clínica Baviera shares during the year, bringing its interest in the company to 15.46% at December 31, 2007. The total investment was 57.7 million euros. At year-end Clínica Baviera accounted for 1.3% of Alba's total asset value.

~ On May 30, 2007, Alba announced that it had created Deyá Capital SCR (Sociedad de Capital Riesgo de Régimen Simplificado) with the aim of making growth capital investments in Spain. The corporate purpose of this company, in which Alba will maintain a majority holding, is to acquire minority interests in medium-sized, unlisted Spanish companies with skilled management teams, with a view to supporting them in their development. In 2007 Deyá Capital conducted an intense search for investment opportunities. In July it acquired 26.09% of Isofotón, a leading Spanish photovoltaic cell and panel manufacturer, through an issue of new shares totalling 150 million euros. In December it signed agreements to buy 22.06% of Ros Roca Environment, the European leader in waste treatment and collection equipment, for 63.5 million euros, and 28.88% of Ocibar, a company which holds concessions to develop and operate marinas in the Balearic Islands, for 9.9 million euros. The investment in Ros Roca was implemented by means of a capital increase, carried out in early February 2008, and the investment in Ocibar was completed at the end of April. On November 15, 2007, Alba and Mercapital announced that they had started the process of creating a venture capital management company, Artá Capital SGECR (Sociedad Gestora de Entidades de Capital Riesgo), which will manage Deyá Capital SCR and other investment vehicles to be created in the future. Artá Capital is majority-owned by Alba and will have the benefit of Mercapital's experience to speed its growth. Authorization of Artá Capital was obtained at the beginning of April 2008 and the company was registered with the CNMV and in the Companies Register.

~ On February 7, 2007, Alba acquired 74.68% of IslaLink for 15.1 million euros. IslaLink builds and operates undersea telecommunications cables and currently operates a cable between Valencia and Palma de Mallorca.

~ Divestments during the year totalled 139.4 million euros. The most relevant were the sale of various investment properties for 73.9 million euros and of shareholdings in March Unipsa Correduría de Seguros and the asset management companies March Gestión de Fondos and March Gestión de Pensiones. At the end of December 2007, Alba sold its 35% stake in these companies to Banca March, their majority shareholder, which at that time owned the remaining 65%, for a total of 48.4 million euros. The sale resulted in a total gain of 43.0 million euros and completed the divestment of the three companies. Alba achieved an excellent return on these investments, with an IRR of 24.5% per year for 13 years in the case of March Unipsa and 15.6% per year for 7 years taking the three companies as a whole. Following the sale of these holdings, Alba's portfolio now consists exclusively of industrial and non-financial service companies and no longer includes shares in companies controlled directly by Banca March and largely dependent on Banca March's sales network for their business.

~ In 2007 Alba purchased 2,529,305 own shares for a total of 126.8 million euros, representing 3.89% of its share capital. At the General Meeting in May 2007 the shareholders voted in favour of the proposal to cancel 1,000,000 shares, equivalent to 1.54% of the Company's share capital. At year-end, Alba held 1,985,991 treasury shares, equivalent to 3.10% of its capital.

Next we shall briefly discuss the performance of our main investee companies in 2007. More detailed information is provided elsewhere in this report.

~ Acerinox achieved record sales of 6,901 million euros in 2007, with net profit of 312 million euros, making this the second best year in its history, despite a 37.9% decrease in profit compared to 2006. The decreases in output and profit are attributable to the difficult market conditions for stainless steel in the second half of the year, which was marked by a slump in the nickel price and the consequent decline in stainless steel orders and prices in all markets. After opening the year at an all-time high, following steep appreciation at the end of 2006, the Acerinox share price was hit by the uncertainties in the stainless steel industry and the wider turbulence in equity markets and fell 27.0% during 2007, leaving market capitalization at approximately 4,400 million euros at year-end.

~ ACS substantially improved its results in 2007, with net profit up 24.1% at 1,551 million euros, thanks to solid performance across all business lines and strong contributions from its investees, especially Abertis and Unión Fenosa. The shareholding in Unión Fenosa was fully consolidated for the first time in 2007, resulting in a sharp increase in consolidated sales (up 53.7% at 21,312 million euros) and EBITDA (up 186.4% at 3,491 million euros).
On a comparable basis with 2006 sales were up 12.2% and EBITDA, up 13.2%.

During 2007, ACS completed various transactions of great strategic importance, including the acquisition of 25.1% of the German construction company Hochtief, the acquisition of the U.S. construction company Schiavone Construction and the sale of the Continental Auto group. Net investment was 3,403 million euros, including the acquisitions just mentioned, the Group's operational investments and investments by Unión Fenosa.

The ACS share price fell 4.8% during 2007 and the company ended the year with a market capitalization of 14,300 million euros.

~ Clínica Baviera's consolidated sales rose 31.4% to 78 million euros, EBITDA 6.0% to 23 million euros and net profit 2.0% to 12 million euros. These results were affected by IPO expenses of 2 million euros. Excluding these non-recurring expenses, EBITDA rose 17.0% to 25 million euros, while net profit increased 15.3% to 14 million euros.

The Clínica Baviera share started trading on April 3, 2007 at 18.40 euros and ended the year at 23.81 euros, an increase of 29.4%.

~ Prosegur reported consolidated sales of 1,842 million euros, up 13.1% on 2006, mainly due to the growth of the corporate security business and the satisfactory results of Latin American operations. Net profit rose 70.7% to 98 million euros, despite a 20 million euros provision for overtime claims in Spain.

During 2007, the Prosegur share slipped -1.2%. Market capitalization at year-end was over 1,500 million euros.

The outlook for our investee companies at operational and financial level in 2008 remains positive, despite the widespread economic uncertainty in Spain and other countries and the turbulence that has prevailed in financial markets since mid-2007 due to the subprime crisis, the slowdown in the property market and the liquidity squeeze.

Alba's goal is to continue to be the controlling shareholder of the companies in which it has investments, while remaining alert to new investment opportunities.

Alba has consistently shown concern for compliance with corporate governance standards and best practices and has followed current recommendations, notably those contained in the Unified Code approved by the CNMV. The General Meeting and Board Regulations have been adapted accordingly.

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, which is available to shareholders and investors. The report gives details of the Company's shareholders and directors, the risk control systems in place and the monitoring of compliance with corporate governance recommendations.

As regards the distribution of profit for the year, the Board of Directors will recommend a final dividend for 2007 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. At the General Meeting, the Board will also propose a reduction of capital through the cancellation of 1,710,000 own shares, equivalent to 2.67% of the share capital.

Other resolutions to be laid before the shareholders concern the election, ratification and re-election of directors, the reappointment of the external auditor, the review of directors' remuneration, the approval of a share-based payment system based on share options and the renewal of the authority to purchase 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

Roberto González
Graphite on paper *(detail)*
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Financial Highlights

In millions of euros unless otherwise indicated	2007	2006	2005	2004
Share capital at year-end	64	65	66	67
Shareholders' equity at year-end (before profit distribution)	2,825	2,382	2,126	1,192
Ordinary shares outstanding (thousands), average for the year	63,624	64,876	65,616	66,177
Net profit	525	918	444	256
Dividends	7.62	7.76	7.82	7.92
Earnings per share, excluding treasury shares (in euros)	8.26	14.15	6.77	3.87
Dividend per share (in euros)	0.12	0.12	0.12	0.12

Share Price Performance

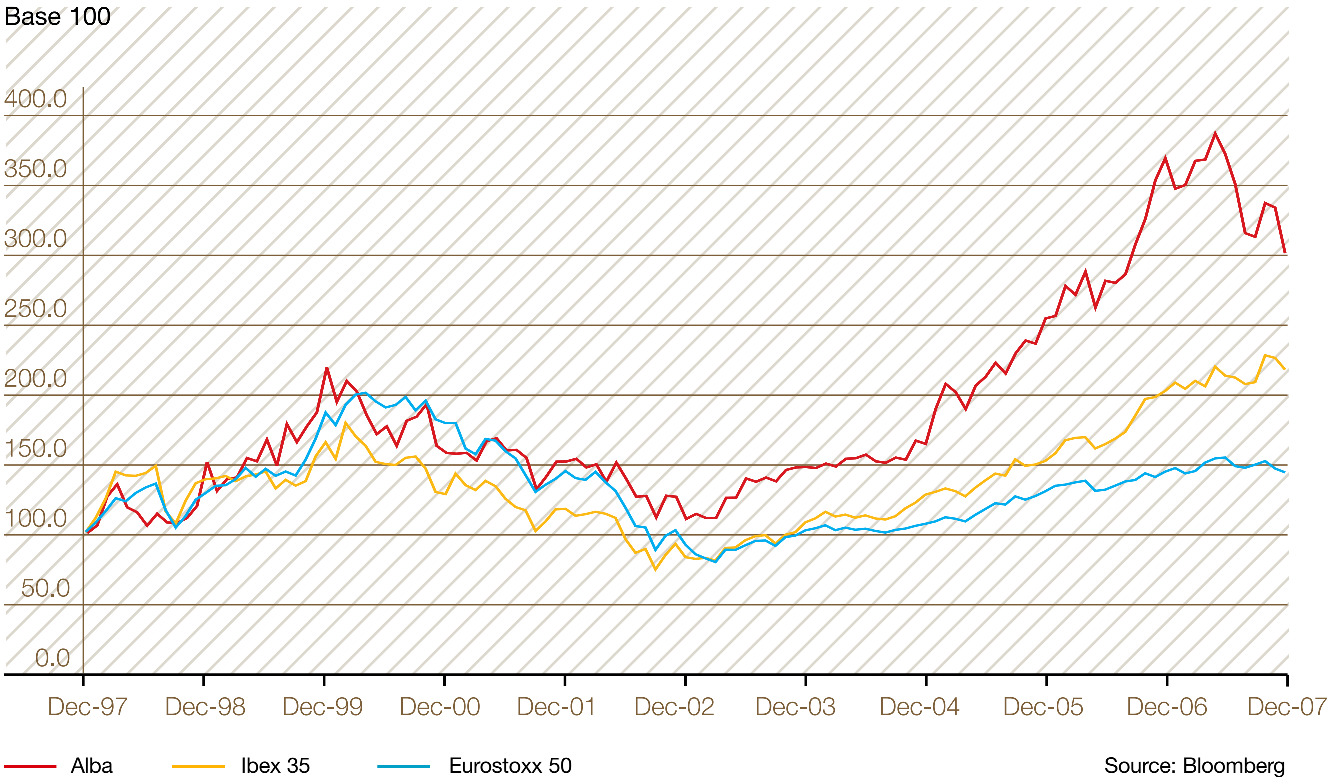
	2007	2006	2005	2004
Closing share price (in euros per share)				
High	60.70	59.20	40.50	26.85
Low	41.25	36.50	25.65	22.30
Close	46.29	56.55	39.25	25.70
Stock market capitalization at 31/12 (million euros)	2,967	3,681	2,609	1,717
Volume traded				
Number of shares (thousands)	40,245	21,084	27,233	13,855
Total (millions of euros)	2,103	952	935	335
Daily average (millions of euros)	8.32	3.75	3.65	1.33
Dividend yield (on closing price for the year)	0.26%	0.21%	0.31%	0.47%
P/E ratio (on closing price for the year)	5.60	4.00	5.80	6.64

Share Price Performance

In 2007, the Alba share did not perform as well as in previous years, losing 18.1% compared to the 7.3% gain in the Ibex 35.

Over the last ten years, however (since December 1997), significant value has been created. Over the period as a whole, the Alba share price increased 11.2% per year on a cumulative basis, while the Ibex 35 rose 7.7% and the Eurostoxx 50, 3.4%.

Alba share price performance over last 10 years, compared to Ibex 35 and Eurostoxx 50



Source: Bloomberg

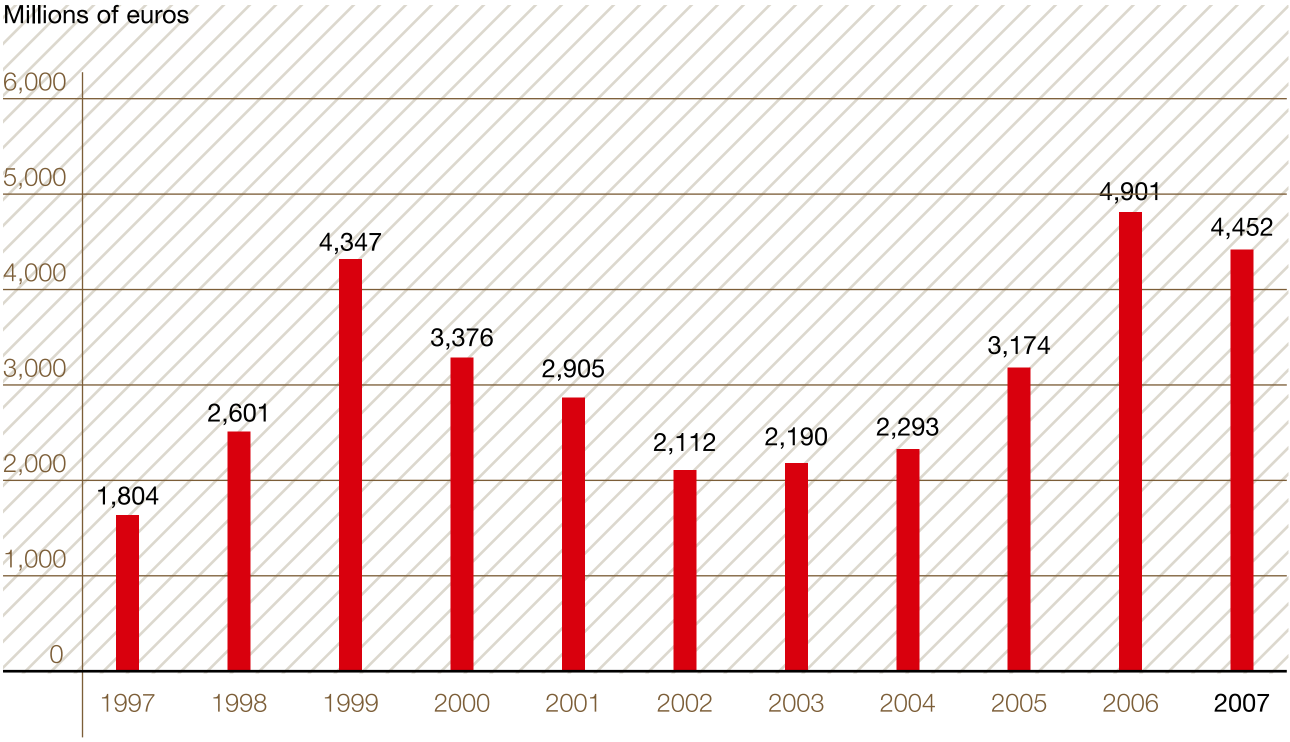
Net Asset Value

In millions of euros unless otherwise indicated	2007	2006	2005	2004
Total Net Asset Value (*)	4,452	4,901	3,174	2,293
Net Asset Value in euros per share (*)	71.68	75.82	48.38	34.74
Share price (in euros per share)	46.29	56.55	39.25	25.70
Discount to net asset value	35.4%	25.4%	18.9%	26.0%

Data at 31/12 (close)
(*) Before taxes and after deducting treasury shares.

Changes in total net asset value since 1997 can be seen below:

Historical Net Asset Value before taxes (*) (31/12)

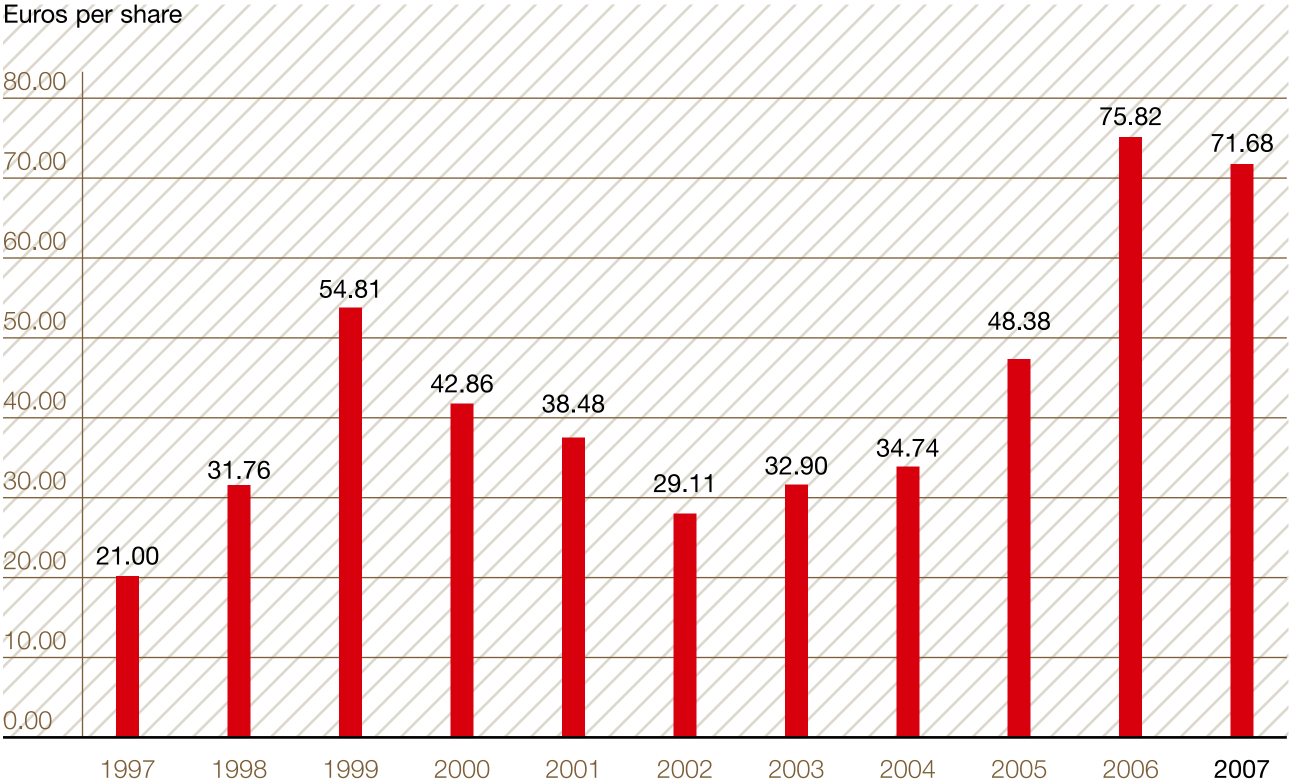


(*) Net Asset Value after discounting net financial debt and before taxes.

Net Asset Value

The following chart shows changes in Net Asset Value per share, before taxes and after deducting treasury shares, over the same period, measured at December 31 each year:

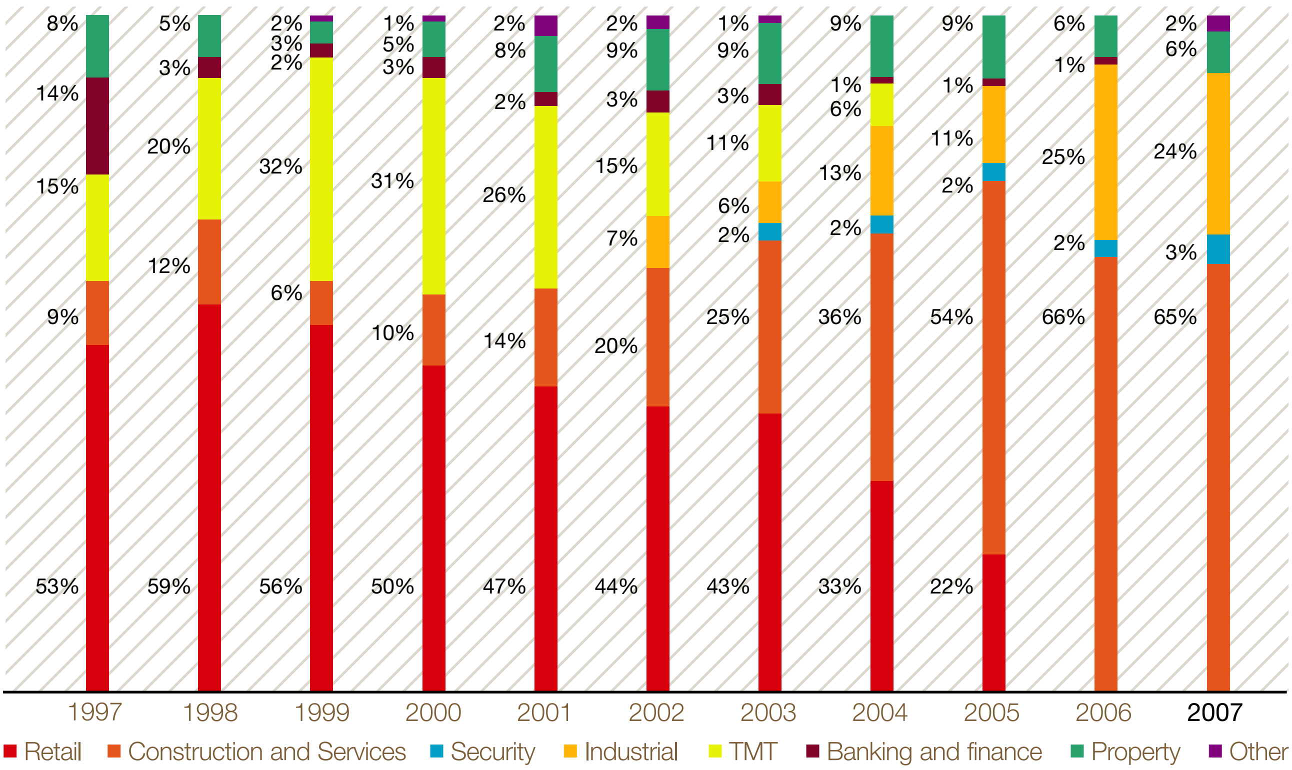
Historical Net Asset Value per share before taxes (*) (31/12)



(*) Net asset value per share after discounting net financial debt and before taxes and after deducting treasury shares from the number of shares.

The changes in the industry composition of the Alba portfolio in recent years can be seen in the following chart.

Gross Asset Value (*) (31/12)



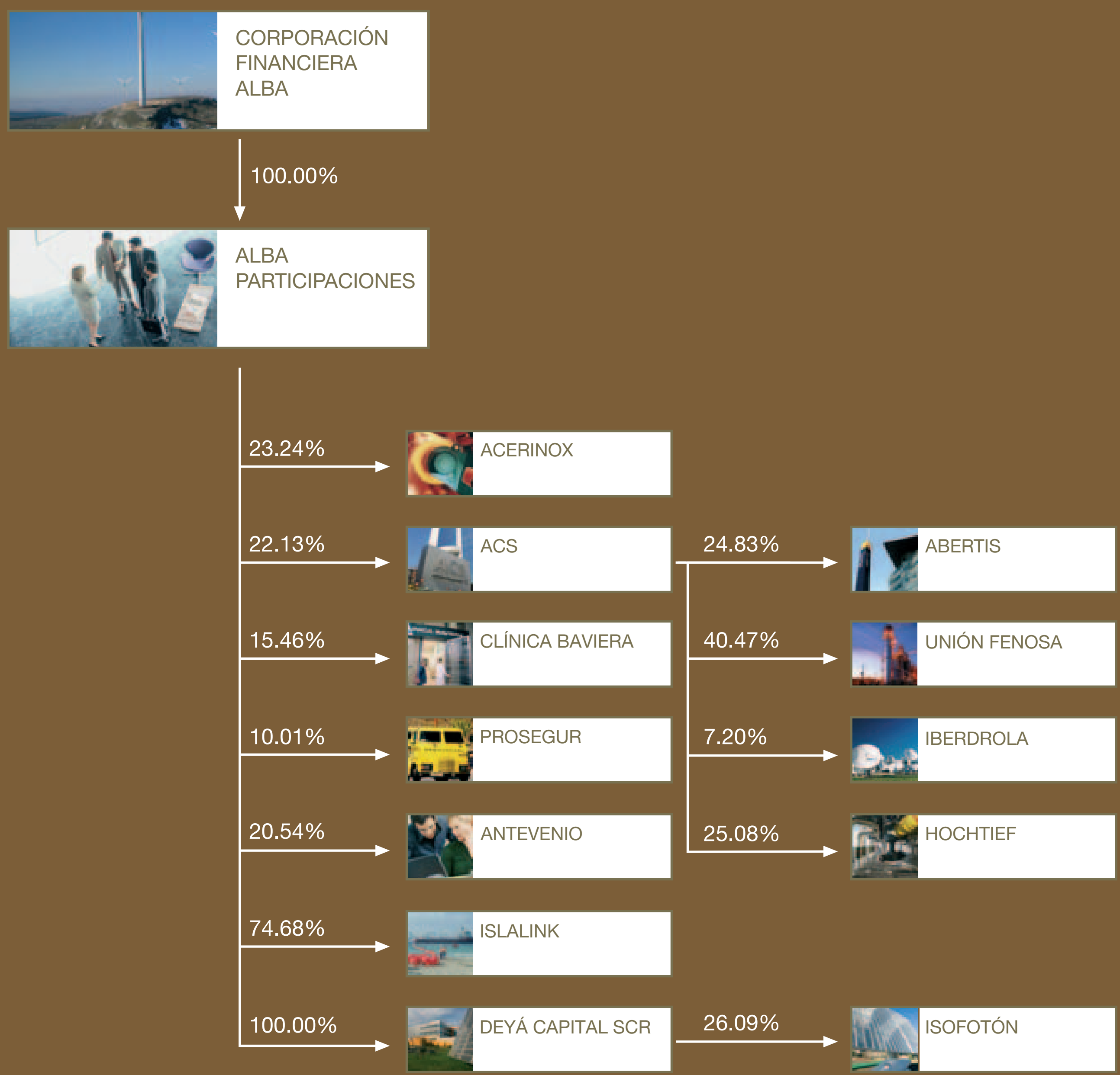
(*) Gross Asset Value after discounting net financial debt and before taxes.

At year-end 2000, therefore, Retail distribution (Pryca/ Carrefour) and Technology, Media and Telecommunications (Airtel/ Vodafone) accounted for 81% of the portfolio, while at the end of 2006 these two sectors were no longer represented in the portfolio, giving way to Construction and Services (ACS, 65%) and Industrial (Acerinoxand Isofotón, 24%).

The considerable increase in the value and relative weight of ACS and Acerinox in the Alba portfolio is due to the increases in Alba's shareholding in these companies and the two companies' excellent stock market performance in recent years, especially in 2006. In 2007, the "Other" category included the investments in Clínica Baviera and IslaLink.

Investments

Portfolio structure at December 31, 2007



Portfolio value at December 31, 2007:

Listed companies	Shareholding	Market value [1] Millions of euros	Market value [1] Euros per share	Main stock exchange on which traded
Acerinox [2]	23.24	1,015.1	16.83	Madrid
ACS [2]	22.13	3,174.1	40.65	Madrid
Antevenio [2]	20.54	6.0	7.24	Alternext Paris
Clínica Baviera [2]	15.46	60.0	23.81	Madrid
Prosegur [2]	10.01	150.8	24.40	Madrid
Total market value		**4,406.0**		
Total book value		2,782.5		
Unrealised capital gains		**1,623.5**		

Unlisted companies	Shareholding	Book value Millions of euros
IslaLink [3]	74.68	-
Isofotón [4]	26.09	150.00
Total book value		**150.00**

[1] Prices at the closing exchange rate in December.
[2] Investments accounted for using the equity method.
[3] Fully consolidated.
[4] Through Deyá Capital SCR, fully owned by Alba.

Investments

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

Shareholding (%)

Listed companies	31-12-2007	31-12-2006	Change 06/07	31-12-2005	31-12-2004
Acerinox	23.24	20.80	2.44	11.18	10.40
ACS	22.13	21.14	0.99	17.93	15.54
Antevenio	20.54	28.80	(8.26)	28.80	28.80
Carrefour	-	-	-	2.53	3.34
Clínica Baviera	15.46	-	15.46	-	-
Havas	-	-	-	-	0.63
Prosegur	10.01	5.01	5.00	5.23	5.23
Spirent	-	0.62	(0.62)	0.58	0.66
Vodafone	-	-	-	-	0.07

Unlisted companies					
Celtel	-	0.45	(0.45)	0.45	3.32
IslaLink	74.68	-	74.68	-	-
Isofotón	26.09	-	26.09	-	-
March Unipsa	-	35.00	(35.00)	82.57	82.57
March Gestión de Fondos	-	35.00	(35.00)	35.00	35.00
March Gestión de Pensiones	-	35.00	(35.00)	35.00	35.00
Xfera	-	-	-	11.35	11.29

The increase in Alba's shareholdings in Acerinox and ACS, due to acquisitions during 2007, has strengthened Alba's position as the leading shareholder in both companies.

The increase in the shareholdings in Clínica Baviera, IslaLink, Isofotón and Prosegur are due to acquisitions made during 2007. In all these companies Alba is the second largest shareholder, always with a minority interest, except in the case of IslaLink, where Alba is the majority shareholder.

The shareholdings in March Unipsa, March Gestión de Fondos and March Gestión de Pensiones were sold to Banca March in December 2007. The decrease in the shareholding in Antevenio is due to dilution resulting from the issue of new shares in connection with the company's listing on Alternext in February 2007.

Industry diversification

If Alba's other assets and liabilities are added to its equity investments, valued in all cases on the same basis as used by equity analysts who follow the Company, the distribution of the Company's investments by industry, based on year-end portfolio composition and share prices (in %), is as follows:

Percent of gross asset value

	2007	2006	2005	2004
Construction and Services	65	66	54	36
Retail	-	-	22	33
Industrial	24	25	11	13
Property	6	6	9	9
Security	3	2	2	2
Telecommunications	-	-	1	6
Banking and finance	-	1	1	1
Other	2	-	-	-
	100	100	100	100
Gross Asset Value (in millions of euros)	4,866	4,852	3,205	2,545
Net Asset Value before taxes (in millions of euros)	4,452	4,901	3,174	2,293

In 2007, Security and Other gained in relative weight, while Construction and Services, Industrial and Banking decreased as a result of investments and divestments during the year and relative changes in the investees' share prices. The most significant changes in the relative weight of the different industries in 2007 were due to the performance of the Acerinox share, which affected the relative weight of the Industrial sector partially compensated with the investment in Isofotón by Deyá Capital. The 65% in Construction and Services includes the investment in ACS. In practice, however, the diversification of ACS's activities significantly reduces the seemingly high concentration in Construction and Services. Analysing Alba's portfolio in more detail, the 65% invested in Construction and Services can be subdivided among the various industries in which ACS operates. The following table provides a rough indication of the subdivision, based on estimates of the contribution of each subsector to ACS's consolidated net profit for 2007:

Construction	20%
Industrial Services	18%
Energy	12%
Urban Services	8%
Concessions	7%
	65%

REVIEW OF CONSOLIDATED FINANCIAL PERFORMANCE

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

More detailed information can be found in the consolidated financial statements and notes thereto, audited by Ernst & Young, S.L., in the final section of this report.

Mela Ferrer
Mixte collage on paper *(detail)*
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Balance sheet

The changes in Alba's principal balance sheet items during 2007 are as follows:

Investment property at year-end, including leased properties, stands at 275.3 million euros. The change with respect to the previous year is due to the sale of an office building in Madrid, a bank building in Tarragona and a warehouse in Palma de Mallorca for 73.9 million euros and the acquisition of an office in Madrid for 3.1 million euros. The Company recorded a fair value gain of 37.2 million euros on its investment properties, based on appraisals carried out by independent experts. This amount is recorded in the income statement under *Change in the fair value of investment property*.

Tangible fixed assets, which in 2006 consisted mainly of Alba's registered offices, are up from 12.5 to 34.7 million euros, due to full consolidation of IslaLink (which has fixed assets of 22.8 million euros) since February 2007.

Investments in associates are up 834.6 million, from 1,947.9 to 2,782.5 million euros. This increase is due mainly to the investments made in ACS, Acerinox, Prosegur and Clínica Baviera during the year and the consolidation of these companies' results.

Non-current available-for-sale financial assets are up 73.7 million euros, due to the acquisition of 26.09% of Isofotón for 150 million euros. The investment in Prosegur, which in 2006 was classified in *Non-current available-for-sale financial assets*, has been transferred to *Investments in associates* now that it is accounted for using the equity method.

Deferred expenses relate in their entirety to the activities of IslaLink.

Balance sheet

Current available-for-sale financial assets have decreased from 16.7 to 0.7 million euros, due to the disposal of the investments in Celtel International BV and Spirent Plc.

Held-for-trading financial assets have decreased due to the sale of liquid short-term financial assets to finance period investments.

Other current assets are up from 2.0 to 10.4 million euros, due to full consolidation of IslaLink.

Share capital stands at 64.1 million euros, down 1.0 million euros compared to the previous year. This decrease is due to the cancellation of 1,000,000 shares, as approved by the shareholders at the General Meeting held on May 30, 2007.

The Company's *Reserves* are up 1,420.9 million at 2,331.2 million euros, mainly due to the distribution of 2006 profit.

Treasury shares includes the cost of own shares held at December 31, 2007, amounting to 96.5 million euros and representing 3.10% of the Company's share capital (1,985,991 shares).

Profit for the year is 525.3 million euros.

For all the reasons just given, *Shareholders' equity* at year-end is 2,825.1 million euros, up 18.6% on the previous year.

At the end of 2007, *Provisions* stand at 24.3 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.

Other non-current liabilities relate entirely to IslaLink. *Current liabilities*, which include bank loans and other payables, are up by a significant amount, at 448.7 million euros, due to the increase in borrowing to finance investments during the year.

Balance sheet

Consolidated balance sheets before profit distribution

ASSETS

Millions of euros	At December 31, 2007	At December 31, 2006	At December 31, 2005
Investment property	275.3	276.8	252.8
Tangible fixed assets	34.7	12.5	21.3
Tangible fixed assets, net	310.0	289.3	274.1
Investments in associates	2,782.5	1,947.9	1,082.7
Non-current available-for-sale financial assets	150.4	76.7	788.8
Other investments	3.8	1.9	1.9
Investments	2,936.7	2,026.5	1,873.4
Total fixed assets	3,246.7	2,315.8	2,147.5
Deferred expenses	16.9	-	-
Current available-for-sale financial assets	0.7	16.7	-
Held-for-trading financial assets	49.2	261.4	69.9
Other current assets	10.4	2.0	11.8
TOTAL ASSETS	3,323.9	2,595.9	2,229.2

EQUITY AND LIABILITIES

Millions of euros	At December 31, 2007	At December 31, 2006	At December 31, 2005
Share capital	64.1	65.1	66.5
Reserves	2,331.2	1,420.9	1,639.3
Treasury shares	(96.5)	(18.8)	(22.7)
Interim dividend	(3.8)	(3.9)	(3.9)
Profit for the year	525.3	918.3	444.3
Minority interests	4.8	-	2.1
Shareholders' equity	2,825.1	2,381.6	2,125.6
Provisions	24.3	41.0	21.3
Other non-current liabilities	23.8	-	-
Non-current liabilities	2.0	2.1	2.6
Financial debt	410.3	147.9	54.3
Other short-term debt	38.4	23.3	25.4
Current liabilities	448.7	171.2	79.7
TOTAL EQUITY AND LIABILITIES	3,323.9	2,595.9	2,229.2

Profit and loss account

In 2007, Alba obtained *Net profit* of 525.3 million euros, down 42.8% on 2006 (918.3 million euros). This decline is due to the significant gains posted in 2006 on the sale of the investment in Carrefour. Excluding non-recurring gains on asset sales in both years, Alba's consolidated profit in 2007 was up 24.8%. Earnings per share went from 14.15 euros to 8.26 euros.

Income from the *Share of profit of associates* increased sharply, from 365.6 million euros in 2006 to 423.3 million in 2007, due to the investees' good financial performance, the increase in the shareholding in ACS and Acerinox, and the inclusion of Clínica Baviera and Prosegur in the scope of consolidation.

Lease income and other items includes 4.2 million euros from Islalink's undersea cable. Lease income from investment properties was 15.1 million euros, similar to the previous year. At December 31, 2007, occupancy was 97.8% for a floor area of 83,182 square metres.

According to appraisals by independent experts, at December 31, 2007, the fair value of investment property was 275.3 million euros, down 0.6% on 2006 due to the sales of the year. The change of the year has been credited to *Change in the fair value of investment property.*

The change in *Net financial expenses*, which fell from 15.7 million euros to 2.3 million euros, is due mainly to higher borrowing to finance investments made during the period.

The *Gain on sale of assets*, which includes the gain on asset disposals during the year, was 72.1 million euros, mainly due to the sale of various investment properties and of the shareholdings in March Unipsa Correduría de Seguros, March Gestión de Fondos and March Gestión de Pensiones. In 2006 this item amounted to 555.3 million euros, mainly due to the sale of the investment in Carrefour. It should be noted that this is a non-recurring item, which includes gains resulting from management of the investment portfolio.

Operating expenses fell sharply to 22.4 million euros, compared to 34.6 million euros in 2006.

Amortisation and depreciation was 2.6 million euros, compared to 0.9 million euros in 2006, due to the full consolidation of IslaLink.

Consolidated profit and loss accounts (1)

Millions of euros	2007	2006	2005
Share of profit (loss) of associates	423.3	365.6	121.8
Lease income and other items	19.6	15.6	24.5
Change in the fair value of investment property	37.2	16.8	18.8
Finance income	16.5	22.3	29.3
Gain (loss) on sale of assets	72.1	555.3	312.6
Sum	568.7	975.6	507.0
Operating expenses	(22.4)	(34.6)	(27.8)
Financial expenses	(18.8)	(6.6)	(4.4)
Amortisation and depreciation	(2.6)	(0.9)	(1.1)
Provisions for liabilities and charges	-	(15.4)	-
Corporate income tax	-	0.2	(28.6)
Minority interests	0.4	-	(0.8)
Sum	(43.4)	(57.3)	(62.7)
Net profit	525.3	918.3	444.3
Net earnings per share (euros)	8.26	14.15	6.77

(1) In these profit and loss accounts, items are grouped according to management criteria and so do not necessarily coincide with the figures in the Financial Statements.

INFORMATION ABOUT EQUITY INVESTMENTS

Joan Brossa
Permanent felt-tip pen on paper *(detail)*
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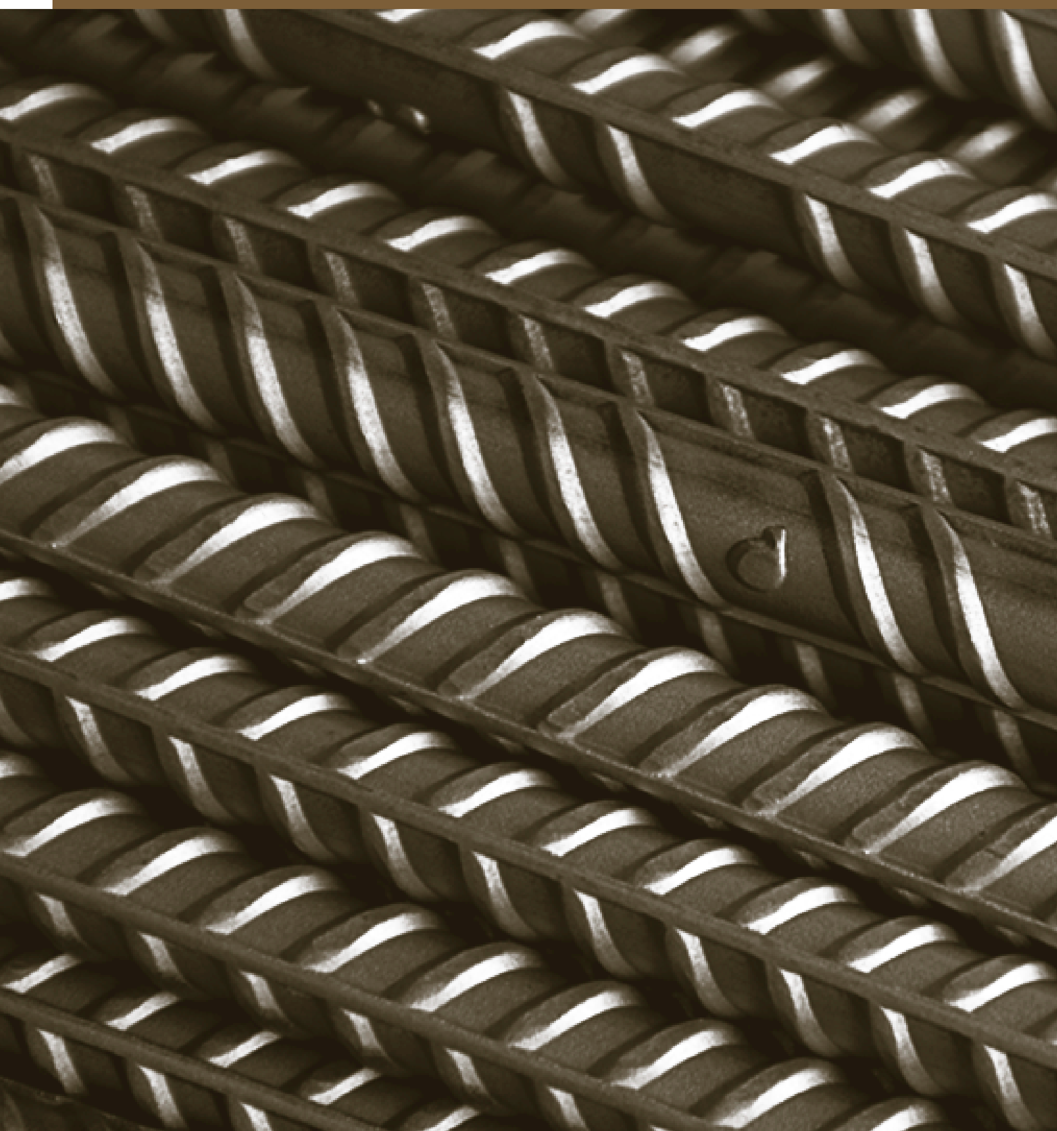
Acerinox



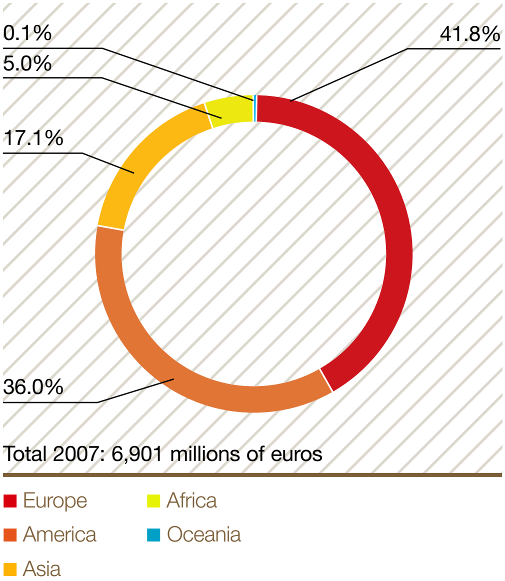
Company description

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

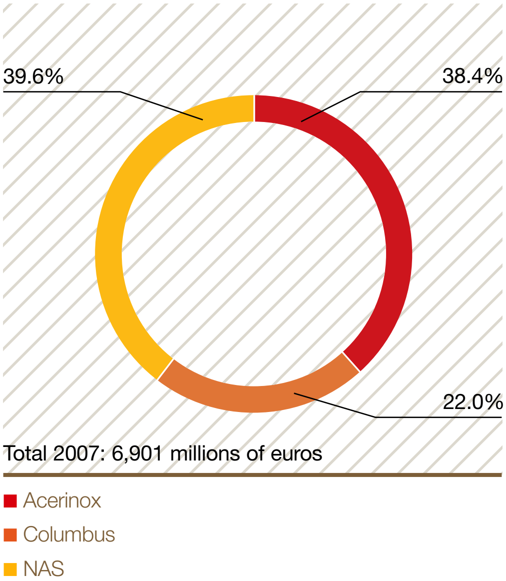
The company has three flat product plants (Algeciras, Spain; North American Stainless in Kentucky, U.S.; and Columbus Stainless in Middelburg, South Africa); three long product plants (Roldán and Inoxfil in Spain and NAS Long Products in the U.S.); and an extensive sales network, with warehouses and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

On March 6, 2008, Acerinox announced the construction of a new stainless steel production plant in Johor Bahru (Malaysia), in collaboration with Nisshin Steel and a local partner. This new plant, which is expected to come into operation in 2011, will give Acerinox worldwide coverage and improved access to Asian markets.

Breakdown of sales by region



Breakdown of sales by company



Acerinox

Key operating data

	2007	2006	2005
Output per year in thousands of tonnes			
Raw steel	2,310	2,588	2,242
Hot-rolled products	2,040	2,249	2,012
Cold-rolled products	1,455	1,595	1,470
Long products	197	252	197
Employees	7,450	7,204	6,695

Key financial data

In millions of euros unless otherwise indicated	2007	2006	2005
Sales	6,901	5,637	4,214
EBITDA	655	958	415
EBIT	526	858	258
Net profit	312	503	154
Earnings per share (euros)	1.20	1.94	0.60
Dividend per share (euros)	0.45	0.34	0.34
ROE (%)	13.5	22.1	7.5
Total assets	4,446	4,859	3,647
Net financial debt	923	1,254	829
Shareholders' equity	2,308	2,280	2,051
Debt / Equity (%)	40.0	55.0	40.4

Review of the company's operations during 2007

2007 was a difficult year for stainless steel manufacturers, divided in two very different periods. The first period, until May, was marked by a more than 60% increase in the nickel price and a strong market; the second, by a plunge in the nickel price, which went from an all-time high of $54,200/ tonne in May to around $25,000/ tonne in barely three months, a fall of nearly 55%. Never before in the history of Acerinox had there been such an steep fall, in absolute or relative terms, in such a short time. This plunge in the price of nickel led to a drastic cutback in orders to stainless steel manufacturers and inventory reduction by stockists, driving down stainless steel prices in all markets. Demand remained weak and prices low throughout the second half of the year, affecting all world markets. It was not until the beginning of 2008 that demand and prices started to recover, as nickel prices stabilized.

Demand varied in all world markets in 2007, growing strongly during the first half, driven by high nickel prices, and slowing dramatically in the second half, due to the fall in the nickel price and widespread inventory reduction. In Europe, deliveries by European manufacturers fell 14.1% in cold-rolled flat products and 27.3% in hot-rolled products (compared to growth of 17.6% and 29.0% in 2006). At the same time, there was a sharp increase in imports, on account of the price differential with other regions, especially Asia, and the strong euro. Import growth eased substantially in the second half, in response to falling prices in Europe, which reduced the price differential against other regions. The story was much the same in Spain, with a decline in deliveries by European manufacturers equal to 12.3% in cold-rolled products and 22.7% in hot-rolled products (compared to increases of 9.0% and 14.0% in 2006) and strong growth in imports from outside Europe. In the United States, apparent consumption of flat products fell 15.7% (as against growth of 17.2% in 2006), while imports fell 9.8% (as against growth of 35.8% in 2006). In 2007, Asia accounted for more than 50% of world production. According to the *International Stainless Steel Forum*, however, in 2007 stainless steel production decreased in all Asian countries except China. In China, production rose 36.0% to 7.2 million tonnes, representing 25.8% of world production. The increase in production in China almost entirely offset the decline in the rest of the world.

As a result of shrinking demand, despite growth in China, world stainless steel production fell 2.4% in 2007 (with an increase of 6.3% in Asia and decreases of 13.0% in Europe and 11.8% in America).

Acerinox

Against this backdrop, Acerinox achieved production levels below its 2006 record but very similar to the levels achieved in 2005. Raw steel production was 2.3 million tonnes, 10.8% less than in 2006, while hot-rolled production was 2.0 million tonnes, down 9.3%. Higher value added cold-rolled production was down 8.8% at 1.5 million tonnes. Long products reached 196,700 tonnes in 2007, representing growth of 21.9% compared to the previous year. With these production levels, Acerinox remains the world's number two stainless steel producer, with an estimated share of 8.3% of total production.

In 2007 the consolidated group had turnover of 6,901 million euros (+22.4%), EBITDA of 655 million (-31.6%) and net profit of 312 million (-37.9%). Uneven industry performance over the year is reflected in the company's half-yearly results, with net profit of 412 million euros in the first half and a loss of 99 million in the second half. In other words, Acerinox had the best and worst half in its history in the same year. The second-half results show the effect of provisions of 97 million euros for the write-down of inventories to net realisable value.

Acerinox had shareholders' equity of 2,308 million euros and net debt of 923 million euros, representing 1.4 times the consolidated EBITDA for 2007. Despite difficult market conditions, net debt decreased by 26.4% during the year.

In 2006, Acerinox launched an ambitious investment programme, currently in progress, with a budget of 437 million euros. The resulting new equipment and facilities will come into operation in 2008 and 2009. Once completed, this programme will boost the Group's production capacity to 3.5 million tonnes in raw steel, 3.1 million tonnes in flat products (of which 2.1 million in cold-rolled products) and 400,000 tonnes of long products. As part of this plan, in 2007 the Group invested nearly 200 million euros, especially in NAS and Columbus.

On March 6, 2008, Acerinox announced the construction of a new stainless steel production plant in Johor Bahru (Malaysia), in collaboration with Nisshin Steel and a local partner. Once completed, the Johor Bahru plant will have annual production capacity of one million tonnes of raw steel and 600,000 tonnes of cold-rolled products, for a total investment of approximately 1,500 million dollars. The first phase, already approved, will require investments of 320 million dollars and is expected to be operational in 2011, with a production capacity of 240,000 tonnes, including 182,000 tonnes of cold-rolled products. Construction of this new plant will significantly improve Acerinox's geographic coverage, providing easier access to Asian markets, which are growing faster than Europe or America.

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

Data for 2007	Acerinox	NAS	Columbus	Total	% 2006
Annual output in thousands of tonnes					
Raw steel	901	752	657	2,310	- 10.8%
Hot-rolled products	752	649	639	2,040	- 9.3%
Cold-rolled products	585	511	359	1,455	- 8.8%
Long products	122	75	-	197	- 21.9%
Financial information (*)					
Sales	2,648	3,291	1,520	6,901	+ 22.4%
Net profit after tax	131	265	14	312	- 37.9%
Employees (31/12) (**)	2,694	1,316	1,918	7,450	+ 3.4%

(*) In millions of euros, except for NAS (in millions of US dollars).
(**) The total number of employees includes the employees of Roldán, Inoxfil and the Spanish and foreign sales companies, amounting to 1,522 people at December 31, 2007.

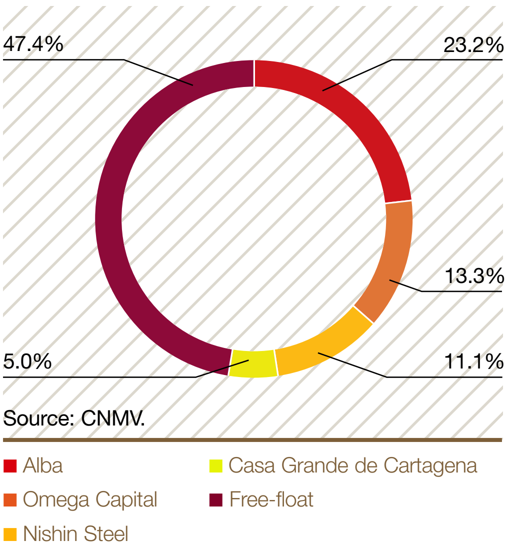
Looking at the companies individually, NAS recorded its best ever net profit in 2007, despite the market difficulties; Acerinox more or less equalled the excellent results achieved in 2006; and Columbus had more difficulties, on account of its greater dependence on sales of semi-finished products and its greater exposure to Asian markets (which have tighter margins), this being a weakness the investments currently under way in Columbus's plant are intended to remedy.

Acerinox

Shareholder structure

During 2007, Alba increased its stake in Acerinox by 2.45%, investing a total of 110.1 million euros. At December 31, 2007, therefore, Alba had consolidated its position as Acerinox's leading shareholder, with 23.24% of the voting rights and three representatives on the board of directors (Mr. Santos Martínez-Conde Gutiérrez-Barquín, Mr. Juan March de la Lastra and Mr. Fernando Mayans Altaba).

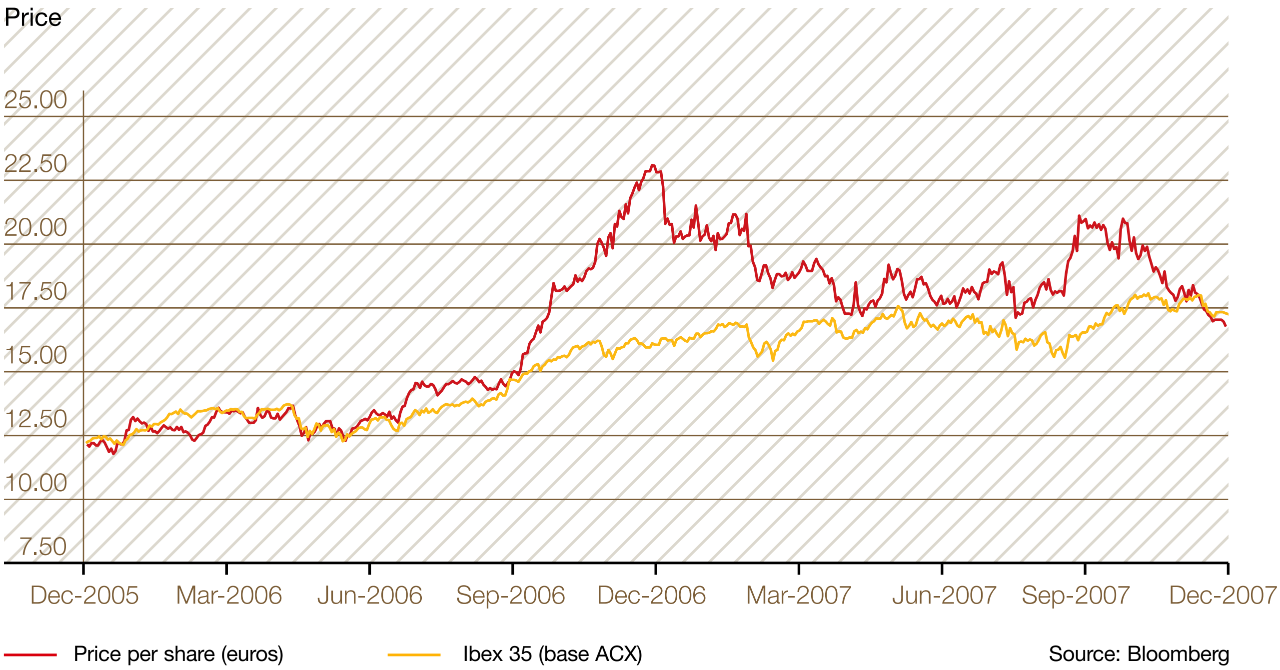
Acerinox shareholder structure at 31/12/2007



Acerinox share price performance

Over the course of the year, the company's share price fell steeply (-26.6%), closing the year at 16.83 euros. It is important to note that the closing price in 2006 was close to 23.00 euros per share, an all-time record. The worse stock market performance during 2007 is attributable to the company's results in a year marked by a sharp fall in the nickel price, especially in the second half, and consequent weak demand for stainless steel.

Acerinox share price performance since December 31, 2005



Source: Bloomberg

Acerinox

Historical stock market data

	2007	2006	2005
Price in euros per share (closing prices)			
High	23.29	24.00	13.85
Low	16.74	11.73	10.53
Close	16.83	23.05	12.29
Number of shares in issue (thousands)	259,500	259,500	259,500
Stock market capitalization at 31/12 (million euros)	4,367	5,981	3,189
Volume traded			
Total number of shares (thousands)	635,223	576,489	552,399
Daily average:			
In thousands of shares	2,511	2,270	2,158
As % of total shares in issue	0.97%	0.87%	0.82%
In millions of euros	48	34	26
Dividend yield (on closing price for the year)	2.67%	1.96%	2.79%
P/E ratio (on closing price for the year)	14.0 x	11.8 x	20.3 x

www.acerinox.com

Information about Equity Investments

Acerinox

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 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 top companies in Europe in construction, services and concessions.

In recent years, while mergers with other construction and services companies went ahead, ACS started to diversify into industries related to its traditional business (concessions) and other industries considered crucial to its strategy for the future (energy).

Key financial data

In millions of euros unless otherwise indicated	2007	2006	2005
Sales	21,312	14,067	12,114
EBITDA	3,491	1,270	1,096
EBIT	2,487	972	817
Net profit	1,551	1,250	609
Earnings per share (euros)	4.51	3.58	1.74
Dividend per share (euros)	1.75	1.25	0.60
ROE (%)	49.8	45.5	27.5
Total assets	49,593	25,183	17,713
Net financial debt	16,575	8,746	4,265
Shareholders' equity	10,441	3,256	2,636
Debt / Equity (%)	158.7	268.6	161.8

Note: Unión Fenosa has been fully consolidated in ACS since January 1, 2007.

ACS

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

- Construction. This business area encompasses civil engineering and residential and non-residential construction. ACS is one of Europe's largest construction companies by sales and profitability, with particular strength in civil engineering (60% of sales revenue and 67% of the order backlog).

In civil engineering, 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.

In 2007 ACS made two important acquisitions outside Spain: in March it acquired 25.1% of the German construction company Hochtief, one of the world's largest construction companies, for 1,265 million euros, plus an additional 4.9% through derivatives; and at the end of December it acquired the U.S. construction company Schiavone Construction for 150 million dollars.

- 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 the energy, communications and control systems industries in more than 25 countries. Industrial services are classified in two broad areas: Industrial Installations and Maintenance (71% of sales and 66% of the backlog in 2007), which includes networks, specialized installations and control systems; and Integrated Projects (29% of sales and 34% of the backlog), which includes EPC projects and renewables. Industrial Services 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.

Notable investments in this area include 554 million euros in wind and solar renewable energy. At December 31, 2007, ACS was involved in renewable projects in operation or under construction totalling 1,467 MW of installed capacity and had projects in development with close to 1,800 MW more.

The main companies in this business area are Cobra, DINSA and their subsidiaries.

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

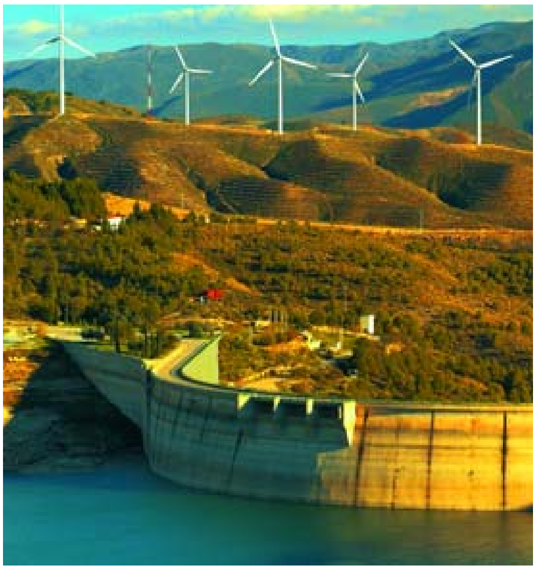
  – **Environment** (Urbaser), specializing in the management and treatment of urban and industrial waste and water management.

  – **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 on large buildings and vehicles.

  – **Port and Logistic Services** (Dragados SPL), mainly port management and handling, shipping agency, dry dock management, combined transport and logistics in general.

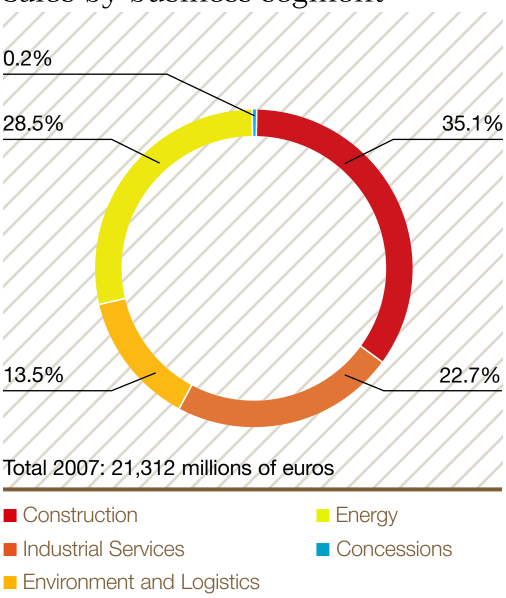
- **Concessions:** Through Iridium, ACS has shareholdings in various motorway and highway concessionaires in Spain, Chile, Greece, Ireland, Portugal, United Kingdom and South Africa; and in railway and public facility concessionaires in Spain. The ACS Group is a world leader in the promotion, financing, 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, 82 kilometres of railway track, and 219,000 square meters of public facilities (transport interchanges, hospitals, police stations and prisons). In September 2007, ACS agreed to sell 100% of Desarrollo de Concesiones Aeroportuarias (DCA), a company which holds various airport concessions in Chile, Colombia, Jamaica and Mexico, to Abertis for 271 million euros. In addition, in January 2008 ACS announced that it had agreed to sell its investments in the Chilean toll highways Autopista Central (50%) and Rutas del Pacífico (48%) to a consortium led by Abertis for 711 million euros. Both these sales (DCA and the Chilean highways) are expected to be completed during the first quarter of 2008. In total, Iridium has signed agreements for the sale of seven concessions for more than 1,000 million euros. ACS also holds a 25.8% stake after the acquisition of an additional 1% for 134 million euros, in the motorway concession operator Abertis, which has significant business interests in telecommunications, car parks and airports.

ACS

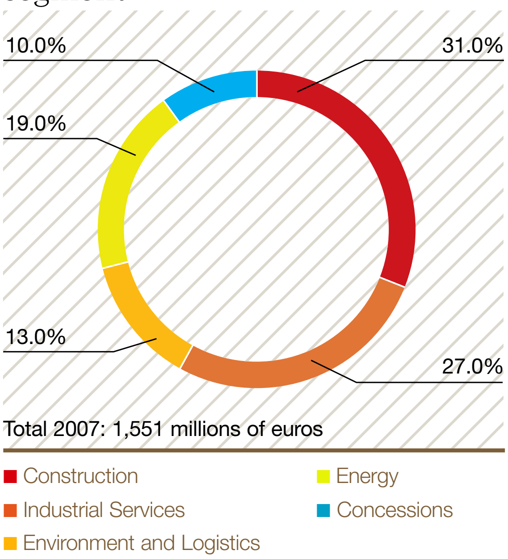


- **Energy.** ACS has created a new Energy business area around its stake in Unión Fenosa, which has been fully consolidated since January 1, 2007, thus becoming one of the main pillars of the Group's strategy over the next few years. In January 2008, ACS acquired an additional 4.84% of Unión Fenosa for 657 million euros, increasing its shareholding to 45.3%. Also belonging to this area is the shareholding in Iberdrola, which at year-end 2007 amounted to 7.2% in shares and 5.2% through derivative instruments.

Sales by business segment



Net profit by business segment



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

Key performance indicators by business segment

	2007	2006	2005
Construction			
Sales	7,353	6,750	5,725
Net profit	310	282	239
Order backlog	12,011	10,661	9,369
Industrial Services			
Sales	5,489	4,748	4,077
Net profit	265	223	179
Order backlog	5,854	5,087	4,269
Environment and Logistics (*)			
Sales	2,835	2,657	2,406
Net profit	132	129	113
Order backlog	14,458	14,171	13,230
Listed investments (**)			
Net profit	138	232	79
No. of Employees	144,919	123,652	113,273

(*) 2005 and 2006 data include Continental Auto.

(**) Net of financial expenses and taxes. Iberdrola's contribution is via dividends. In 2005 and 2006 includes Unión Fenosa and Urbis.

ACS

Review of the company's operations during 2007

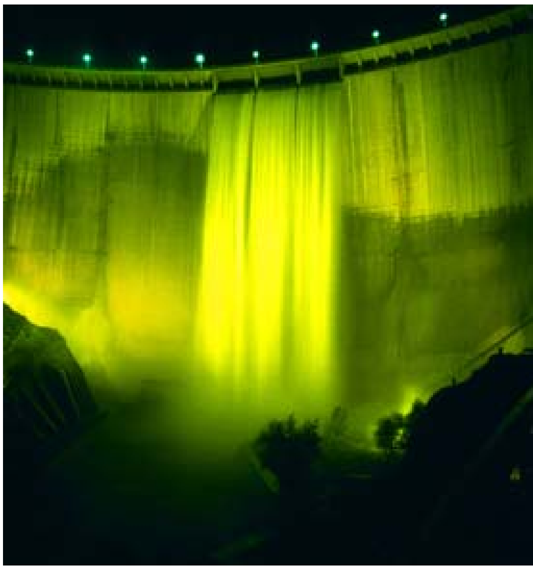
ACS's various divisions showed excellent operating performance, thanks to strong demand in their business sectors. Group comparable sales reached 15,560 million euros, up 12.2% on the previous year, while net profit increased 24.1% to 1,551 million euros. Consolidated sales, including Unión Fenosa, amounted to 21,312 million euros, 53.7% more than in 2006.

Construction posted sales of 7,353 million euros, an improvement of 8.9% compared to 2006. Of this total, 4,398 million (59.8%) was from civil engineering projects and 2,955 million (40.2%) from residential (16.7%) and non-residential (23.5%) construction projects. These sales include 433 million euros of international sales, representing 5.9% of the total. The construction division had net profit of 310 million euros, a 12.7% improvement on the previous year. The order backlog increased 12.7% in 2007 to 12,011 million euros, with 18.4% growth in the backlog of civil engineering projects.

The Industrial Services area saw continued strong growth in 2007, driven by all its activities, especially specialized facilities. Turnover was 5,489 million euros, 15.6% higher than in 2006, while net profit was 265 million, up 15.1%. Installations and integral services accounted for 73.1% of total sales in 2007 and integrated projects, for the remaining 26.9%. Around 31.1% of sales were international. The order backlog grew 15.1% in 2007 to 5,854 million euros, of which 1,993 million (34.0%) related to international projects. The international order backlog grew 36.7% in 2007.

The Environment and Logistics area posted sales of 2,835 million euros, 12.0% from outside Spain, representing an increase of 15.3%. Net profit was 132 million euros, up 20.7% on 2006. The order backlog grew 10.7% in 2007 to 14,458 million euros, of which 28.1 million related to international markets. The increases are calculated on a comparable basis, excluding Continental Auto from the results for 2006.

The Infrastructure Development and Concessions area posted sales of 36 million euros and net profit attributable to ordinary shareholders of 4 million euros. Given the nature of its business (concession development and operation), this area's results do not reflect the value of the assets, which will only start to contribute significant profits to the group as projects mature. As already mentioned, in September ACS announced the sale of 100% of DCA to Abertis for 271 million euros, to be completed during 2008.



There was a notable increase in the profit of companies accounted for using the equity method, which reached 193 million euros, up 41.6%, due to full consolidation of Unión Fenosa in 2007. On a comparable basis, if Unión Fenosa were accounted for using the equity method, the figure would be 507 million euros, up 53.3% due to the increased contribution by all investee companies and the inclusion of Hochtief in the scope of consolidation. Abertis's contribution in 2007 was 142 million euros, 33% more than the previous year. Iberdrola contributed 268 million euros to ACS's results: 97 million in dividends and the rest in gains on the derivatives on 5.2% of Iberdrola's capital. Hochtief contributed a loss of 26 million euros, which breaks down into 31 million euros in dividends and 57 million euros in losses on the derivatives on 4.9% of the company's capital. In 2007 the financial expenses net of taxes associated with these investments amounted to 246 million euros, compared to 66 million in 2006.

Sales increased over the year, so that the Group order backlog ended the year at 32,323 million euros, up 12.2% on 2006 in comparable terms, excluding Continental Auto.

During 2007, ACS made net investments of more than 3,400 million euros: 1,265 million euros in the acquisition of 25.1% of Hochtief and 150 million dollars in the acquisition of Schiavone Construction in the United States. Net investments also include the sale of Continental Auto for 659 million euros in April 2007. Unión Fenosa made net investments of 1,273 million euros during the year.

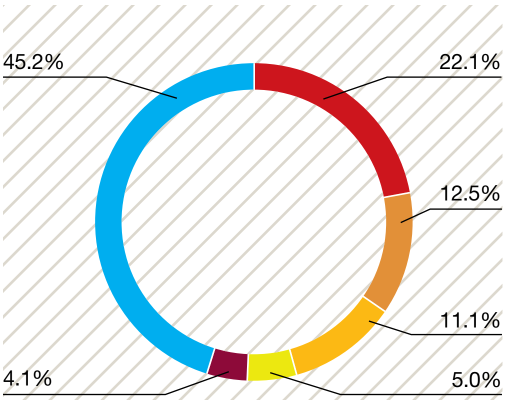
With these investments, ACS's net debt at year-end stood at 16,575 million euros, 9.641 of which was financing without recourse to the shareholders. Of this total, 71.9% was linked to the acquisition of shares in Hochtief, Iberdrola and Unión Fenosa, while the rest came from project finance. Unión Fenosa contributed nearly 5,700 million euros to consolidated net debt.

ACS

Shareholder structure

At December 31, 2007, Alba held 22.13% of ACS's equity 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 2007, Alba increased its shareholding by 0.99%, investing a total of 149.8 million euros. These acquisitions reinforce Alba's position as ACS's main shareholder.

ACS shareholder structure at 31/12/2007



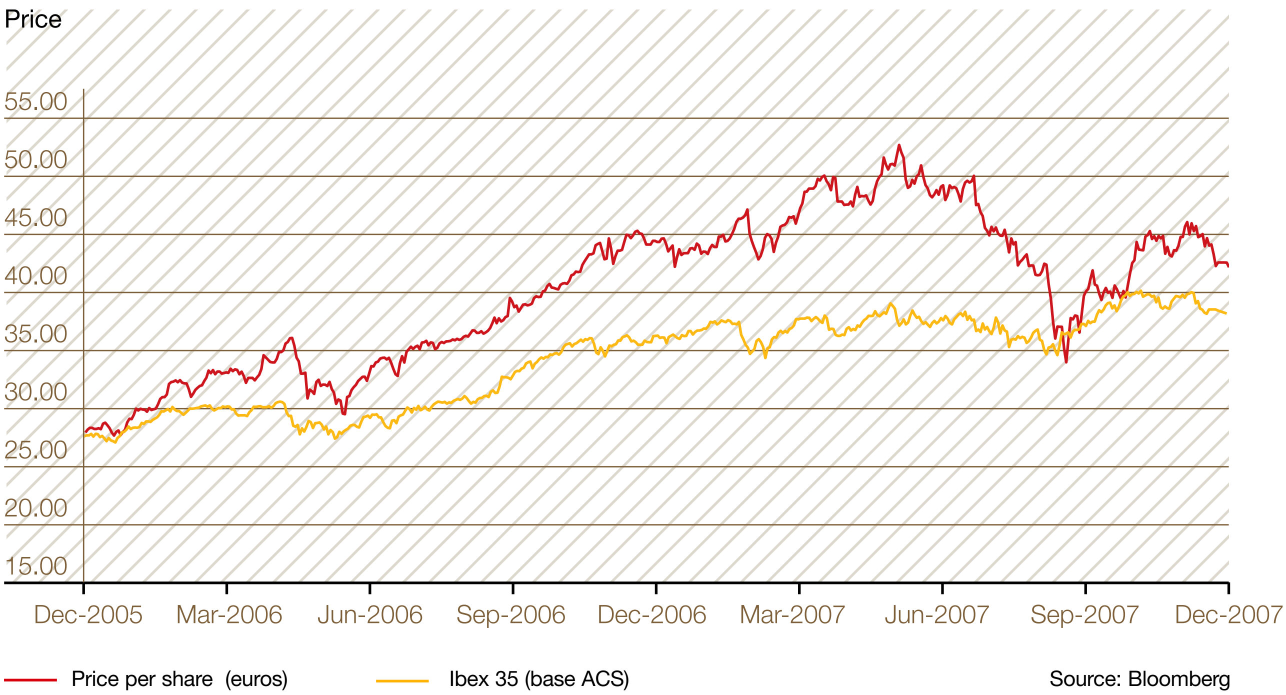
Source: CNMV.

■ Alba
■ Alcor
■ Imvernelin
■ Iberostar
■ BBVA
■ Free-float

ACS share price performance

During 2007, the market price of the company's shares fell slightly (-4.8%) to 40.65 euros. The price rose significantly during the first half of the year, closing at a record 50.60 euros per share on June 1, then dropped over the following months as a result of the market turbulence sparked by the liquidity squeeze, hitting its lowest level for the year at 32.92 euros per share on September 17, before recovering to reach the 40-45 euros per share range by year-end.

ACS share price performance since December 31, 2005



Source: Bloomberg

ACS

This performance is attributable mainly to general market behaviour during the year (penalising the construction, property and financial sectors particularly severely) and the worsening economic outlook, but does not reflect the company's splendid results.

Historical stock market data

	2007	2006	2005
Price in euros per share (closing prices)			
High	50.95	43.70	27.30
Low	32.10	26.62	16.80
Close	40.65	42.71	27.21
Number of shares in issue (thousands)	352,873	352,873	352,873
Stock market capitalization at 31/12 (million euros)	14,344	15,071	9,602
Volume traded			
Total number of shares (thousands)	521,558	341,195	624,331
Daily average:			
In thousands of shares	2,061	1,343	2,439
As % of total shares in issue	0.58%	0.36%	0.69%
In millions of euros	89	43	53
Dividend yield (on closing price for the year)	4.31%	2.93%	2.21%
P/E ratio (on closing price for the year)	9.0 x	11.9 x	15.6 x

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

In millions of euros	Abertis	Hochtief	Iberdrola	Unión Fenosa
Business	Infrastructure concessions	Construction	Utilities	Utilities
ACS's shareholding (31/12) (*)	24.8%	25.1%	7.2%	40.5%
Market capitalization (31/12)	14,071	6,407	51,934	14,073
Sales 2007	3,620	16,452	17,468	6,011
EBITDA 2007	2,269	435	5,538	2,062
Net profit 2007	682	141	2.354	986

(*) Direct shareholdings. ACS has an additional 5.2% interest in Iberdrola and a 4.9% interest in Hochtief through derivative instruments.

The market value of these investments was 14,536 million euros at year-end 2007, as detailed below:

In millions of euros	Market capitalization	ACS's shareholding	Value of ACS's shareholding
Abertis	14,071	24.8%	3,494
Hochtief	6,407	25.1%	1,608
Iberdrola	51,934	7.2%	3,739
Unión Fenosa	14,073	40.5%	5,695
			14,536

A summary of these three companies' performance in 2007 is given below.

ACS

Abertis

Specialised in transport and telecommunications infrastructure management, at December 31, 2007, Abertis operated 3,320 kilometres of motorway in Spain and France and Spain's leading network of sites for the broadcasting of radio and television signals. It also has a growing presence in satellite communications through Eutelsat and Hispasat. Through TBI, Abertis operates airports in Luton (London), Belfast, Cardiff, Stockholm and Orlando Sanford and several airports in Bolivia, handling more than 23.6 million passengers in 2007. Through its subsidiary SABA it manages 95,000 parking places in five countries, principally Spain, Italy and Portugal.

Consolidated revenue from the toll roads business grew 8.4% in 2007 to 2,751 million euros, mainly due to growth in traffic (+3.0%) and an increase in tolls tariffs. The telecommunications division posted revenue of 396 million euros, a 7.3% increase, thanks to growth in the Spanish audiovisual market due to the launch of a new TV channel, "La Sexta", and the increase in DTT coverage. Passenger numbers in the airports managed by Abertis increased by 6.4%, while revenue increased to 300 million euros. Sales revenue in the car parks business grew 11.0% to 131 million euros.

Noteworthy transactions during the year include: the acquisition of 28.4% of the Spanish satellite operator Hispasat for 199 million euros, making Abertis the leading shareholder; the agreement to buy the airport management company DCA (15 airports in four Latin American countries) from ACS for 271 million euros; and the purchase of an additional 4.61% of the Portuguese concessionaire Brisa for 272 million euros, increasing Abertis's shareholding to 14.61%.

In January 2008, Abertis announced the acquisition of two highway concessionaires in Chile from ACS for 711 million euros and the start of its exit from the Italian holding company Schemaventotto once it was confirmed that the announced merger of Abertis with Atlantia (formerly Autostrade) would not go ahead. Once this exit is complete, Abertis will have a direct holding in Atlantia of 6.63%.

In 2007 Abertis reported net profit of 682 million euros on revenues of 3,620 million.

At December 31, 2007, the market value of ACS's investment in Abertis was 3,494 million euros.

In March 2008 ACS acquired an additional 1% in Abertis for 134 million euros reaching a stake of 25.8%.

ACS is represented on Abertis's Board of Directors by Mr. Pablo Vallbona Vadell, Alba's First Vice-Chairman.

Key financials

In millions of euros	2007	2006	2005
Shareholders' equity	5,020	4,447	3,036
Turnover	3,620	3,335	1,906
EBITDA	2,269	2,099	1,204
Net profit	682	530	511
Stock market capitalization (at 31-12)	14,071	13,680	12,311

ACS

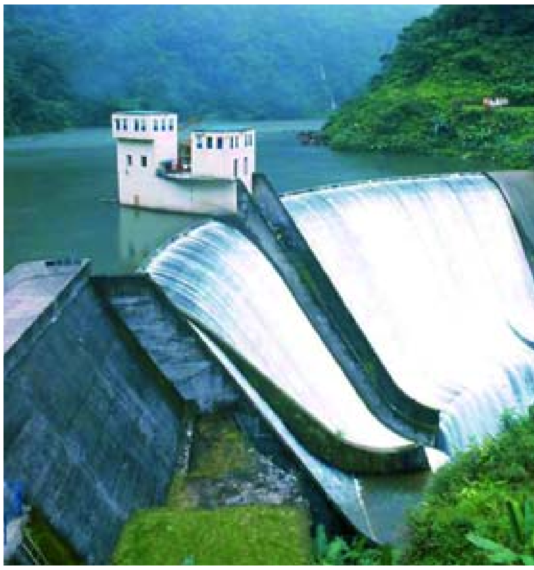
Unión Fenosa

In 2007, ACS maintained its shareholding in Unión Fenosa at 40.5%. In January 2008, ACS acquired an additional 4.8% of Unión Fenosa for 657 million euros, bringing its shareholding to 45.3%.

Unión Fenosa is Spain's third largest electricity company, with 8,819 MW of installed capacity, net output of 34,025 GWh, and 36,671 GWh of electricity supplied to end users, serving 3.6 million customers. Unión Fenosa has experienced higher growth in generation than the sector as a whole in Spain. Including international activities, installed capacity in 2007 was 11,644 MW, net output 49,083 GWh, energy supplied to end users 55,296 GWh, and the number of customers more than 9 million worldwide.

Unión Fenosa has made satisfactory progress in the implementation of its strategic plan (BIGGER 2007-2011). In 2007, 1,200 MW came onstream in the Sagunto combined cycle plant and 266 MW from renewable sources. In August, Unión Fenosa completed the acquisition of 64% of the South African mining company Kangra Coal with a view to ensuring a stable and competitively priced supply of coal. In November 2007, the Reganosa regasification plant started operations.

The gas business has become an important part of Unión Fenosa's activities in recent years, thanks to the start-up of the Group's liquefaction and regasification plants and the expansion of the distribution business. In 2007, Unión Fenosa billed 75,087 GWh of natural gas in the non-regulated market, 40.7% of which went to combined cycle plants and the remaining 59.3% to industrial and residential customers and the international market. It consolidated its position as the second largest operator in the industry, with a market share of 14.0%, compared to 12.7% the previous year. Some 64.5% of the natural gas imported by Unión Fenosa comes from long-term contracts with Egypt and Oman, where it has invested in liquefaction plants.



In 2007, Unión Fenosa recognised gains of more than 250 million euros on the sale of Soluziona to Indra and the sale of its shareholding in Applus+ to an investment group. As a result of the sale of Soluziona, Unión Fenosa acquired an equity interest in Indra that currently amounts to 15.0% of the company's share capital.

At December 31, ACS's 40.5% interest in Unión Fenosa had a market value of 5,695 million euros.

In January 2008 ACS acquired an additional 4.8% in Unión Fenosa for 657 million euros reaching a stake of 45.3%.

ACS is represented on Unión Fenosa's Board of Directors by Mr. Santos Martínez-Conde Gutiérrez-Barquín, Alba's Managing Director.

Key financials

In millions of euros	2007	2006	2005
Shareholders' equity	6,273	5,564	5,067
Turnover	6,011	6,057	6,099
EBITDA	2,062	1,907	1,477
Net profit	986	635	824
Recurring net profit	708	635	461
Stock market capitalization (at 31-12)	14,073	11,425	9,578

ACS

Iberdrola

In September 2006, ACS acquired an equity interest in Iberdrola on the open market, becoming one of its main shareholders. At the beginning of 2007, ACS entered into a derivatives contract for a further 5.2% of Iberdrola, settleable in cash or shares.

Iberdrola is Spain's second largest electricity company, with total installed capacity of 26,987 MW, net production of 65,893 GWh, energy billed to end users of 102,478 GWh, and 10.0 million connection points under management. Including international activities, total installed capacity amounts to 42,516 MW, net production to 123,460 GWh, energy billed to 159,096 GWh, and the number of connection points under management to more than 24.3 million worldwide, including gas and electricity. Iberdrola is Spain's largest energy company by market capitalization.

In April 2007 Iberdrola completed the acquisition of ScottishPower. In June it announced the friendly acquisition of 100% of the U.S. company Energy East for approximately 4,500 million dollars. And in December it floated 20% of Iberdrola Renovables on the stock market, with a post-IPO valuation in the region of 22,400 million euros.

In June Iberdrola carried out an accelerated capital increase of almost 3,400 million euros to finance the acquisition of Energy East. All that remains to complete the purchase is the approval of the New York State authorities.

The 2007 results are marked by the integration of ScottishPower since April. The energy business in Spain (which includes electricity generation, distribution and marketing and the gas business) experienced modest growth, mainly due to the substantial drop in the pool price and slow growth in demand. In Latin America there was significant growth in sales and profit. Renewables and Other businesses contributed strong revenue growth but lower net profit, mainly due to the decline in the pool price and higher operating and financial expenses.

On October 24, Iberdrola announced a new strategic plan for the period 2008-2010, incorporating the recent acquisitions of ScottishPower and Energy East (pending).

At December 31, ACS's 7.2% direct interest in Iberdrola had a market value of 3,739 million euros.

Key financials

In millions of euros	2007	2006	2005
Shareholders' equity	27,832	10,567	9,415
Turnover	17,468	11,017	11,738
EBITDA	5,538	3,890	3,378
Net profit	2,354	1,660	1,382
Stock market capitalization (at 31-12)	51,934	29,859	20,817

www.iberdrola.com

ACS

Hochtief

In March 2007, ACS acquired a 25.1% stake in the German construction company Hochtief for 1.267 million euros. At December 31, 2007, ACS held 4.9% of Hochtief's capital through derivative instruments.

Hochtief is one of the world's largest construction and infrastructure development groups, with a broad international presence. It is the largest construction company in Europe and fourth largest in the world by revenue, the world's number one in international sales, and one of the world's top ten developers and operators of infrastructure concessions.

Hochtief is divided by business and geographical area into five large divisions:

Construction Americas encompasses mainly building construction activities in the United States (through its subsidiary Turner) and, to a lesser extent, Canada (Aecon) and Brazil (Hochtief do Brasil).

Construction Europe, which includes civil and structural engineering in Germany (approximately 80% of the division's sales) and selected Central and East European countries. In these markets Hochtief specializes in large infrastructure projects (ports, bridges, tunnels, etc.) and commercial properties and healthcare facilities.

Construction Asia Pacific is focused on Australia, where it operates through its listed subsidiary Leighton Holdings. Its activities include construction (civil engineering and building), services, concessions and mine operation and management (in which Leighton Holdings is the global leader).

Airports includes equity interests and management contracts in Athens, Budapest, Düsseldorf, Hamburg, Sydney and Tirana airports. These six airports handled nearly 89 million passengers in 2007, making Hochtief AirPorts one of the world's leading independent airport management companies.

Development encompasses businesses specializing in construction-related services for infrastructure projects, buildings and facilities.

The divisions' contribution to the Group's consolidated sales was as follows: Construction Americas accounted for 42.5%, Construction Services Asia Pacific for 36.6%, Construction Services Europe for 13.3%, Development for 7.4% and Airports for 0.2% (this is an accounting and consolidation effect: Airports accounted for 25.3% of group profit before taxes). In terms of profit before taxes, the lion's share came from Construction Asia Pacific, Construction Americas and Airports, while Construction Services Europe incurred significant losses in 2007, mainly due to the restructuring of its building activities in Germany.

At December 31, ACS's 25.1% interest in Hochtief had a market value of 1,608 million euros.

Key financials

In millions of euros	2007	2006	2005
Shareholders' equity	3,001	2,346	2,202
Turnover	16,452	15,508	13,653
EBITDA	435	546	567
Net profit	141	89	68
Stock market capitalization (at 31-12)	6,407	3,864	2,648

Clínica Baviera

Company description

Clínica Baviera is Spain's leading provider of ophthalmic services for the correction of eye conditions such as myopia, astigmatism or presbyopia through laser surgery. At December 31, 2007, Clínica Baviera had 37 eye care clinics and counselling centres: 36 in Spain and 1 in Italy.

Clínica Baviera also offers cosmetic surgery services through Clínica Londres, acquired in 2006. At year-end 2007, Clínica Londres had 10 centres in Spain, where it provides services including cosmetic medicine, plastic surgery and obesity treatment.

Clínica Baviera is currently beginning to expand internationally, with the opening of two eye care centres in Milan (Italy).

It has been listed on the stock market since April 3, 2007.

Key financial data

In millions of euros unless otherwise indicated	2007	2006	2005
Sales	78	59	43
EBITDA	23	21	17
EBIT	18	18	14
Net profit	12	12	9
Earnings per share (euros)	0.74	0.72	0.58
Dividend per share (euros)	0.47	0.46	0.21
ROE (%)	62.7	63.4	65.4
Total assets	45	43	30
Net financial debt (*)	(3)	(7)	(9)
Shareholders' equity	20	19	14
Debt / Equity (%) (*)	(13.6)	(36.3)	(60.9)

Note: In 2005 and 2006 Clínica Baviera's financial year ended on November 30. In 2007 the closing date was changed to December 31.
(*) The negative numbers indicate that Clínica Baviera has a net cash surplus.

Clínica Baviera

Review of the company's operations during 2007

In 2007, Clínica Baviera carried out more than 62,000 eye operations (+30% compared to 2006) and had an estimated market share of 23.5% in refractive surgery in Spain. In total, Clínica Baviera's medical units attended to more than 73,000 patients during the year. At December 31, 2007, Clínica Baviera had 36 eye care clinics and counselling centres in Spain, one clinic in Italy and a team of 103 ophthalmic surgeons. During the year Clínica Baviera maintained the same strong pace of growth as in previous years, opening 6 new eye care centres and hiring a further 23 ophthalmic surgeons.

The company's strategy in ophthalmic services in Spain is to strengthen its leadership position by opening new clinics and growing the business of existing clinics, introduce the treatment of presbyopia, and increase its volume in other specialities such as cataract surgery. Outside Spain, Clínica Baviera so far has only one surgical clinic, in Milan (Italy), which was opened in December 2007. Its goal is to consolidate this clinic and open an additional centre, also in Milan, during the first half of 2008.

Turning to the cosmetic medicine business, Clínica Londres has significantly expanded its network of cosmetic and medical surgery and treatment centres in Spain, having opened five new clinics in 2007 and two more in early 2008, compared to the five it had at the beginning of 2007. At year-end 2007, Clínica Londres had a team of 37 highly qualified plastic surgeons and doctors, who performed a total of 2,015 operations during the year, 36.5% more than in 2006. The market share of Clínica Londres in cosmetic surgery in Spain in 2007 is estimated at 3.7%. There are still major opportunities for growth in what remains a highly fragmented market.

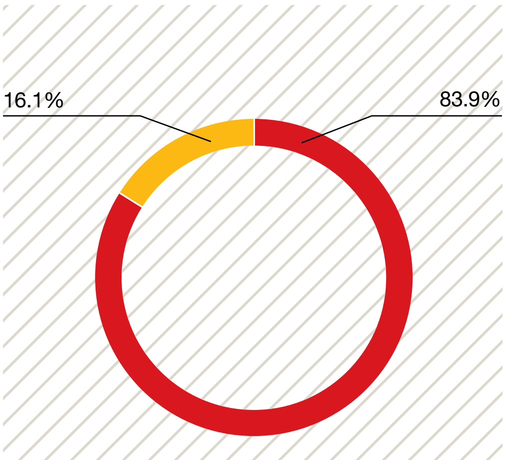
Clínica Baviera's strategy in the cosmetic medical business is to expand and consolidate Clínica Londres, with the aim of making it the leading company in its sector in Spain. This strategy will be implemented by opening new clinics in Spain, building a reputation for high quality services and treatments, and capitalising on the success of the business model developed in ophthalmic services.

The ophthalmic area accounts for the bulk of the group's sales, with turnover of 66 million euros in 2007, up 26.9% compared to the previous year. This growth is due partly to the strong performance of the clinics already in existence at the beginning of 2006, which increased their revenues by 16.1%, and partly to the opening of new clinics in 2006 and 2007, which accounted for 11.2% of total sales in 2007. Growth is expected to remain strong in 2008, due to the new openings, the growth of existing clinics and the greater contribution from the new clinics (3 of the 6 establishments opened in 2007 started operating in December and so had very little impact on turnover for 2007).

The EBITDA of the ophthalmic area increased 18.2% in 2007 to 25 million euros. The decrease in EBITDA margin from 40.4% in 2006 to 37.6% in 2007 is attributable to the pace of clinic openings and the scant contribution to 2007 revenues of the clinics opened at the end of the year.

The cosmetic surgery area is at the start of a major expansion phase, having doubled the number of clinics in Spain during 2007. Revenue from this business grew 60.6% in 2007 to 13 million euros. The 2007 EBITDA is slightly negative, on account of the start-up costs of the new clinics.

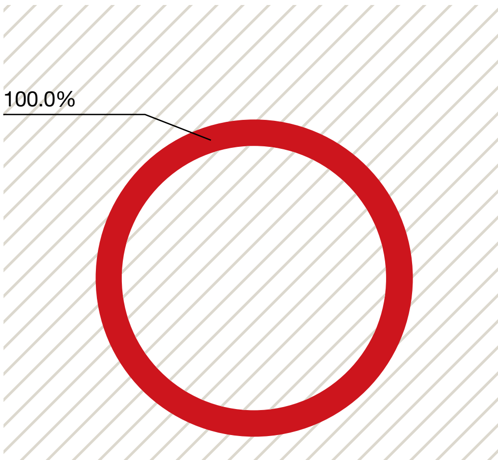
Sales by business segment



Total 2007: 78 millions of euros

■ Ophthalmology
■ Estetic

EBITDA by business segment



Total 2007: 25 millions of euros (*)

■ Ophthalmology

(*) 2007 EBITDA before IPO-related expenses of 2.2 million euros. The EBITDA of the cosmetic area is slightly negative, as a result of the expansion process.

Clínica Baviera

In 2007, all the company's sales and profit came from Spain, as the Milan clinic did not start operating until December and so had a minimum impact on profit for the year.

Overall, Clínica Baviera's sales were up 31.4% at 78 million euros, EBITDA up 6.4% at 23 million euros and net profit up 2.6% at 12 million euros. These results are affected by IPO-related expenses totalling 2.2 million euros. Excluding these non-recurring expenses, EBITDA rose 17.0% to 25 million euros, while net profit rose 15.3% to 14 million euros.

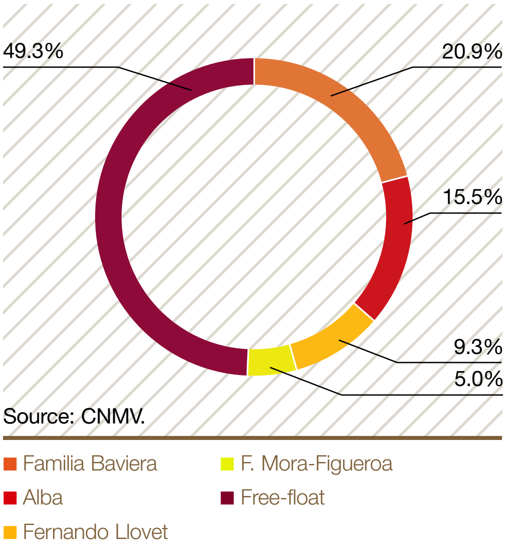
Investments totalling 12 million euros were made in 2007 in the opening of new clinics (57% of the total) and new equipment purchases and alterations to existing clinics (the remaining 43%). Some 66% of the investments went to ophthalmic services and the remaining 34% to the cosmetic medical area.

Clínica Baviera's high rate of cash generation has allowed it maintain a strong financial position. At December 31, 2007, it had a cash surplus of 3 million euros, despite the heavy investments made during the year and the distribution in February 2007 of 12 million euros in dividends out of 2006 earnings.

Shareholder structure

At December 31, 2007, Alba held 15.46% of the share capital of Clínica Baviera and was the second largest shareholder after Mr. Julio and Mr. Eduardo Baviera. It is expected that a representative of Alba will join Clínica Baviera's Board of Directors at the company's next General Meeting.

Clínica Baviera shareholder structure at 31/12/2007



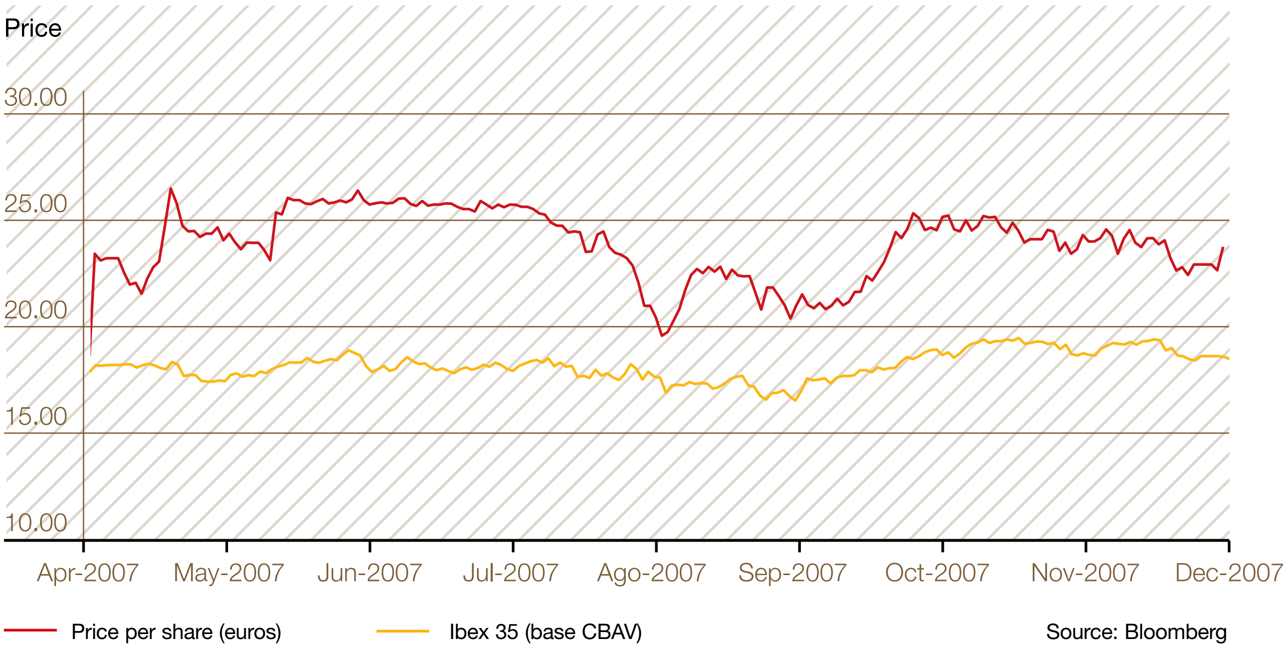
Source: CNMV.

Clínica Baviera

Clínica Baviera share price performance

The Clínica Baviera share started trading on April 3, 2007 at a price of 18.40 euros. The share gained 27.7% on its first day of trading, reaching 23.50 euros per share, making the Clínica Baviera IPO one of the most successful in 2007.

Clínica Baviera share price performance since April 3, 2007, the public offering



During the rest of the year, the share price remained within the range of 20.00 to 25.00 euros, ending the year at 23.81 euros, an increase of 29.4% with respect to the offering price.

Historical stock market data

	2007
Price in euros per share (closing prices)	
High	27.50
Low	19.50
Close	23.81
Number of shares in issue (thousands)	16,308
Stock market capitalization at 31/12 (million euros)	388
Volume traded	
Total number of shares (thousands)	22,259
Daily average:	
In thousands of shares	118
As % of total shares in issue	0.73%
In millions of euros	3
Dividend yield (on closing price for the year)	1.97%
P/E ratio (on closing price for the year)	32.2 x

Prosegur

Company description

Prosegur is the leader in Spain in private security services, with a significant presence in other countries in Europe and Latin America. At present, Prosegur has more than 600 facilities in 11 countries, 82,000 employees and a fleet of 4,700 vehicles.

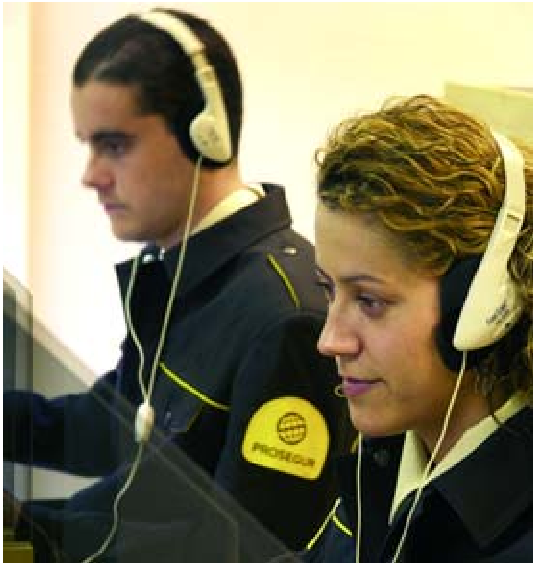
The company offers a wide range of services to corporate clients and private individuals, including active surveillance, telemonitoring and telesurveillance, intrusion protection, fire protection, cash management, ATM management, cash and valuables in transit, and consulting and training.

Key financial data

In millions of euros unless otherwise indicated	2007	2006	2005
Sales	1,842	1,628	1,388
EBITDA	210	148	152
EBIT	162	105	114
Net profit	98	58	65
Earnings per share (euros)	1.59	0.93	1.06
Dividend per share (euros)	0.71	0.65	0.33
ROE (%)	29.4	18.1	24.3
Total assets	1,358	1,123	1,031
Net financial debt	229	218	227
Shareholders' equity	382	335	322
Debt / Equity (%)	59.9	65.1	70.5

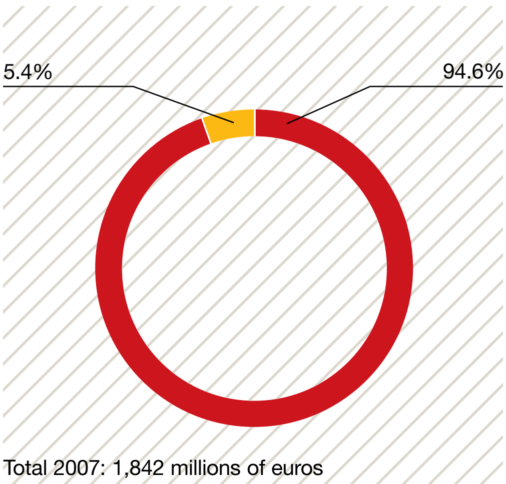
Prosegur

Review of the company's operations during 2007



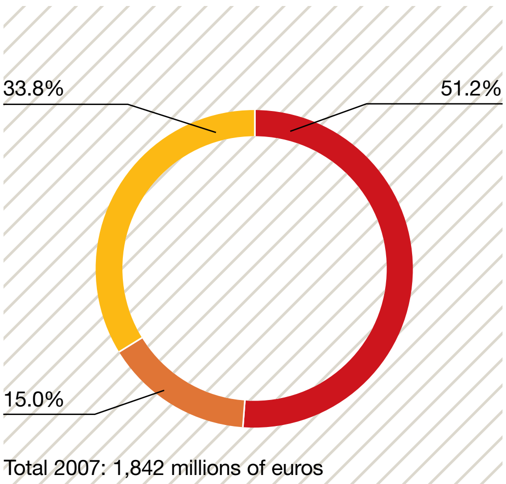
Prosegur closed the year with total consolidated sales of 1,842 million euros, up 13.1% on the previous year. Excluding the effect of the acquisitions made during the year, comparable organic growth was 11.1% (12.0% if we exclude the effect of exchange rates). Consolidated net profit climbed 70.7% to 98 million euros, with a significant improvement in operating margins, despite a provision of 20 million euros for possible claims relating to differences in the assessment of overtime in 2007 in Spain.

Sales by business segment



- Corporate security
- Home security

Sales by geography



- Spain
- Other European countries
- Latin America

The corporate security business, which comprises security and cash-in-transit, accounts for the bulk of group sales. In 2007, it saw a 13.2% increase in sales to 1,743 million euros. This growth is attributable to the good performance of all the businesses in all countries, notably the cash and valuables in transit and cash management businesses in Brazil, Argentina, Uruguay and Paraguay, and to the acquisitions made during the year. The home security area, which consists mainly of the alarms business, posted revenues of 99 million euros, up 11.9% on the previous year.

By geography, sales growth was strongest in Latin America, with a 24.4% increase, compared to 8.3% in Spain and 7.4% in the rest of Europe. Europe, with turnover of 1,219 million euros, accounted for 66.2% of group sales.

This was a very satisfactory year for the business in Latin America. Sales in Brazil grew 22.1% to 322 million euros. Revenue growth was 28.7% in the Argentina area and 10.3% in Peru. Only Chile saw a slight decline of revenues to 69 million euros, down -0.4%. If we exclude the impact of exchange rates, revenues increased 18.7% in Brazil, 41.5% in the Argentina area, 7.1% in Chile and 15.1% in Peru.

The business in Colombia, which was consolidated for the first time in 2007, contributed 21 million euros of revenues in 2007.

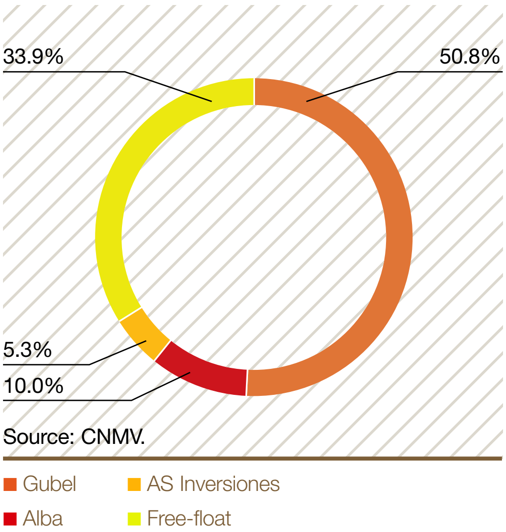
Investments in operations totalled 72 million euros in 2007, mainly for the expansion and renewal of the fleet of armoured vehicles and cash management centres in Latin America and for new technology in the cash and valuables in transit (CIT) area in Spain.

Prosegur

Shareholder structure

At December 31, 2007, Alba had a 10.01% interest in the share capital of Prosegur and was represented on the company's board of directors by Mr. Isidro Fernández Barreiro.

Prosegur shareholder structure at 31/12/2007



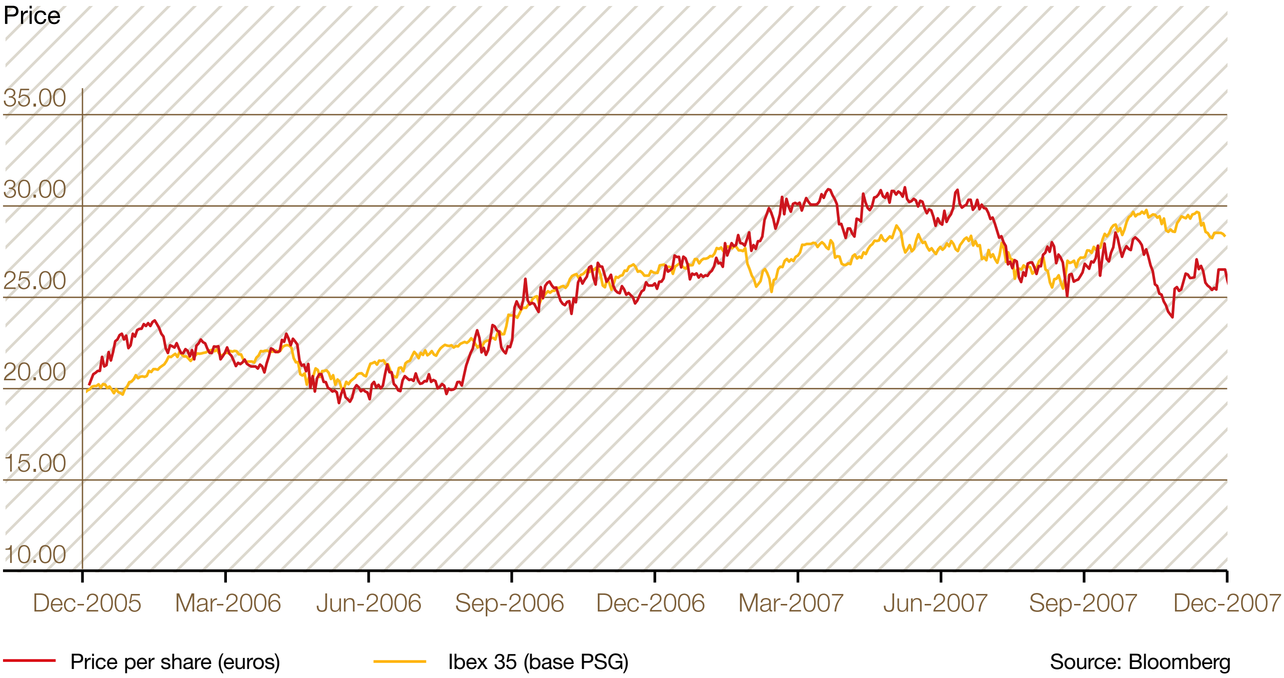
Source: CNMV.

Prosegur share price performance

During 2007, the Prosegur share fell slightly (-1.2%) to 24.40 euros per share. The year can be divided into two periods. During the first half of the year the share price trended upward, reaching an all-time closing high of 29.60 euros per share on June 5, while in the second half the price softened, hitting a low of 22.85 euros per share on November 22.

In any case, it is worth noting the strong performance of the Prosegur share in the July-September period, compared to sharp falls elsewhere in the equity markets.

Prosegur share price performance since December 31, 2005



Prosegur

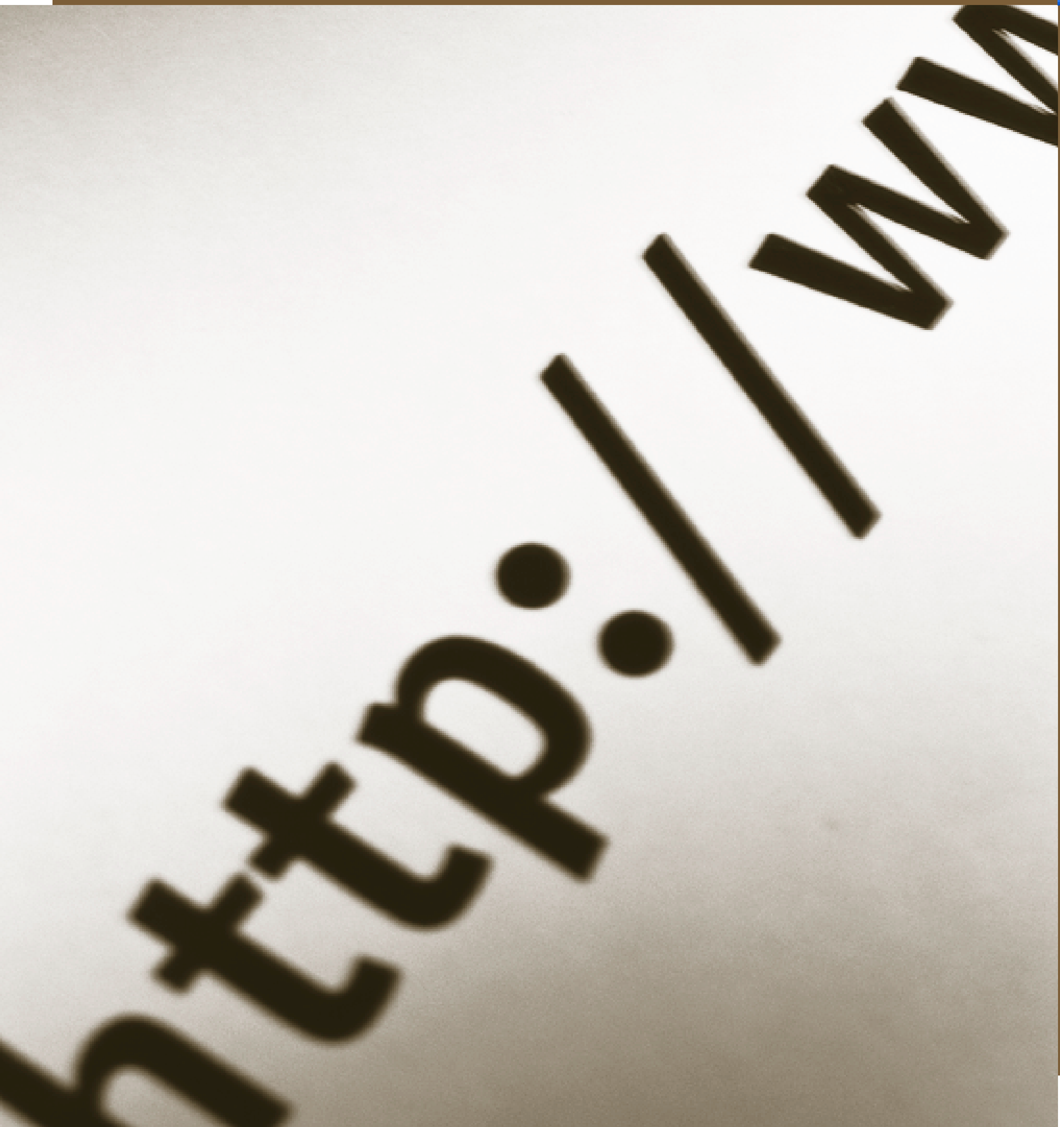
Historical stock market data

	2007	2006	2005
Price in euros per share (closing prices)			
High	29.72	26.10	21.91
Low	22.51	18.30	14.00
Close	24.40	24.70	19.32
Number of shares in issue (thousands)	61,712	61,712	61,712
Stock market capitalization at 31/12 (million euros)	1,506	1,524	1,192
Volume traded			
Total number of shares (thousands)	38,847	40,865	32,165
Daily average:			
In thousands of shares	154	161	126
As % of total shares in issue	0.25%	0.26%	0.20%
In millions of euros	4	4	2
Dividend yield (on closing price for the year)	2.92%	2.63%	1.71%
P/E ratio (on closing price for the year)	15.3 x	26.6 x	18.2 x

www.prosegur.es


PROSEGUR

Antevenio



Company description

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 admitted to trading on Alternext, the European market for small and mid-cap companies, based in Paris. 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.

During 2007, Antevenio showed strong organic growth and completed the acquisition of two companies (Netfilia in Spain and Webnation in Italy), which will allow it to boost its growth potential over the next few years.

Key financials

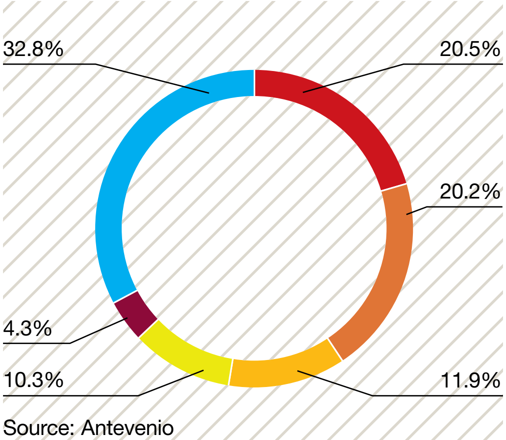
In millions of euros	2007	2006	2005
Shareholders' equity	11.7	2.2	1.5
Turnover	13.7	7.9	5.9
EBITDA	2.3	1.0	0.9
Net profit	1.9	1.0	0.8

Antevenio

Shareholder structure

At December 31, 2007, Alba was Antevenio's largest shareholder, with 20.54% of the capital. Alba is represented on Antevenio's board of directors by Mr. Javier Fernández Alonso.

Antevenio shareholder structure at 31/12/2007



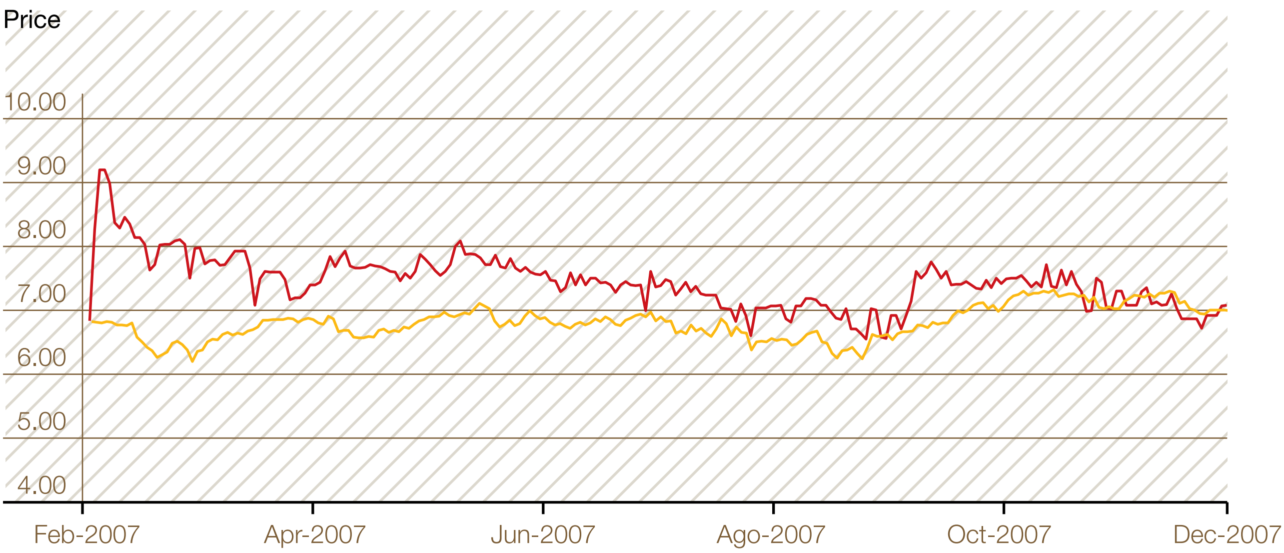
Source: Antevenio

- Alba
- Advertising Antwerpen
- Joshua Novick
- E-Ventures Capital
- Others
- Free-float

Antevenio share price performance

Since its public offering on February 15, 2007, the Antevenio share has performed unevenly, ending the year 6.9% higher, at 7.24 euros.

Antevenio share price performance since February 15, 2007 (Public offering)



Price per share (euros) — Ibex 35 (base ALANT)

Source: Bloomberg

Antevenio

On its first day of trading the price shot up 32.9% to 9.00 euros per shares, its maximum to date. Although the Antevenio share started trading under the “fixing” system, it soon switched to continuous trading once it met Alternext’s minimum daily liquidity requirements.

Historical stock market data

	2007
Price in euros per share (closing prices)	
High	°9.00
Low	6.41
Close	7.24
Number of shares in issue (thousands)	4,207
Stock market capitalization at 31/12 (million euros)	30
Volume traded	
Total number of shares (thousands)	1,890
Daily average:	
In thousands of shares	9
As % of total shares in issue	0.20%
In thousands of euros	54
Dividend yield (on closing price for the year)	0.00%
P/E ratio (on closing price for the year)	14.9 x

www.antevenio.com

Information about Equity Investments

Antevenio

IslaLink

IslaLink, founded in 1999, builds and operates undersea telecommunications cables and currently is the only independent operator of this type of infrastructure in Spain.

Since 2001, IslaLink has operated a 24-pair fibre optic submarine cable between the Iberian Peninsula and the Balearic Islands. This cable, measuring approximately 400 kilometres in length, connects Valencia and Palma de Mallorca.

Islalink's customers include most of the telecommunications operators currently present in the Spanish market. Besides bandwidth services, the company offers equipment co-location services in its facilities in Palma de Mallorca and Valencia. The company is currently considering various medium and long-term expansion projects. The declines in EBITDA and net profit in 2007 are due to the expenses incurred in developing these projects.

On February 9, 2007, Alba acquired 74.7% of IslaLink for a total of 15.1 million euros. The other shareholders are Sa Nostra, with 17.5%, and the company's own managers, with 7.8%.

Alba accounts for this shareholding using the full consolidation method.

Key financials

In millions of euros	2007	2006	2005
Shareholders' equity	19.3	20.5	22.3
Turnover	4.2	4.3	4.5
EBITDA	0.3	0.9	0.8
Net profit	(1.2)	(1.8)	(1.4)

www.islalink.com

Isofotón

Isofotón, founded in 1981, is one of the leading companies in Spain in the manufacture of photovoltaic solar cells and modules for electricity and heat generation. At year-end 2007, Isofotón had annual production capacity of more than 130 MW at its installations in Málaga and a total workforce of 896 employees.

Isofotón was a pioneer in the development of solar energy in Spain and has a large international presence, with sales offices in nine countries.

On July 31, 2007, Deyá Capital SCR, fully owned by Alba, acquired 26.09% of Isofotón's share capital through the purchase of new shares in the amount of 150 million euros. The proceeds of the share issue will be used to finance the major investments in capacity expansion and research envisaged in Isofotón's strategic plan for 2007-2011.

Isofotón has made significant investments in research and development, both in new technologies and in improvements to existing technologies and production processes.

Isofotón is a participant in the Silicio Energía project to build a solar-grade silicon production plant in Los Barrios (Algeciras), in partnership with Endesa, the Government of Andalusia and local savings banks and entrepreneurs.

At December 31, 2007, Alba's shareholding in Isofotón was 26.09%. The main shareholder was Grupo Bergé, a leading unlisted Spanish port and shipping group, specialising in car distribution, logistics and services.

Key financials

In millions of euros	2006	2005
Shareholders' equity	42	38
Turnover	164	139
EBITDA	8	9
Net profit	4	3

www.isofoton.es

INVESTMENT PROPERTY

Alba's investment properties, consisting mainly of office buildings in Madrid and Barcelona, have a total combined floor area of 83,182 square meters. According to a recent appraisal by C.B. Richard Ellis, the market value of these assets at December 31, 2007, is 275.3 million euros, similar to the market value one year earlier.

Lease income was 15.1 million euros in 2007, down 2.8% on the previous year, due to the sales of buildings related bellow.

During the year Alba acquired a floor of office space in a prime area of Madrid for 3.1 million euros and completed asset sales for a total of 73.9 million euros (with a gain of 26.9 million euros), most notably:

- Building plot in Palma de Mallorca with industrial buildings, warehouses and offices, which under the new General Urban Development Plan was sold for residential use in the first quarter of 2007. It had been held for 18 years, for an IRR of 17.2%.

- Office building in Madrid on the A2 highway, for which a sale agreement was signed before the summer. This building had been operated for 19 years, with an IRR of 8.6%.

- Floor of offices in Tarragona. IRR of 31.6% in 5 years.

Developments in the property market in the last four months of 2007 and the first few months of 2008 confirm the timeliness of these divestments.

As usual, Alba also invested where necessary in improvements to the fabric and fittings of various buildings, with investments totalling 0.6 million euros.

The occupancy of Alba's properties remained high throughout the year, increasing 3.5% to end the year at 97.8%.

Investment Property

Ciuco Gutiérrez
Photomontage on paper *(detail)*
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Financial Statements

Corporación Financiera Alba, S.A.
and Dependent Companies

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2007 AND 2006

ASSETS

		In thousands of euros	
	Notes	2007	2006
Investment property	5	275,266	276,841
Tangible fixed assets	6	34,747	12,518
Intangible assets		2,065	33
Investments in associates	7	2,782,522	1,947,847
Available-for-sale financial assets	8	150,417	76,732
Other financial assets	9	3,804	1,905
Other non-current assets	4.k)	16,895	-
NON-CURRENT ASSETS		3,265,716	2,315,876
Trade receivables and other receivables	10	3,729	80
Current tax assets		1,440	1,780
Available-for-sale financial assets	8	648	16,706
Held-for-trading financial assets	11	49,179	261,449
Cash and cash equivalents	12	3,218	21
CURRENT ASSETS		58,214	280,036
TOTAL ASSETS		3,323,930	2,595,912

Translation of reports and consolidated financial staments issued in spanish in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

Corporación Financiera Alba, S.A.
and Dependent Companies

SHAREHOLDERS' EQUITY AND LIABILITIES

In thousands of euros

	Notes	2007	2006
Share capital	13	64,100	65,100
Retained earnings		2,854,295	2,384,967
Treasury shares	13	(96,479)	(18,825)
Other reserves	13	2,103	(45,782)
Interim dividend	3	(3,776)	(3,879)
SHAREHOLDERS' EQUITY		2,820,243	2,381,581
Minority interests		4,847	0
TOTAL SHAREHOLDERS' EQUITY		2,825,090	2,381,581
Other financial liabilities	9	2,006	2,071
Provisions	15	24,297	40,981
Other non-current liabilities	4.k)	23,819	0
NON-CURRENT LIABILITIES		50,122	43,052
Trade payables and other payables	16	38,353	22,909
Current tax liabilities		0	458
Liabilities to credit institutions	17	410,365	147,912
CURRENT LIABILITIES		448,718	171,279
TOTAL EQUITY AND LIABILITIES		3,323,930	2,595,912

Corporación Financiera Alba, S.A.
and Dependent Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

In thousands of euros

	Notes	2007	2006
Profit (loss) on disposal of investment properties	5	26,944	-
Profit (loss) on disposal of financial assets	7, 8 and 11	45,129	555,360
Share of the profit or loss of associates	7	423,277	365,599
Financial revenue	23.b)	16,510	22,262
Lease income, insurance premium income and other income	22	19,563	15,671
Changes in the fair value of investment properties	5	37,199	16,773
Staff costs	23.a)	(10,133)	(27,049)
Other operating expenses	22	(12,216)	(7,578)
Net provisions	15	-	(15,380)
Financial expenses and exchange differences		(18,736)	(6,646)
Depreciation and amortisation		(2,610)	(881)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING ACTIVITIES		524,927	918,131
Corporate income tax expense		(37)	174
PROFIT (LOSS) FROM CONTINUING ACTIVITIES		524,890	918,305
Minority interests		371	-
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT COMPANY		525,261	918,305
Average number of shares outstanding during the year (excluding treasury shares)		63,623,951	64,876,073
Basic and diluted earnings per share (euros/share)		8.26	14.15

Corporación Financiera Alba, S.A.
and Dependent Companies

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (Note 13)

In thousands of euros

	Share capital	Retained earnings	Treasury shares	Other reserves	Interim dividend	Shareholders' equity	Minority interests	Total shareholders' equity
BALANCE AT JANUARY 1, 2006	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 assets of associates (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 (loss) for the year	-	918,305	-	-	-	918,305	-	918,305
Total income (expenses) for the year	-	918,817	-	(613,405)	-	305,412	(2,118)	303,294
Interim dividend	-	(3,879)	-	-	3,879	-	-	-
Dividends paid during the year	-	(3,936)	-	-	(3,822)	(7,758)	-	(7,758)
Redemption of capital	(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
Increase (decrease) in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(9,411)	-	(9,411)	-	(9,411)
Changes in consolidated net assets of associates (Note 7)	-	-	-	85,273	-	85,273	-	85,273
Other	-	(50)	-		-	(50)	4,476	4,426
Total income and expenses for the year recognised directly in equity	-	(50)	-	75,862	-	75,812	4,476	80,288
Profit (loss) for the year		525,261	-	-	-	525,261	371	525,632
Total income (expenses) for the year	-	525,211	-	75,862	-	601,073	4,847	605,920
Interim dividend	-	(3,879)	-	-	3,879	-	-	-
Dividends paid during the year	-	(3,846)	-	-	(3,776)	(7,622)	-	(7,622)
Redemption of capital	(1,000)	(48,161)	49,161	-	-	-	-	-
Purchase of own shares	-	-	(126,812)	-	-	(126,812)	-	(126,812)
Reclassification of Available-for-sale assets to Investments in associates	-	-	-	(27,977)	-	(27,977)	-	(27,977)
BALANCE AT DECEMBER 31, 2007	64,100	2,854,292	(96,476)	2,103	(3,776)	2,820,243	4,847	2,825,090

Translation of reports and consolidated financial staments issued in spanish in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

Corporación Financiera Alba, S.A.
and Dependent Companies

CONSOLIDATED CASH FLOW STATEMENT
(Note 27)

In thousands of euros

	Notes	2007	2006
OPERATING ACTIVITIES			
Profit for the year		525,261	918,305
Amortisation and depreciation		2,610	881
Changes in the fair value of investment properties	5	(37,199)	(16,773)
Share of the profit or loss of associates	7	(423,277)	(365,599)
Profit (loss) on disposal of financial assets	7, 8 and 11	(45,129)	(555,360)
Profit (loss) on disposal of investment properties	5	(26,944)	-
Provisions for liabilities and charges	15	-	15,380
Deferred expenses		-	14,423
Purchases of equity investments		(569,727)	(660,885)
Sales of equity investments		68,578	718,747
Purchases of investment properties		(3,606)	(6,500)
Sales of investment properties		69,210	-
Purchases of held-for-trading financial assets		-	(163,313)
Sales of held-for-trading financial assets		200,272	-
Financial revenue	23.b)	(16,510)	(22,262)
Financial expenses		18,736	6,646
Dividends received		128,451	64,873
Corporate income tax	19	37	(174)
NET CASH FROM OPERATING ACTIVITIES		(109,237)	(51,611)
INVESTING ACTIVITIES			
Purchases of own shares	13	(126,812)	(39,581)
Other items		3,151	4,040
NET CASH FROM INVESTING ACTIVITIES		(123,661)	(35,541)
FINANCING ACTIVITIES			
Dividend payments	3	(7,622)	(7,766)
Net interest		(18,736)	(5,746)
Liabilities to credit institutions		262,453	93,627
NET CASH FROM FINANCING ACTIVITIES		236,095	80,115
INCREASE (DECREASE) IN NET CASH		3,197	(7,037)
CASH AND CASH EQUIVALENTS AT 01/01 (NOTE 12)		21	7,058
CASH AND CASH EQUIVALENTS AT 31/12 (NOTE 12)		3,218	21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

1. Activities

Corporación Financiera Alba, S.A. (Alba) is a holding company that has controlling and minority interests in a number of subsidiaries and associates in various industries, as detailed below. Its primary activities also include property leasing, telecommunications-related businesses and investment in new companies.

Given the nature of its business activities, Alba has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to its net assets, financial situation or results. For that reason, these notes to the consolidated financial statements contain no specific disclosures on environmental matters.

2. Basis of Presentation of the consolidated financial statements

2.1. Accounting principles

Alba's consolidated financial statements for 2007 have been prepared on the basis of the accounting records of the group companies in accordance with the latest version of International Financial Reporting Standards (hereinafter "IFRS"), as adopted by the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, that were applicable before December 31, 2007. These financial statements give a true and fair view of Alba's net assets, consolidated financial position and consolidated results at December 31, 2007 and of the changes in consolidated equity and the consolidated cash flows for the year then ended. Alba estimates that adoption of the standards, amendments and interpretations applicable to reporting periods starting January 1, 2008 will not have a significant impact on the consolidated financial statements for the period of initial application.

The valuation principles and standards used are described in Note 4 to these consolidated financial statements. No obligatory accounting principle or valuation standard that might have a significant impact on these consolidated financial statements has been omitted in their preparation.

For comparison purposes, the directors of the Company present the figures for 2006 alongside the 2007 figures for each item in these consolidated financial statements.

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

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

For the preparation of certain information included in these consolidated financial statements 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 financial statements relate to:

- Impairment losses and the useful lives of tangible assets (Notes 4.b and 6).
- The testing of consolidation goodwill for impairment (Note 4.c).

The estimates and assumptions used are reviewed regularly. If estimates were to change as a result of such reviews or future events, the effect of the 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, Managing Director and Finance Director of Corporación Financiera Alba, S.A., certify that the consolidated financial statements for the year ended December 31, 2007, presented to the Board of Directors of Corporación Financiera Alba, S.A. for authorisation, are complete and provide a true and fair view of the financial position of the consolidated group 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.

At its meeting on March 26, 2008, the Board of Directors authorised these financial statements, with a view to their verification by the Auditors and subsequent approval by the General Meeting.

2.4. Subsidiaries

Subsidiaries are companies that form a single decision-making unit with the parent company, i.e. companies over which the parent company has control, control being understood as the power to govern a company's financial and operating policies. The Company understands control to exist when it holds a majority of the voting rights in a company, has the power to appoint or remove a majority of the directors, controls a majority of the voting rights under agreements with other shareholders, or has appointed a majority of the directors exclusively with its votes.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. any discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent, except when the minority has a binding obligation to fund those losses.

Furthermore, third-party ownership interests in:

- The equity of the Company's subsidiaries are shown in "Minority interests" in the consolidated balance sheet.
- The subsidiaries' profit for the year are presented in "Minority interests" in the consolidated profit and loss account and, where appropriate, the statement of recognised income and expense or the statement of changes in equity.

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

Corporación Financiera Alba, S.A.
and Dependent Companies

Information for 2007 and 2006 and the change with respect to 2006 is shown below:

				Thousands of euros				
		Percentage shareholding			At 31-12-07		At 31-12-06	
Subsidiary	Activity	At 31-12-07	Change in 2007	Net cost in books prior to consolidation	Shareholders' equity before profit distribution	Profit	Shareholders' equity before profit distribution	Profit
Alba Participaciones, S.A. Castelló, 77, 5ª planta 28006-Madrid	Securities investment	100.00	-	117,633	1,781,859	179,665	1,383,571	468,288
Deya Capital, S.C.R de Régimen Simplificado, S.A.	Venture capital company	100.00	100.00	151,200	151,200	55	-	-
Artá Capital, Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Private equity fund management company	62.86	62.86	44	70	(136)	-	-
Islalink, S.A.	Telecommunications	74.68	74.68	15,070	20,508	(1,214)	22,297	(1,789)

In 2007, the group acquired a 74.68% equity interest in Islalink, S.A. and created two new companies, Deya Capital, S.C.R. de Régimen Simplificado, S.A. and Artá Capital, Sociedad Gestora de Entidades de Capital Riesgo, S.A. The investment in Islalink, S.A. has been recognised at the value of the net assets acquired, as it is considered that there are no unrealised gains or losses in these assets.

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 was reclassified as an associate.

Ernst & Young is the auditor of Deya Capital, S.C.R. de Régimen Simplificado, S.A. and of Islalink, S.A.

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 duration of the shareholding.

Information for 2007 and the change with respect to 2006 is shown below:

			Percentage shareholding	
Associate	Registered address	Activity	At 31-12-07	Change in 2007
Acerinox, S.A.	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of flat stainless steel products	23.24	2.44
ACS, Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102 (Madrid)	Construction and services	22.13	0.99
Antevenio, S.A.	Marqués de Riscal, 11 (Madrid)	Internet advertising	20.54	(8.26)
Prosegur, Compañía de Seguridad, S.A.	Pajaritos, 24 (Madrid)	Security, cash transport and alarms	10.01	5.00
Clínica Baviera, S.A.	Paseo de la Castellana, 20 (Madrid)	Ophthalmic and cosmetic medical services	15.46	15.46
March Unipsa Correduría de Seguros, S.A.	Lagasca,88 (Madrid)	Insurance brokerage	-	(35.00)
March Gestión de Fondos, S.G.I.I.C., S.A.	Castelló, 74 (Madrid)	Collective investment scheme manager	-	(35.00)
March Gestión de Pensiones, S.G.F.P., S.A.	Castelló, 74 (Madrid)	Pension fund manager	-	(35.00)

In 2007, the group acquired an additional 5.01% of Prosegur, Compañía de Seguridad, S.A. As a result, the investment was reclassified from Available-for-sale financial assets to Investments in associates, as the abovementioned requirements were met.

In 2007, ACS, Actividades de Construcción y Servicios, S.A. was audited by Deloitte; Acerinox, S.A. by KPMG Auditores, S.L.; Clínica Baviera, S.A. by Ernst & Young; and Prosegur, Compañía de Seguridad, S.A. by PriceWaterhouseCoopers.

In 2006, 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. were audited by Deloitte; Unipsa Correduría de Seguros, S.A. by PriceWaterhouseCoopers; and Acerinox, S.A. by KPMG Auditores, S.L.

3. Distribution of Profits

The proposed distribution of profit for 2007 which the Board of Directors will submit to the General Meeting for approval and the distribution of profit for 2006 approved by the General Meeting are as follows:

	2007	2006
Distribution bases		
Profit / (Loss)	525,261	918,305
Distribution		
To reserves	517,758	910,547
To dividends	7,503	7,758
Total	**525,261**	**918,305**

The profit of the parent company and its subsidiaries will be distributed as decided by each company's General Meeting.

The dividends paid by the parent company in 2007 and 2006 were as follows:

2007	No. of shares with voting rights	Dividend (€/ share)	Thousands of euros
Interim dividend for 2007	62,926,419	0.06	3,776
Final dividend for 2006	64,100,000	0.06	3,846
2006			
Interim dividend for 2006	64,648,301	0.06	3,879
Final dividend for 2005	64,789,245	0.06	3,887

The directors will recommend a final dividend of 0.06 euros per share for shares in issue at the date of the dividend payment.

In order to comply with Article 216 of the Law on Public Limited Companies regarding the distribution of interim dividends, at its meeting on September 26, 2007 the Board of Directors of Corporación Financiera Alba, S.A. 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 Law on Public Limited Companies, to prepare the following statement of financial position, which relates, as stipulated, to the individual, rather than the consolidated, financial position of Corporación Financiera Alba:

				Thousands of euros
1.	Maximum amount to be distributed			3,825
2.	Distributable profit			42,301
	2.1	Accumulated profit at 31-8-07	42,301	
	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, 2007, the cash available to the Company was 68,133 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 2007 of 0.06 euros per share, excluding the amount attributable to the treasury shares held by the Company on the day said interim dividend is paid."

4. Valuation standards

The principal valuation standards used in the preparation of the consolidated financial statements are as follows:

a) Investment property (Note 5)

Investment properties, 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. Investment properties are not depreciated.

b) Tangible fixed assets (Note 6)

In application of IFRS 1, “First-time adoption of international financial reporting standards”, owner-occupied property 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.

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 a 6
Machinery and installations	8 a 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, 2007 and 2006, there were no assets that could be considered impaired.

c) Investments in associates and Goodwill (Note 7)

Alba's investments in associates are accounted for using the equity method. Under this method, the investments are carried at cost, which includes Alba's share of the associates' equity, plus any unrealised capital gains from goodwill, plus any 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 is most of the investments in 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 any 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 the profit or loss of associates" caption.

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

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

This includes investments in companies over which the parent does not have significant influence or in which, although the parent has significant influence, the ownership interest was acquired by a private equity company.

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

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 impairment is recognised in profit and loss and if the impairment loss is reversed, the gain is recognised in 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.

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

f) Treasury shares (Note 13)

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

g) Provisions (Note 15)

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 19)

Corporate income tax is recorded in profit or loss, or in shareholders' 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 allow the assets to be recovered.

i) Alternative pension plan systems

Alba has outsourced 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 and the fair value of the assets (insurance policies) associated with the coverage of said commitments.

	31-12-07	31-12-06
Commitments for pensions of retired personnel	7,888	5,635
Risks for pensions of active personnel	40,027	39,718
Accrued	32,264	32,604
Unaccrued	7,763	7,114
Commitments to cover	40,152	38,239
Fair value of the plan`s (polices)	41,541	39,308

Contributions to the two systems are made separately to the relevant insurance companies. The personnel cost recognised in the consolidated profit and loss account is detailed in note 23.a.

j) Revenue recognition

Revenue and expenses are allocated on an accrual basis.

k) Other non-current assets and liabilities

Capacity exchange agreement

La actividad principal de la SociedThe principal activity of the subsidiary Islalink, S.A. consists of building and operating undersea fibre optic networks for the transportation of voice, data, Internet and television. Its first project connects Palma de Mallorca with Valencia via a 24-pair fibre optic cable. In 2002 Islalink, S.A. entered into a service agreement with another telecom operator, whereby the two companies have agreed to exchange cable capacity. The contract has a term of 14 years and the consideration for the exchange amounts to 31.5 million euros. This amount was billed in full by both parties in 2002. The amount billed by Islalink was recognized in full as “Deferred income” and the amount billed by the other company, as “Deferred expenses”. There were no gains or losses to the Company from this transaction. The deferred income and expense is recognised in profit or loss on a straight line basis over the term of the contract. At December 31, 2007, deferred income and expense from this transaction accounts for the total balance of the “Other non-current assets" account and 16,895 thousand euros of the "Other non-current liabilities" account in the accompanying balance sheet.

5. Investment properties

This caption includes property for lease carried at fair value. At December 31, 2007 and 2006, this property was valued by C.B. Richard Ellis, S.A., specialists in appraising this kind of investment.

The geographical distribution of the fair value is as follows:

	2007	2006
Madrid	221,950	212,871
Barcelona and Tarragona	45,000	39,990
Palma de Mallorca	5,900	22,280
Other	2,416	1,700
Balance at December 31	275,266	276,841

Movement in the "Investment properties" account is as follows:

Balance at 1-1-06	252,824
Additions	7,244
Revaluation	16,773
Balance at 31-12-06	276,841
Additions	3,606
Retirements	(42,380)
Revaluation	37,199
Balance at 31-12-07	275,266

	2007	2006
Floor area above ground level square meters	83,182	98,779
Rented floor area	81,318	93,129
% floor area unoccupied	2.2%	5.7%

Additions in 2007 correspond to the purchase of an office building in Madrid and improvements made to certain buildings intended for lease. Retirements correspond to the sale of an office building in Madrid, a warehouse in Palma de Mallorca and an office building in Tarragona, yielding a gain of 26,944 thousand euros.

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

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 1-1-06	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
Additions	250	30,034	30,284
Balance at 31-12-07	16,462	32,672	49,134
Accumulated depreciation			
Balance at 1-1-06	(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)
Additions	(901)	(7,154)	(8,055)
Balance at 31-12-07	(5,310)	(9,077)	(14,387)
Net tangible fixed assets at 31-12-06	11,803	715	12,518
Net tangible fixed assets at 31-12-07	11,152	23,595	34,747

The additions in 2007 are due mainly to the inclusion of Islalink, S.A. in the scope of consolidation.

The retirements in 2006 are due to the exclusion of Unipsa Correduría de Seguros, S.A. (now March Unipsa Correduría de Seguros, S.A.) from the scope of consolidation and its transfer to Investments in associates.

On first-time application of International Financial Reporting Standards, Corporación Financiera Alba, S.A. recognised its headquarters building at fair value, in accordance with IFRS 1. The impact on reserves was 8,382 thousand euros.

Adequate insurance cover is provided for potential risks to tangible fixed assets.

7. Investments in associates

Changes in this caption in 2007 are shown in the following table:

Company	Consolidated cost at 1-1-07	Share of profit (loss)	Dividends received	Acquisitions (disposals)	Changes in consolidated net assets of associates	Transfer to available-for-sale assets	Consolidated cost at 31-12-07	Market value at 31-12-07
Acerinox, S.A.	702,085	68,261	(19,912)	110,514	(36,818)	-	824,130	1,015,144
ACS, Actividades de Construcción y Servicios, S.A.	1,239,603	342,895	(96,271)	149,827	122,068	-	1,758,122	3,174,125
Antevenio, S.A.	661	407	-	-	1,358	-	2,426	6,048
Clínica Baviera, S.A.	-	728	-	57,702	58	-	58,488	60,024
March Gestión de Fondos, S.G.I.I.C., S.A.	1,624	201	(180)	(1,645)	-	-	-	-
March Gestión de Pensiones, S.G.F.P., S.A.	1,012	28	-	(1,040)	-	-	-	-
March Unipsa Correduria de Seguros, S.A.	2,862	1,880	(1,991)	(2,751)	-	-	-	-
Prosegur, Compañía de Seguridad, S.A.	-	8,877	(2,865)	86,399	(1,393)	48,338	139,356	150,670
Total	1,947,847	423,277	(121,219)	399,006	85,273	48,338	2,782,522	4,406,011

The changes in the shareholders' equity of Acerinox, S.A. in 2007 correspond to translation differences. In the case of ACS, Actividades de Construcción y Servicios, S.A., the changes are due mainly to revaluations of available-for-sale investments and movements in treasury shares.

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

Company	Consolidated cost at 1-1-06	Share of profit (loss)	Dividends received	Acquisitions (disposals)	Changes in consolidated net assets of associates	Transfer to available-for-sale assets	Consolidated cost at 31-12-076	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	(at)
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)	-	-
Urquijo Correduría de Seguros, S.A.	71	-	-	-	-	(71)	-	-
GDS Correduría de Seguros, S.A.	215	-	-	-	-	(215)	-	-
Carrefour Correduría de Seguros, S.A.	81	-	-	-	-	(81)	-	-
Total	1,082,706	365,599	(53,047)	660,837	(107,623)	(625)	1,947,847	4,429,551

(a) Antevenio started trading at 6,77 €/share, which puts the value of our investment at 5,849 thousand euros.

The changes in the shareholders' equity of Acerinox, S.A. in 2006 correspond to translation differences. In the case of ACS, Actividades de Construcción y Servicios, S.A., the changes are due mainly to translation differences, purchases and sales of treasury shares and changes in the fair value of financial instruments.

Gains and losses on disposal of investments in associates, recorded under "Profit (loss) on disposal of financial assets" in the profit and loss account, are as follows:

	2007	2006
March Unipsa, Correduría de Seguros, S.A.	39,669	21,326
March Gestión de Fondos. S.G.I.I.C., S.A.	3,307	-
Prosegur, Compañía de Seguridad, S.A.	2,452	-
March Gestión de Pensiones, S.G.F.P., S.A.	27	-
Total	45,455	21,326

Information regarding the financial statements of associates is provided below:

	Assets		Liabilities			
For 2007	Current	Non-current	Current	Non-current	Sales	Consolidated profit (loss)
Acerinox, S.A.	2,884,330	1,561,976	1,460,567	678,139	6,900,833	312,304
ACS, Actividades de Construcción y Servicios, S.A.	14,972,593	34,620,851	17,691,663	21,460,746	21,311,677	1,551,115
Antevenio, S.A.	15,007	3,709	6,704	151	14,573	1,893
Prosegur, Compañía de Seguridad, S.A.	694,154	664,321	589,456	386,602	1,841,795	98,301
Clínica Baviera, S.A.	13,850	31,398	14,295	11,076	78,382	12,130

	Assets		Liabilities			
For 2006	Current	Non-current	Current	Non-current	Sales	Consolidated profit (loss)
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. (datos al 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

Notice of changes in shareholdings

Notice of the acquisition, modification or transfer of shares in a company has been given if the resulting ownership percentage exceeds the threshold applicable at any given time.

In 2007, the Company gave such notice to:

Prosegur, Compañía de Seguridad, S.A. that it had reached a shareholding of	10.01 %
Clínica Baviera, S.A. that it had reached a shareholding of	5.00 %
Clínica Baviera, S.A. that it had reached a shareholding of	15.46 %
Islalink, S.A. that it had reached a shareholding of	74.68 %
Isofotón, S.A. that it had reached a shareholding of	26.09 %
March Unipsa Correduría de Seguros, S.A., sale of	35.00 %
March Gestión de Fondos, S.G.I.I.C., S.A., sale of	35.00 %
March Gestión de Pensiones, S.G.F.P., S.A., sale of	35.00 %

In 2006, the Company gave notice 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 %
ACS, 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 %

8. Available-for-sale financial assets

The detail of this caption as of December 31, 2007 and 2006 is as follows:

	2007				2006			
		Fair value				Fair value		
	% holding	In million of euros	In foreign currency	Revaluation reserve	% holding	In million of euros	In foreign currency	Revaluation reserve
Long term								
Isofotón, S.A.	26.09	150,000	-	-	-	-	-	-
Prosegur, Compañía de Seguridad, S.A.	-	-	-	-	5.01	76,315	-	27,977
C. E. Extremadura, S.A.	2.55	417	-	-	2.55	417	-	-
Total	-	150,417	-	-	-	76,732	-	27,977
Short term								
Celtel International BV	-	-	-	-	0.45	11,396	15,041	8,736
Spirent, plc	-	-	-	-	0.62	4,641	3,128	675
Other	-	648	856	-	-	669	856	-
Total	-	648	-	-	-	16,706	-	9,411

Gains and losses on disposal of available-for-sale financial assets, recorded under "Profit (loss) on disposal of financial assets" in the profit and loss account, are as follows:

	2007		2006	
	%	Importe	%	Importe
Celtel International B.V.	0.45	8,865	-	-
Spirent, plc	0.62	2,069	-	-
Carrefour, S.A.	-	-	2.53	492,941
Prosegur, Compañía de Seguridad, S.A.	-	-	0.23	1,081
Xfera, S.A.	-	-	11.35	584
Otros	-	738	-	1,823
Total		11,672		496,429

9. Other non-current financial assets and liabilities

The detail of "Other financial assets" at December 31, 2007 and 2006 is as follows:

	2007	2006
Guarantees received from customers	1,872	1,905
Other financial assets	1,932	-
Balance at December 31	**3,804**	**1,905**

The detail of "Other financial liabilities" at December 31, 2007 and 2006 is as follows:

	2007	2006
Guarantees given to public bodies	2,006	2,033
Otros	-	38
Balance at December 31	**2,006**	**2,071**

10. Trade receivables and other receivables

The detail of this caption as of December 31, 2007 and 2006 is as follows:

	2007	2006
Prepaid expenses	2,335	-
Sundry debtors	492	80
Trade receivables	902	-
Balance at December 31	**3,729**	**80**

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, 2007 and 2006, by currency, is as follows:

	2007		2006	
Currency	In Thousand of euros	In foreign currency	In Million of euros	In foreign currency
In euros	49,179	-	254,207	-
In pounds	-	-	7,242	4,880
Total	**49,179**	**-**	**261,449**	**4,880**

The impact on the consolidated profit and loss account of the changes in the fair value of held-for-trading financial assets, according to the prices quoted in organized exchanges, was 11,999 thousand at December 31, 2007 and 33,590 thousand euros at December 31, 2006.

12. Cash and cash equivalents

The detail of this caption as of December 31, 2007 and 2006 is as follows:

	2007	2006
Cash and banks	586	21
Deposits and short-term investments	2,632	-
Balance at December 31	**3,218**	**21**

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

13. Shareholders' equity

At December 31, 2007, the Company's issued share capital was represented by 65,100,000 fully paid bearer shares with a par value of 1 euro each, all of which were publicly traded (Spanish Stock Exchange Interconnection System, SIBE). In June 2007, by resolution of the Ordinary General Meeting of May 30, 2007, 1,000,000 shares were cancelled. As a result, share capital is now represented by 64,100,000 shares. At December 31, 2006, the Company's issued share capital was represented by 64,100,000 fully paid bearer shares with a par value of 1 euro each, all of which were publicly traded (Spanish Stock Exchange Interconnection System, SIBE).

In the General Meeting held on May 25, 2004, the shareholders of Corporación Financiera Alba, S.A. granted the Board of Directors authority to increase share capital one or more times up to a maximum of 50% of share capital, against cash contributions, within a maximum period of five years. This authority has not been exercised to date.

Corporación Financiera Alba, S.A. is part of the Banca March Group, which at December 31, 2007 directly controlled 31.90% of Corporación Financiera Alba, S.A.'s capital.

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

At year-end 2007, Banca March, S.A. and its shareholders jointly controlled 65.35% of Corporación Financiera Alba, S.A. Other significant shareholdings at December 31, 2007 are as follows:

BESTINVER GESTION, S.A., S.G.I.I.C.	3.036
THE EGERTON EUROPEAN DOLLAR FUND LIMITED	1.591

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

	2007	2006
Due to changes in the consolidated net assets of associates		
Treasury shares	(97,231)	(52,994)
Translation differences	(81,556)	(34,346)
Valuation of financial instruments	174,646	6,635
Other	6,244	(2,465)
Due to revaluation of available-for-sale assets	-	37,388
TOTAL	2,103	(45,782)

Movements in treasury shares in 2007 and 2006 were as follows:

	No. of shares	Percentage of share capital	Average price of acquisition (euros/share)	In Thousand of euros
At January 1, 2006	861,000	1.29%	26.32	22,658
Purchased	955,686	1.46%	41.41	39,581
Cancelled (General Meeting 14/12/05)	(860,000)	1.29%	26.30	(22,622)
Cancelled (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
Purchased	2,529,305	3.94%	50.14	126,812
Cancelled (General Meeting 30/05/07)	(1,000,000)	1.54%	49.16	(49,161)
At December 31, 2007	1,985,991	3.10%	48.58	96,479

The purchases were made during the year in response to the considerable discount of Alba's trading price in relation to its net asset value.

14. Capital management policy

The main objective of the group's capital management policy is to guarantee a capital structure based on compliance with current regulations in Spain.

The company's gearing ratio at year-end 2007 and 2006 was as follows:

	2007	2006
+ Liabilities to credit institutions	410,365	147,912
- Cash and cash equivalents	(3,218)	(21)
- Held-for-trading financial assets	(49,179)	(261,449)
Total net debt	357,968	(113,558)
Shareholders' equity	2,820,243	2,381,581
Shareholders' equity + debt	3,178,211	n.p.
Gearing ratio	11,26%	n.p.

15. Provisions

Movements in provisions in 2007 and 2006 were as follows:

	2007	2006
Balance at January 1	40,981	21,265
Additions	1,397	30,926
Applications	(18,081)	(11,210)
Balance at December 31	24,297	40,981

Allocations for 2007 reflect the restatement of existing provisions to reflect interest expense, the interest being recorded in "Financial expenses and exchange differences" in the profit and loss account.

Applications in 2007 include 16,250 thousand euros corresponding to Alba's liability under guarantees provided to Xfera, S.A.

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 arising 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 for 2006 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 dismissing the appeal against the tax assessment.

16. Trade payables and other payables

The detail of this caption as of December 31, 2007 and 2006 is as follows:

	2007	2006
Trade payables	2,465	4,544
Accrued wages and salaries	19,620	17,512
Social security payable	51	45
Accrued interest not yet due	3,823	350
Tax payable	570	458
Other	11,824	-
Balance at December 31	**38,353**	**22,909**

Accrued wages and salaries" includes accrued extraordinary bonus pay linked to the increase in net asset value.

17. Liabilities to credit institutions

The breakdown of this item by maturity at December 31, 2007 is as follows:

Bank	Drawn down at 31-12-07	Maturity	Drawn down at 31-12-06
Banca March	195	15/01/08	55,516
Banco Santander	75,618	02/04/08	44,128
BBVA	166,904	13/04/08	25,544
Unicaja	49,477	13/01/08	10,000
La Caixa	19,624	31/10/08	6,597
Barclays	57,981	22/06/08	6,127
Sabadell	40,566	04/10/08	-
Total	410,365		147,912
Credit limit	665,000		425,000

Interest is generally paid on a quarterly basis.

These loans bear interest at market rates.

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

18. Risk management objectives and policies

The Board of Directors of Corporación Financiera Alba, S.A. has approved the following policies for risk management and control:

1.- Types of risks the Company faces

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 most significant and common risk of the investee companies is the risk inherent in their own business, but also, if they are listed, changes in the stock market

As regards investment properties, the risks are: loss of income if the buildings are unoccupied (especially if there is a large unoccupied floor area); changes in long-term interest rates; damage; default by lessees; and changes in market value.

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

1.1. 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.

1.2. Exchange rate risk

At present, Alba's activity is not affected by any significant exchange rate risk.

1.3. Stock market risk

Stock market risk affects the Company's most important balance sheet asset, namely the investment in listed companies. These investments are, and are expected to continue to be, mainly long-term and hedging would not be financially viable. In some cases, the Company also uses derivatives on listed shares.

The investment properties are affected by changes in market value, which the Company monitors through annual reports prepared by independent experts.

1.4. 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.

In transactions with derivatives on listed shares, there is also counterparty risk. Such transactions are therefore carried out only with highly solvent and reputable counterparties.

1.5. Liquidity risk

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

2.- Risk mitigation measures

The Company's equity investments, which are the most important asset on the consolidated balance sheet, are for the most part long-term, so hedging is economically unviable. The Company monitors the investee companies' business performance (for which purpose it is represented on their Boards of Directors and sometimes also on their Executive Committees, Audit Committees and/or Nomination and Remuneration committees) and share price performance (if they are publicly traded).

To mitigate the risks of its investment properties, the group deals exclusively with highly solvent customers and, before entering into any business relationship, always verifies the customer's ability to pay. It also establishes the appropriate contractual provisions, requires guarantees from tenants, adjusts rents to market rates in the case of long lets, and takes out insurance, updated annually, to cover damage and third-party liability. Lastly, the Company monitors receivables on an ongoing basis, so that the risk of arrears is never significant, and carries out annual appraisals to track changes in market value.

3.- IT and internal audit systems

The Company has organizational resources to monitor and control risks and ensure legal compliance, notably a finance department, a legal department and a tax department. Each of these departments monitors risks and compliance (with company regulations and legal regulations) in its particular area.

The Company also has processes for identifying and controlling its main operational, financial and legal risks. These process are duly documented in operating rules and instruction manuals. The Company has an integrated IT system, based on modern technology, to enable it to prepare timely and reliable financial information and the operational data it needs in order to manage its businesses effectively. The Company's budgeting system allows it to set quantitative objectives in advance within a strategic framework and analyse the causes of any significant deviations between actual and budgeted results.

Lastly, the Audit Committee is responsible for ensuring that the Company has an adequate system for monitoring and controlling risks and that the system works effectively. The external auditor has also pronounced this system to be adequate.

19. 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.

Translation of reports and consolidated financial staments issued in spanish in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

A reconciliation of the group's taxable income with book income is given below:

	2007	2006
Consolidated profit for the year attributable to the parent company	525,261	918,305
Permanent differences due to consolidation adjustments	(220,004)	(406,157)
Accounting profit of companies under consolidated tax regime	305,257	512,148
Permanent differences		
Corporate income tax	102	(1,582)
For dividends and capital gains under rules for foreign security holding companies	-	(399,629)
For dividends distributed between companies in the consolidated tax group	(70,003)	(50,438)
Adjustment for monetary correction	(5,266)	-
Other	196	-
Timing differences		
Contribution to alternative pension plan systems and insurance premiums	47	3,437
Inter-company transactions in the consolidated tax group	(28)	896
Other provisions that will be deductible in future years	388	14,129
Preliminary taxable income	230,693	78,961
Tax loss carryforward to be offset	(24,484)	(22,146)
Taxable income	206,209	56,815
Corporate income tax charge (35%)	-	19,885
Corporate income tax charge (32.5%)	67,018	-
Deductions	(67,018)	(19,885)
Tax payable	(0)	0

Reinvested capital gains for which the minimum term of investment has not yet expired are as follows:

	Profit reinvested (Article 42 L.I.S.)	Proceeds of sale	Year of reinvestment	Expiry date of minimum investment term
2007	88,985	122,329	2007	2012
2006	19,280	27,390	2006 and 2007	2012
2005	13	511	2005	2008
2003	1,643	6,275	2003, 2004 and 2005	2008

Outstanding tax loss carryforwards and deductions pending application at December 31, 2007 and 2006 are as follows:

	2007		2006	
Year of expiry	Tax loss carry-forward	Deductions from charge	Tax loss carry-forward	Deductions from charge
2013	-	-	-	18,710
2015	-	-	12,028	-
2016	-	-	12,444	-
2017	-	8,364	-	-
2018	66,027	-	66,027	-
2019	116,256	-	116,256	-
Total	**182,283**	**8,364**	**206,755**	**18,710**

Some deferred tax liabilities are not recorded because they are offset against the abovementioned tax assets, as detailed below:

Deferred tax for revaluations of:	2007	2006
Investment property and tangible fixed assets	137,937	126,668
Available-for-sale assets	-	37,388
Held-for-trading finnancial assets	3,903	36,973
	141,840	**201,029**

In 2007 the tax authorities audited and accepted the Company's tax returns for the years 2001 to 2003. The financial years from 2004 onward remain open to inspection. It is estimated that any additional tax liabilities that may arise as a result such inspections will not be material.

20. Guarantees issued on behalf of third parties and other contingent liabilities

The detail of guarantees and contingent liabilities as of December 31, 2007 is as follows:

	2007	2006
Counter-guarantee for bank guarantees in favour of Xfera Móviles, S.A.	-	11,588
Guarantees given for the sale of the shareholding in Banco Urquijo, S.A.	3,827	4,427
Other guarantees	472	955
Total	4,299	16,970

21. Headcount

The average number of employees at the end of each year, by category, was as follows:

	2007			2006		
	Men	Women	Total	Men	Women	Total
Graduates	15	1	16	17	1	18
Clerical	8	14	22	24	1	25
Other	3	-	3	5	-	5
Total	26	15	41	46	2	48

Corporación Financiera Alba, S.A.
and Dependent Companies

22. Segment reporting

The following tables show information about revenue and profit or loss, along with certain information about assets and liabilities, in relation to the business segments for the years ended December 31, 2007 and 2006.

There are no significant transactions among the segments, so there are no established transfer prices.

a) Business segments

Segment reporting 2007

In thousands of euros

	Property leasing	Securities investment	Undersea cable	Group total
Direct segment revenue and expenses				
Lease income and other items	15,382		4,181	19,563
Profit from disposals	26,945	45,128		72,073
Share of profit (loss) of associates		423,277		423,277
Dividends received		7,232		7,232
Increase (decrease) in fair value	37,199			37,199
Other direct segment operating expenses	(3,213)		(3,740)	(6,953)
Segment profit (loss)	**76,313**	**475,637**	**441**	**552,391**
Expenses not assigned to segments				
Staff costs				(10,133)
Other operating expenses				(5,262)
Depreciation and amortisation				(2,610)
Net financial expenses				(9,459)
Profit (loss) before tax and minority interests				524,927
Corporate income tax				(37)
Minority interests				371
Net profit (loss) for the year				**525,261**
Assets and liabilities				
Segment assets	275,266	2,983,831	22,832	3,281,929
Unassigned assets				42,001
Total assets				**3,323,930**
Segment liabilities	2,002		6,024	8,026
Unassigned liabilities				490,814
Total liabilities				**498,840**

Corporación Financiera Alba, S.A.
and Dependent Companies

Segment reporting 2006

In thousands of euros

	Property leasing	Securities investment	Group total
Direct segment revenue and expenses			
Lease income and other items	15,671		15,671
Profit from disposals		517,755	517,755
Share of 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			
Staff costs			(27,049)
Other operating expenses			(4,102)
Depreciation and amortisation			(881)
Net financial expenses			7,430
Provisions 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**

b) Geographical segments

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

23. Other revenues and expenses

a) Personnel expenses

The detail of this caption as of December 31, 2007 and 2006 is as follows:

	2007	2006
Wages and salaries	7,234	22,820
Social security expenses	503	452
Alternative pension plan systems	2,114	3,531
Insurance premiums	171	177
Other employee-related expenses	111	69
Balance at December 31	**10,133**	**27,049**

b) Financial revenue

The detail of this caption as of December 31, 2007 and 2006 is as follows:

	2007	2006
Dividends	7,232	8,186
Gain on derivatives	8,879	12,556
Other financial revenue	399	1,520
Balance at December 31	**16,510**	**22,262**

At December 31, 2007 and 2006, Alba had no significant positions in financial instruments to be reported.

24. Related-party transactions

In 2007, 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	109	CIMSA
Compensation	4,000	CIMSA (a)
Interest charged	2,045	Banca March
Financing agreements: loans	60,000	Banca March
Guarantees	2,413	Banca March
Dividends and other distributed profit	2,204	Banca March
Interest on current account	25	Banca March
Provision of services	221	March Vida
Sale of investments	48,444	Banca March

Todas las operaciones 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 35% of March Unipsa Correduria de Seguros, S.A., 35% of March Gestión de Fondos, S.G.I.I.C., S.A. and 35% of March Gestión de Pensiones, S.G.F.P., S.A.

(a) Compensation paid by Corporación Financiera Alba, S.A. to CIMSA, a March Group company, for the early cancellation of a lease on an industrial building and the transfer of the activity carried out in this building to other premises. The property was then sold under a compulsory purchase order involving a change of land use. Corporación Financiera Alba, S.A., obtained a profit of 27,372 thousand euros on the sale before compensation.

Transactions carried out with other related parties		
Provision of services	4,632	Various (a)
Operating lease contracts	282	Various (b)
Dividends and other distributed profit	121,219	Various (c)
Collaboration agreements	300	Juan March Foundation

(a) Insurance premiums by March Unipsa, Correduría de Seguros, S.A. under market conditions brokered 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 Unipsa Correduria de Seguros, S.A. and Prosegur, Compañía de Seguridad, S.A.

Translation of reports and consolidated financial staments issued in spanish in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

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	958	Banca March
Financing agreements: loans	60,000	Banca March
Guarantees	13,991	Banca March
Dividends and other distributed 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.

Transactions carried out with other related parties		
Provision of services	2,416	Various (a)
Operating lease contracts	255	Various (b)
Dividends and other distributed profit	56,687	Various (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.

25. Directors' and senior managers' remuneration

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

In 2007	No. of people	Salaries and other items	Directors' remuneration		Alternative pension plan systems and insurance
			Alba	Group companies	
Proprietary directors	4	-	314	54	14
External directors	5	-	180	-	-
Executive directors	3	1,365	108	-	1,516
Senior managers	6	906	-	-	935

The "Senior managers" item includes accrued extraordinary bonus pay linked to the increase in net asset value, maturing in 3 years.

In 2007	No. of people	Salaries and other items	Directors' remuneration		Alternative pension plan systems and insurance
			Alba	Group companies	
Proprietary directors	4	-	300	54	21
External directors	5	-	171	-	-
Executive directors	3	8,803	90	-	2,048
Senior managers	6	8,113	-	-	578

Executive directors' remuneration includes the early retirement benefits of the former managing director.

The "Senior managers" item includes accrued extraordinary bonus pay linked to the increase in net asset value, maturing in 3 years.

At December 31, 2007 and 2006, no advances or loans had been granted to directors or senior managers.

In compliance with Article 127 ter.4 of the Spanish Law on Public Limited Companies, brought into effect by Law 26/2003 of 17 July, amending Law 24/1988 of 28 July on the Securities Market and the Consolidated Text of the Spanish Law on Public Limited Companies, details of directors' interests in companies whose business is identical, similar or complementary to that of the Company and any positions they hold in such companies are disclosed below:

Name	Company	Business	Participation	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	Banking	n.m.	Fourth Vice-Chairman
Manuel Soto Serrano	Istituto per le Opere di Religione	Banking	n.m.	Director
Manuel Soto Serrano	Indra Sistemas, S.A.	New technologies	0.09%.	Second Vice-Chairman

26. Auditors' remuneration

The amount received or receivable by Ernst & Young was 78,000 euros. Of this total, 76,000 euros was for the auditing of the 2007 individual and consolidated annual accounts of Alba and other Group companies, and 2,000 euros for non-audit services. The fees paid in 2006 amounted to 52,000 euros, entirely for audit services.

27. Cash flow statement

The cash flow statement included in these financial statements has been prepared in accordance with International Accounting Standard 7.

The statement shows three types of cash inflows and outflows to and from the consolidated group:

- Net cash flows from operating activities: this includes the operational cash flows of all the businesses managed by the group.
- Net cash flows from investing activities: this includes the flows used in the purchase of treasury shares.
- Net cash flows from financing activities: this includes the inflows of cash from external sources of funding and the outflows of cash for repayment of external funding, payment of interest on borrowings and payment of dividends.

28. Post-balance sheet events

No significant events occurred in the period between year-end 2007 and authorisation of the annual accounts.

29. 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

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INFORME DE AUDITORÍA DE CUENTAS ANUALES CONSOLIDADAS

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

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 2007 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 2007 de determinadas sociedades asociadas (ver Nota 2.5 de la memoria), cuyos activos y contribución al resultado neto consolidado del ejercicio ascienden a 2.721.608 y 420.033 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.

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 2007, las correspondientes al ejercicio anterior. Nuestra opinión se refiere exclusivamente a las cuentas anuales consolidadas del ejercicio 2007. Con fecha 10 de abril de 2007 emitimos nuestro informe de auditoría acerca de las cuentas anuales consolidadas del ejercicio 2006 en el que expresamos una opinión favorable.

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 2007 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada Corporación Financiera Alba, S.A. y Sociedades dependientes al 31 de diciembre de 2007 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.

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid
Inscrita en el Registro Mercantil de Madrid al
Tomo 12749, Libro 0, Folio 215, Sección 8ª,
Hoja M-23123, Inscripción 116. C.I.F. B-78970506

ERNST & YOUNG

El informe de gestión consolidado adjunto del ejercicio 2007 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 2007. 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.

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

Miembro ejerciente: ERNST & YOUNG, S.L.

Año 2008 Nº 01/08/03616

COPIA GRATUITA

Este informe está sujeto a la tasa aplicable establecida en la Ley 44/2002 de 22 de noviembre.

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores de Cuentas con el Nº S0530)

Francisco V. Fernández Romero

10 de abril de 2008

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.

Report to the shareholders of Corporación Financiera Alba, S.A.

We have audited the consolidated financial statements of Corporación Financiera Alba, S.A. and subsidiaries (the "Group"), comprising the consolidated balance sheet at December 31, 2007 and the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes for the year then ended, which have been authorised for issue by the directors of the parent company. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include the auditing of the financial statements for 2007 of certain associates (see Note 2.5 of the notes to the consolidated financial statements), whose assets and contribution to consolidated net profit for the year amount to 2,721,608 and 420,033 thousand euros, respectively. The financial statements of said associates were audited by other auditors (see Note 2.5 of the notes to the consolidated financial statements) and the opinion given here with respect to the consolidated financial statements of Corporación Financiera Alba, S.A. and subsidiaries is based, as regards said associates, exclusively on the reports of said other auditors.

In accordance with company law, for each line item in the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and related notes, the figure for 2006 is stated alongside the figure for 2007 for comparison purposes. Our opinion refers exclusively to the consolidated financial statements for 2007. On April 10, 2007 we issued our report on the Group's financial statements for 2006, in which we gave a favourable opinion.

In our opinion, based on our audit and the reports of the other auditors (see Note 2.5 of the notes to the consolidated financial statements), the consolidated financial statements for 2007 give a true and fair view of the consolidated equity and consolidated financial position of Corporación Financiera Alba, S.A. and subsidiaries at 31 December 2007 and of their consolidated profit, cash flows and changes in equity for the year then ended, and contain sufficient information to allow them to be properly interpreted and understood, in accordance with International Financial Reporting Standards as adopted by the European Union, which are consistent with those applied the previous year.

The accompanying consolidated management report for 2007 contains such explanations as the directors of the parent company have considered appropriate regarding the state of the Group's affairs, the progress of its business and other matters and is not part of the consolidated financial statements. We have verified that the accounting information contained in the Group management report is consistent with the Group financial statements for 2007. Our work as auditors is confined to verifying that the consolidated management report is consistent with the consolidated financial statements; it does not include verifying any information other than that obtained from the consolidated companies' accounting records.

CONSOLIDATED MANAGEMENT REPORT 2007

Corporación Financiera Alba, S.A.
and Dependent Companies

Management Report 2007

1. Company business and financial position

The consolidated financial statements at December 31, 2007 provide a true and fair view of the net worth, financial position, earnings and business performance of the Company and have been authorised for issue by the Company's Board of Directors.

Grupo Alba's principal activities during 2007 were:

- Management of controlling and minority interests in companies operating in various sectors of the economy.
- Development of and investment in start-up companies.
- Lease and sale of buildings.
- Telecommunications.

2. Significant post-balance sheet events

No significant events occurred in the period between year-end 2007 and authorisation of the financial statements.

3. Company outlook

Alba's priority objective is to ensure that its investee companies maximise their profitability by improving their competitiveness and increasing their human, financial and technological potential. The Company's financial structure, size and flexibility will allow it to seize future investment opportunities as they arise.

4. Research and development

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

5. Purchases and sales of treasury shares

Movements in the number of treasury shares recorded in the accompanying consolidated balance sheets are shown below:

	No. of shares	Percentage of share capital	Average price of adquisition (euros/share)	Thousands of euros
At January 1, 2006	861,000	1.29%	26.32	22,658
Purchased	955,686	1.46%	41.41	39,581
Cancelled (General Meeting 14/12/05)	(860,000)	1.29%	26.30	(22,622)
Cancelled (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
Purchased	2,529,305	3.94%	50.14	126,812
Cancelled (General Meeting 30/05/07)	(1,000,000)	1.54%	49.16	(49,158)
At December 31, 2007	1,985,991	3.10%	48.58	96,479

6. Disclosures under Article 116 bis of the Securities Market Law

To meet the requirements of Article 116 bis of Law 24/1988 of July 28 on the Securities Market (as amended by Law 6/2007 of April 12), at its meeting on March 26, 2008 the Board of Directors of Corporación Financiera Alba, S.A. agreed to approve and make available to the shareholders this report containing the disclosures required under the abovementioned provision.

a) Structure of the company's capital, including securities that are not admitted to trading on a regulated EU market, indicating, where appropriate, the various classes of securities, the rights and obligations attaching to each class of security and the percentage of the share capital that each class represents.

In accordance with Article 5 of the Articles of Association, the issued share capital of Corporación Financiera Alba, S.A. consists of 64,100,000 fully paid shares, all of the same class, having a par value of one euro per share, represented by book entries. All the shares have the same rights and obligations attached to them, a minimum holding of 25 shares being required in order to attend and vote at General Meetings.

No securities have been issued that are not admitted to trading on a regulated EU market. In particular, no securities have been issued that are convertible into shares of Corporación Financiera Alba, S.A.

b) Any restrictions on the transfer of securities.

The Articles of Association impose no restrictions on the free transfer of the Company's shares.

c) Details of persons with significant direct or indirect holdings of securities in the company.

Significant shareholdings at December 31, 2007 were as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Banca March Group concerted action	18,508,912	23,382,826	65.353
Bestinver Gestion, S.A., S.G.I.I.C.	-	1,946,076	3.036
The Egerton European Dollar Fund Limited	1,019,883	-	1.591

Within the "Banca March Group concerted action" (65.353%), the following holdings would in themselves qualify as significant shareholdings (including direct and indirect holdings):

Banca March, S.A.	31.900%
Mr. Carlos March Delgado	12.338%
Mr. Juan March Delgado	10.678%
Ms. Leonor March Delgado	3.800%
Ms. Gloria March Delgado	3.140%

d) Any restriction on voting rights.

There are no restrictions on voting rights. The only restriction that could influence voting rights arises from the requirement that shareholders hold at least 25 shares in order to attend General Meetings (Art. 18 of the Articles of Association).

e) Shareholders' agreements.

Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own 100% of the shares of Banca March, S.A., which has a significant ownership interest in Corporación Financiera Alba, S.A. On May 24, 2004, these four shareholders entered into a shareholders' agreement relating to Banca March, S.A. which also affects Corporación Financiera Alba, S.A., given that Banca March is a shareholder of Corporación Financiera Alba, S.A.

This agreement, which is valid until March 31, 2015, is a continuation of the agreement entered into on March 10, 1980, which was amended on May 4, 1994.

Given their combined ownership interest in Corporación Financiera Alba, S.A., Banca March, S.A. and those of its shareholders who signed the agreement continue to have joint control of Corporación Financiera Alba, S.A.

The abovementioned agreement does not limit the transfer of shares of Corporación Financiera Alba, S.A., but it does affect the exercise of the voting rights attached to the shares that belong to the signatories to the agreement.

f) Company rules governing the appointment and replacement of members of the Board of Directors or equivalent governing body and amendments to the company's Articles of Association.

f.1. Appointment and retirement of directors.

The procedures for the appointment, re-election, assessment and removal of directors are set forth in Articles 33, 36 and 37 of the Articles of Association and Articles 16 to 20 of the Board Regulations. They can be summarised as follows:

f.1.1. Appointment, re-election and ratification.

- Authority: Under the Law on Public Limited Companies (Consolidated Text approved by Legislative Royal Decree 1564/1989 of December 22) and the Articles of Association, authority to appoint, re-elect and ratify directors belongs to the General Meeting. However, if one or more posts fall vacant as a result of the resignation or death of their holders, the Board is legally entitled to co-opt other person or persons onto the Board, subject to confirmation at the first General Meeting following co-option.

- Requirements and restrictions for appointment: Directors do not have to be shareholders, except when co-opted, in which case they do. No person who is disqualified on any legal grounds may be appointed a director.

Nevertheless, independent external directors must meet the conditions established in Article 8.B of the Board Regulations (based on the recommendations of the Unified Code on Good Corporate Governance, approved by the CNMV on May 22, 2006). Accordingly, a person may not be designated as an independent external director if he or she:

a) Has been an employee of a group company within the last 3 years or an executive director of a group company within the last 5 years.
b) Receives from the Company or any group company any payment or benefit other than director's remuneration, unless the amount is insignificant.
c) Is or has been a partner of the external auditor or was responsible for the auditors' report on the listed company or any other company in its group within the last 3 years.

d) Is an executive director or senior manager of a different company in which an executive director or senior manager of the Company is an external director.
e) Conducts or has conducted a significant business relationship with the Company or any company in its group within the last year, whether for his or her own account or as a significant shareholder, director or senior manager of an entity that conducts or has conducted such a relationship.
f) Is a significant shareholder, executive director or senior manager of an entity that receives or has received significant donations from the Company or any company in its group within the last 3 years.
g) Is a spouse or life partner or a relative up to the second degree of consanguinity of an executive director or senior manager of the Company.
h) Has not been named for appointment or renewal by the Nomination Committee.
i) Is in any of the situations referred to in a), e), f) and g) above in relation to any significant shareholder of the Company or any shareholder represented on its Board. In the case of the relationship referred to in g), the limitation shall apply not only to the shareholder, but also to its proprietary directors in the company in which it has an interest.

Proprietary directors who cease to qualify as such as a result of the sale by the shareholder of its shareholding in the Company may only be re-elected as external directors if the shareholder they represented until then has sold all its shares in the Company.

A director who owns shares in the Company may qualify as an independent, provided all the abovementioned conditions are met and the director’s shareholding is not significant.

Directors must undertake to fulfil their duties and obligations under the law, the Articles of Association and the Board Regulations.

- Term of office: Directors are elected for a term of four years, although outgoing directors may be re-elected one or several times. Directors who have been co-opted onto the Board will hold the post only until they are ratified (or not) at the first General Meeting following co-option.

An age limit for directors has not been considered necessary, although on reaching the age of 70, directors must offer to resign.

- Procedure: Any proposals for the appointment, re-election and ratification of directors that the Board of Directors lays before the General Meeting and any appointments made by the Board itself by co-option must be preceded by the appropriate proposal or report by the Nomination and Remuneration Committee.

Directors who have been proposed for appointment, re-election or retirement shall refrain from attending or participating or voting in any Board or committee meetings in which such proposals are debated.

An appointment becomes effective once the director has accepted it, after which it is registered in the Companies Register.

f.1.2. Retirement and removal.

Directors shall retire when the term for which they were elected expires, unless re-elected, or when the General Meeting so decides by the authority vested in it by law or the Articles of Association.

Directors must also offer to resign and –if the Board, having considered the necessary report by the Nomination and Remuneration Committee, so decides– tender their resignation in the following circumstances:

a) When they reach 70 years of age.
b) When they are disqualified on the grounds of conflict of interest or any other legal grounds.
c) When they are affected by circumstances that may harm the Company's good name and reputation; in particular, when they are prosecuted for a criminal offence or are subject to disciplinary action by the market supervisory authorities for a serious or very serious infraction.
d) When they are seriously reprimanded by the Audit Committee for failing to perform their duties as directors.
e) When the reasons for which they were appointed cease to apply; in particular, in the case of external or proprietary directors, when they cease to qualify as such.

Independent directors may also be proposed for retirement in order to meet the proportionality criterion set out in Recommendation 8.2 of the Board Regulations in the event that the Company's capital structure changes as a result of a takeover bid, merger or similar corporate transaction.

Any director who retires from office before his or her term expires, whether due to resignation or for any other reason, should state the reasons for retirement in a letter, which should be sent to all the directors. Irrespective of whether such a retirement is reported to the CNMV as a significant event, the reason for it must be disclosed in the Annual Corporate Governance Report.

Once an external director (independent or proprietary) has been elected by the General Meeting, the Board of Directors shall not propose early termination of the director's term of office except in exceptional cases, where the Board believes there is good reason to do so, subject to a report by the Nomination and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in the Board Regulations.

Directors must notify the Board of any criminal prosecution in which they are defendants and keep it informed of the progress of any such prosecution. If a director is charged with or prosecuted for any of the offences named in Article 124 of the Law on Public Limited Companies, the Board will study the matter at the earliest opportunity and, giving due consideration to the circumstances, decide whether the director should stand down or not. All such decisions will be disclosed in the annual corporate governance report.

f.2. Amendments to the Articles of association.

The procedure for amendments to the Articles of Association is regulated in Article 144 of the Law on Public Limited Companies, which requires that amendments be approved by the shareholders in General Meeting, with the majorities stipulated in Article 103 of the same law. The Articles of Association contain no special provisions in this respect.

The General Meeting Regulations specifically attribute to the General Meeting the power to amend the Articles of Association, without stipulating any majorities other than those required by law.

g) Powers of directors, in particular any powers relating to the issue or buying back by the Company of its shares.

The Managing Director has been delegated authority in staff matters and has broad powers of representation and recruitment.

At the General Meeting held on May 25, 2004, the shareholders gave the Board authority to issue shares in accordance with Article 153.1. b) of the Law on Public Limited Companies. To date the Board of Directors has not used this authority.

Likewise, at the Ordinary General Meeting held on May 25, 2004, the shareholders gave the Board of Directors authority to issue bonds convertible into or exchangeable for shares of the Company. To date the Board of Directors has not used this authority.

As regards the purchase of own shares, at the Ordinary General Meeting held on May 30, 2007, the shareholders gave the Board of Directors authority, under Article 75 and other related articles of the Law on Public Limited Companies, to purchase shares of Corporación Financiera Alba, S.A. The total number of own shares held by the Company and its subsidiaries may not exceed the legal limit, which is 5% of the capital, as stated in the First Additional Provision of the Law on Public Limited Companies. The current authority expires on June 30, 2008.

h) Any significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects of any such agreements (other than any agreement where disclosure would be seriously prejudicial to the company and the company has no other obligation to disclose it). and the company has no other obligation to disclose it.

There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control of the company following a takeover bid.

i) Any agreements between the Company and its directors or employees providing for compensation upon retirement or wrongful dismissal or for loss of office or employment that occurs because of a takeover bid.

The effects that may follow from the extinguishment of the service relationship that ties the employees of Corporación Financiera Alba, S.A. to the organization vary depending on the employee and the type of contract. In general terms, however, the following are the most typical cases:

a) Employees: As a general rule, the employment contracts of employees who have an ordinary employment relationship with the Company (which is to say the majority of the Company's employees) contain no clause providing for compensation upon termination of employment. Therefore, these employees are entitled to the compensation payable under applicable employment law, depending on the reason for the termination of their contract.

b) Executive directors and senior managers: The contracts of executive directors and senior managers provide for compensation in the event of termination of the relationship at the Company's initiative. Such compensation shall be no less than the amount of the fund established to provide a complementary pension or one year's full salary, increased by one-twelfth of that amount for each year's service in the group, whichever is higher.

7. Risk management and control policy

The Board of Directors of Corporación Financiera Alba, S.A. has approved the following policy for risk management and control:

1. Types of risks the Company faces

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 most significant and common risk of these companies is the risk inherent in their own business, but also, if they are listed, changes in the stock market.

As regards investment properties, the risks are: loss of income if the buildings are unoccupied (especially if there is a large unoccupied floor area); changes in long-term interest rates; damage; default by lessees; and changes in market value.

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

1.1. 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.

1.2. Exchange rate risk

At present, Alba's activity is not affected by any significant exchange rate risk.

1.3. Stock market risk

Stock market risk affects the Company's most important balance sheet asset, namely the investment in listed companies. These investments are, and are expected to continue to be, mainly long-term and hedging would not be financially viable. In some cases, the Company also uses derivatives on listed shares.

The investment properties are affected by changes in market value, which the Company monitors through annual reports prepared by independent experts.

1.4. 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.

In transactions with derivatives on listed shares, there is also counterparty risk. Such transactions are therefore carried out only with highly solvent and reputable counterparties.

1.5. Liquidity risk

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

2. Risk mitigation measures

The Company's equity investments, which are the most important asset on the consolidated balance sheet, are for the most part long-term, so hedging is economically unviable. The Company monitors the investee companies' business performance (for which purpose it is represented on their Boards of Directors and sometimes also on their Executive Committees, Audit Committees and/or Nomination and Remuneration committees) and share price performance (if they are publicly traded).

To mitigate the risks of its investment properties, the group deals exclusively with highly solvent customers and, before entering into any business relationship, always verifies the customer's ability to pay. It also establishes the appropriate contractual provisions, requires guarantees from tenants, adjusts rents to market rates in the case of long lets, and takes out insurance, updated annually, to cover damage and third-party liability. Lastly, the Company monitors receivables on an ongoing basis, so that the risk of arrears is never significant, and carries out annual appraisals to track changes in market value.

3. IT and internal audit systems

The Company has organizational resources to monitor and control risks and ensure legal compliance, notably a finance department, a legal department and a tax department. Each of these departments monitors risks and compliance (with company regulations and legal regulations) in its particular area.

The Company also has processes for identifying and controlling its main operational, financial and legal risks. These process are duly documented in operating rules and instruction manuals. The Company has an integrated IT system, based on modern technology, to enable it to prepare timely and reliable financial information and the operational data it needs in order to manage its businesses effectively. The Company's budgeting system allows it to set quantitative objectives in advance within a strategic framework and analyse the causes of any significant deviations between actual and budgeted results.

Lastly, the Audit Committee is responsible for ensuring that the Company has an adequate system for monitoring and controlling risks and that the system works effectively. The external auditor has also pronounced this system to be adequate.

REPORT ON THE WORK OF THE AUDIT COMMITTEE IN 2007

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, 2003, and the Unified Code on Good Corporate Governance (Documento Unificado de Recomendaciones de Gobierno Corporativo) passed by the National Securities Market Commission (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”.

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.

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 Law, brought into effect 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 that may be assigned to it 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 for the appointment of the 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 under 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 Chair must be chosen from among these non-executive directors. By law and under the Company's Articles of Association, the Chair 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 Regulations, at its meeting on May 22, 2003 the Board of Directors renewed the membership of the Committee, reappointing the same people who previously sat on the Audit and Compliance Committee.

In May 2007, after four years in the post, the Chair of the Audit Committee stood down (staying on as a member of the Committee) and a new Chair was appointed, as stipulated by the Finance Law and the Articles of Association.

The members of the Audit Committee during 2007 were: Mr. Alfredo Lafita Pardo as Chairman; Mr. Enrique Piñel López, Mr. Manuel Soto Serrano and Mr. Francisco Verdú Pons as members; and Mr. José Ramón del Caño Palop as Secretary. The Chairman and Mr. Soto are independent directors and the other two members are proprietary 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 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 seek advice from outside experts.

During 2007, the Audit Committee met six 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 control system
- Legal and regulatory compliance

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 said 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 2007 was explained.

Because of the change of auditor decided in 2004, the current auditor has been appointed for fiscal years 2005, 2006 and 2007. In 2007, 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". The rules 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 was satisfactory. The auditors were commissioned to carry out another review in 2008.

No material incident was detected in this regard during 2007.

d) Legal and regulatory compliance.

As required by Article 26.c) of the Board Regulations, the Audit Committee provides the following, more detailed information on the Company's compliance with legal requirements and internal company 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 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 relation to this area of responsibility, the Audit Committee also examined the draft Annual Corporate Governance Report, which was subsequently ratified by the Board of Directors, and the Report of the Internal Code of Conduct monitoring body.

Furthermore, the Committee examined all the documents relating to the adaptation to the new corporate governance recommendations (Unified Code on Good Corporate Governance, approved by the CNMV on May 22, 2006). The Committee issued a favourable opinion on: (i) the amendments to the General Meeting and Board Regulations; (ii) the orientation program for new directors; (iii) the directors' remuneration policy; (iv) the risk management and control policy; and (iv) the amendment of the Internal Code of Conduct to establish a procedure for confidential reporting of irregularities.

In relation to compliance, the Committee examined related-party transactions. During the year, five transactions with significant shareholders were examined to verify whether they had been carried out under market conditions. In all cases the finding was favourable.

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 the Company to be in compliance with all applicable statutory requirements and recommendations with respect to corporate governance.

Madrid, February 21, 2008

ANNUAL CORPORATE GOVERNANCE REPORT

Annex I

Annual Corporate Governance Report

Public Listed Companies

Issuer details

Reporting period end date: 2007

Tax ID (CIF): A-28060903

Company name:	**Corporación Financiera Alba, S.A.** **Castelló, 77, 5ª planta** **28006 – Madrid** **Spain**

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLIC LISTED COMPANIES

CIF, NIF or similar	Other data
A-28060903	

A Ownership structure

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

Date last changed	Share capital (€)	Number of shares	Number of voting rights
30-05-2007	64,100,000	64,100,000	64,100,000

If there are different share classes with different rights, give details:

Yes ☐ No ☒

Class	Number of shares	Face value per share	Voting rights per share	Different rights

A.2. Give details of the direct and indirect owners of significant shareholdings in your Company at the financial year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Banca March, S.A. (see Sections A.6 and G)	18,508,912	23,382,826	65.353
Bestinver Gestion, S.A., S.G.I.I.C.		1,946,076	3.036
The Egerton European Dollar Fund Limited	1,019,883	0	1.591

(*) Through:

Name of direct shareholder	Number of direct voting rights	% of total voting rights
March de Patrimonios, S.A.	1,569,830	2.448
March de Inversiones, S.A.	182,180	0.280
Igalca, S.A.	158,026	0.250
Syndication agreement (see Section A.6)	21,472,790	33.50

State the most significant changes in the shareholder base during the year:

Name of shareholder	Transaction date	Description of transaction
State Street Bank and Trust Co:	10-08-2007	Sale of shares (ownership interest reduced below 5%)

A.3 Complete the following tables with details of the members of the Board of Directors of the Company who hold voting shares in the Company:

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Juan March Delgado	4,749,452	2,095,452	10.678
Carlos March Delgado	7,807,092	101,373	12.338
Pablo Vallbona Vadell	6,937	0	0.010
Isidro Fernández Barreiro	0	0	0.000
Santos Martínez-Conde Gutiérrez-Barquín	343	0	0.001
Nicholas Brookes	2,301	0	0.003
Alfredo Lafita Pardo	3,000	0	0.005
Enrique Piñel López	12,426	0	0.018
Alfonso Tolcheff Alvarez	1,519	0	0.002
Francisco Verdú Pons	0	0	0.000
Manuel Soto Serrano	0	18,000	0.028

(*) Through:

Name or company name of direct shareholder	Number of direct voting rights	% of total voting rights
M.B. Inversiones, S.A.	1,523,153	2.380
Surisla, S.A.	242,758	0.379
Fundación Juan March	329,541	0.510
De la Lastra Ramos-Paul, Concepción	101,373	0.160
Ace Global, SICAV, S.A.	18,000	0.028

Total % of voting rights held by directors	23.083

Complete the following tables with details of directors of the Company who hold stock options of the Company:

Name of director	Number of options held directly	Number of options held indirectly	Equivalent number of shares	% of total voting rights

A.4 Give details of any relationships of a family, commercial, contractual or corporate nature, known to the Company, between the owners of significant shareholdings, unless the relationships are negligible or arise in the normal course of business:

Name or company name	Type of relationship	Brief description
Banca March, S.A.; Juan March Delgado and Carlos March Delgado	Family	Juan, Carlos, Leonor and Gloria March Delgado together own 100% of Banca March, S.A. and have reached the shareholders' agreement referred to in section A.6.

A.5 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:

Name or company name	Type of relationship	Brief description

A.6 Indicate whether the Company has been notified of any shareholders' agreements that affect it as specified in Article 112 of the Securities Market Law. If so, briefly describe each agreement and give details of the shareholders involved in it:

Yes [X] No [ ]

Parties to the shareholders' agreement	% of share capital affected	Brief description of agreement
Juan March Delgado, Carlos March Delgado, Leonor March Delgado and Gloria March Delgado	65.353	Juan, Carlos, Leonor and Gloria March Delgado together own 100% of the shares of Banca March, S.A., which has a significant ownership interest in Corporación Financiera Alba, S.A. On May 24, 2004, these four shareholders entered into a shareholders' agreement relating to Banca March, S.A. which also affects Corporación Financiera Alba, S.A., given that Banca March, S.A. is a significant shareholder of Corporación Financiera Alba, S.A. This agreement, which is valid until March 31, 2015, is a continuation of the agreement entered into on March 10, 1980 and amended on May 4, 1994. Given their combined ownership interest in Corporación Financiera Alba, S.A., Banca March, S.A. and those of its shareholders who signed the agreement continue to have joint control of Corporación Financiera Alba, S.A. The abovementioned agreement does

		not limit the transfer of shares of Corporación Financiera Alba, S.A., but it does affect the exercise of the voting rights of the shares held by the signatories to the agreement.

State here whether the Company knows of any concerted actions among its shareholders. If so, give a brief description:

Yes [X] **No** [ ]

Parties involved in concerted action	% of share capital affected	Brief description of the agreement
Carlos March Delgado Juan March Delgado Leonor March Delgado Gloria March Delgado Banca March, S.A. March de Patrimonios, S.A. M.B. Inversiones, S.A. Cibernética e Informática, S.A. Epyr, S.A. Fundación Juan March Compañía Insular Mercantil, S.A. Surisla, S.A. March Inversiones, S.A. Igalca, S.A. Exportaciones, Proyectos y Representaciones, S.A. Concepción De la Lastra Ramos-Paul Agropecuaria el Aguila, S.A. Menani, S.A.	65.353	As a result of the shareholders' agreement described in the previous table, there is a concerted action between the abovementioned individuals and organizations

State clearly whether any of the abovementioned agreements or concerted actions were modified or terminated during the year:

A.7 Indicate whether any natural or legal person exercises or has power to exercise control over the Company within the meaning of Article 4 of the Spanish Securities Market Law (*Ley del Mercado de Valores*). If so, give details:

Yes [X] **No** [ ]

Name
Concerted action by Banca March Group

Observations
Corporación Financiera Alba, S.A. is part of the Banca March Group, which owns more than 50% of the share capital of Corporación Financiera Alba, S.A. The Banca March Group is controlled by Juan, Carlos, Leonor and Gloria March Delgado, who jointly own 100% of the share capital of Banca March, S.A., without any one of them doing so individually. As indicated in Section A.6, there is a shareholders' agreement among the abovementioned persons, effective since May 24, 2004. At December 31, 2007, Banca March, S.A and its shareholders jointly –but none of them individually– controlled 65.353% of Corporación Financiera Alba, S.A.

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

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	Total % of share capital
1,985,991		3.10

(*) Through:

Name of direct shareholder	Number of shares held directly
Total:	

Give details, as required under Royal Decree 1362/2007, of any significant changes that have taken place during the year:

Date of notification	Total no. of shares acquired directly	Total no. of shares acquired indirectly	Total % of share capital

Gain / (Loss) on disposal of treasury shares during the period	0

A.9. State the terms and conditions of the current authority to purchase or transfer own shares given by shareholders to the directors.

The General Meeting has given the Company and its subsidiaries authority to purchase shares of the Company up to the maximum permitted amount and subject to applicable law.

Likewise, the shareholders have given the Company authority to use any shares purchased under this or previous authorities to implement senior management remuneration plans involving the allotment of shares or stock options.

The purchase price will be the market price on the day of purchase or, where appropriate, the price authorised by the relevant stock market body.

Authorisations in force in 2007 were granted by the General Meetings of May 31, 2006 and May 30, 2007, expiring on June 30, 2007 and June 30, 2008, respectively.

A.10 Give details of any restrictions, by law or under the Articles of Association, on the exercise of voting rights and any legal restrictions on the acquisition or transfer of shares in the Company.

Indicate whether there are any legal restrictions on the exercise of voting rights:

Yes ☐ **No** ☒

Maximum percentage of voting rights a shareholder may hold by law	

Indicate whether there are any restrictions under the Articles of Association on the exercise of voting rights:

Yes ☐ **No** ☒

The Articles of Association restrict the right to attend General Meetings to shareholders who hold at least 25 shares.

Maximum percentage of voting rights a shareholder may exercise under the Articles of Association	

Restrictions, by law or under the Articles of Association, on the exercise of voting rights

Indicate whether there are any legal restrictions on the acquisition or transfer of equity investments:

Yes ☐ **No** ☒

Legal restrictions on the acquisition or transfer of equity investments

A.11 Indicate whether the General Meeting has agreed to take protective measures against takeover bids under Law 6/2007.

Yes ☐ **No** ☒

Where appropriate, explain any anti-takeover measures approved and the terms on which the restrictions will be ineffective:

B Structure of the Company's Management

B.1 Board of Directors

B.1.1 Specify the maximum and minimum number of directors under the Articles of Association.

Maximum number of directors	15
Minimum number of directors	7

B.1.2 Complete the following table with details of the directors:

Name of director	Representative	Post on Board	Date first appointed	Date last appointed	Election procedure
Juan March Delgado		Chairman	08-10-1973	31-05-2006	Shareholders' Meeting
Carlos March Delgado		Chairman	22-06-1988	25-05-2004	Shareholders' Meeting
Pablo Vallbona Vadell		First Vice-Chairman	26-06-1990	31-05-2006	Shareholders' Meeting
Isidro Fernández Barreiro		Second Vice-Chairman	28-05-1994	31-05-2006	Shareholders' Meeting
Santos Martínez-Conde Gutiérrez-Barquín		Managing Director	27-09-2006	30-05-2007	Shareholders' Meeting
Nicholas Brookes		Director	26-05-1999	30-05-2007	Shareholders' Meeting
Alredo Lafita Pardo		Director	22-06-1988	25-05-2004	Shareholders' Meeting
Enrique Piñel López		Director	28-05-1994	30-05-2007	Shareholders' Meeting
Manuel Soto Serrano		Director	26-05-1999	30-05-2007	Shareholders' Meeting
Alfonso Tolcheff Alvarez		Director	26-05-1998	30-05-2007	Shareholders' Meeting
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 of director	Status on termination	Termination date
Luis Angel Rojo Duque	Independent	30-05-2007

B.1.3 Complete the following tables on the different types of Board members:

Executive Directors

Name of director	Committee which proposed the appointment	Office within the Company organization
Pablo Vallbona Vadell	Nomin. & Remun. Committee	First Vice-Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Nomin. & Remun. Committee	Managing Director

Total number of executive directors	2
As % of total number of directors	18.18%

Proprietary Directors

Name of director	Committee which proposed the appointment	Name of the significant shareholder represented by the director or who proposed the appointment
Juan March Delgado	Nomin. & Remun. Committee	Banca March, S.A.
Carlos March Delgado		Banca March, S.A.
Isidro Fernández Barreiro	Nomin. & Remun. Committee	Banca March, S.A.
Francisco Verdú Pons Member	Nomin. & Remun. Committee	Banca March, S.A.
Enrique Piñel López	Nomin. & Remun. Committee	Banca March, S.A.

Total number of shareholder-nominated directors	5
As % of total number of directors	45.45%

Independent Directors

Name of director	Profile
Nicholas Brookes	Chairman of De la Rue, plc; ex-CEO of Spirent, plc.
Alfredo Lafita Pardo	State lawyer; Director of Banco Guipuzcoano, S.A.
Manuel Soto Serrano	Economist; ex-Chairman of Arthur Andersen; director of Banco Santander
Alfonso Tolcheff Alvarez	PMB from Harvard University Ex-CEO of Barclays Bank España, S.A. and of Banco Urquijo, S.A.

Total number of independent non-executive directors	4
As % of total number of directors	36.36%

Other External Directors

Name of director	Committee which proposed the appointment

Total number of other external directors	
As % of total number of directors	

Give the reasons why these other external directors cannot be considered either Proprietary Directors or independent and indicate their ties with the Company, its managers or its shareholders:

Name of director	Reasons	Company, manager or shareholder with which the directors has ties

Give details of any changes in directors' status during the period:

Name of director	Date of change	Previous status	Current status
Isidro Fernández Barreiro	01-03-2007	EXECUTIVE	PROPRIETARY

B.1.4 Explain, where appropriate, the reasons for the appointment of proprietary directors at the request of shareholders who hold less than 5% of the capital:

Name of shareholder	Justification

Indicate whether any formal requests for representation on the Board of Directors by shareholders whose ownership interest is equal to or greater than that of other shareholders at whose request proprietary directors have been appointed was rejected during the year. If so, explain the reasons for rejecting the request:

Yes ☐ No ☐

Name of shareholder	Explanation

B.1.5 Indicate whether any director has left the Board before completion of his or her term of office. If so, indicate whether the director in question gave any to the Board and by what means. If the director gave reasons in writing to the entire Board, state at least the reasons given:

Name of director	Reason for departure

B.1.6 State the authority delegated to the managing director(s), if any:

Name of director	Brief description
Santos Martínez-Conde Gutiérrez-Barquín	The managing director has been delegated authority in staff matters and has broad powers of representation of the Company and recruitment.

B.1.7 Name any directors of your company who hold posts as directors or managers of other companies belonging to the reporting company's group:

Name of director	Name of group entity	Post
Santos Martínez-Conde Gutiérrez-Barquín	Deyá Capital, SCR, S.A	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Artá Capital, SGECR, S.A.	Chairman
Francisco Verdú Pons Member	Alba Participaciones, S.A.	Director

B.1.8 Give details of any directorships held by directors of your company in other, non-group companies listed on Spanish stock exchanges of which you have been notified:

Name of director	Name of listed company	Post
Pablo Vallbona Vadell	ACS, Actividades de Construcción y Servicios, S.A.	Vice-Chairman
Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Vice-Chairman
Isidro Fernández Barreiro	ACS, Actividades de Construcción y Servicios, S.A.	Director
Isidro Fernández Barreiro	Prosegur, S.A.	Non-executive Vice-Chairman
Santos Martínez-Conde Gutiérrez-Barquín	ACS, Actividades de Construcción y Servicios, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Acerinox, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Unión Fenosa, S.A.	Director
Alfredo Lafita Pardo	Banco Guipuzcoano,S.A.	Director
Manuel Soto Serrano	Banco Santander, S.A.	Fourth Vice-chairman
Manuel Soto Serrano	Indra Sistemas, S.A.	Second Vice-Chairman
Francisco Verdú Pons	ACS, Actividades de Construcción y Servicios, S.A.	Director

B.1.9 Indicate whether the Company has established any rules on the number of directorships its members may hold and, if so, give details:

Yes ☐ **No** ☒

Explanation of the rules
Given the nature of Alba's activities, the directors' duties do not entail a very considerable time commitment. Moreover, the experience the directors gain on other Boards of Directors benefits Alba.

B.1.10 In relation to recommendation 8 of the Unified Code, indicate to which of the following general company policies and strategies the Board of Directors in plenary session has reserved the right of approval:

	Yes	No
Investment and financing policy	X	
Design of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, management targets and annual budgets	X	
Remuneration and evaluation of senior managers	X	
Risk control and management, and the periodic monitoring of internal information and control systems	X	
Dividend policy and the policies and limits on treasury shares.	X	

B.1.11 Complete the following tables with details of the total remuneration accruing to directors during the year:

a) As directors of the reporting company:

Remuneration item	000s of €
Fixed remuneration	1,359
Variable remuneration	607
Expenses	
Statutory attendance	
Options on shares and/or other financial instruments	
Other	
TOTAL:	1,966

Other benefits	000s of €
Advances	
Loans granted	
Pension plans and pension funds: Contributions	1,479
Pension plans and pension funds: Commitments assumed	
Life insurance premiums	51
Guarantees given by the Company in favour of directors	

b) As directors or managers of other companies belonging to the Group:

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 plans and pension funds: Contributions	
Pension plans and pension funds: Commitments assumed	
Life insurance premiums	
Guarantees given by the Company in favour of directors	

c) Total remuneration by type of director:

Type of director	Company	Group
Executive	1,473	
Proprietary	313	54
Independent	180	
Other external		
Total	1,966	54

d) Directors' remuneration in relation to profit attributable to the parent company:

Total directors' remuneration (000s of €)	2,020
Total directors' remuneration / profit attributable to the parent company (%)	0.385

B.1.12 Name the senior managers of the Company who are not executive directors and state the total remuneration accruing to them during the financial year:

Name	Post
José Ramón del Caño Palop	Manager
Luis Lobón Gayoso	Manager
Juan March de la Lastra	Manager
Ignacio Martínez Santos	Manager
Fernando Mayans Altaba	Manager
Tomás Villanueva Iribas	Manager

Total senior managers' remuneration (000s of €)	906

B.1.13 State in overall terms whether there are any guarantee or golden parachute clauses in favour of senior managers, including executive directors, of the Company or the group in the event of dismissal or a change of ownership. State whether such clauses must be notified to and/or approved by the governing bodies of the Company or the group:

Number of beneficiaries	7

	Board of Directors	**General Meeting**
Body which authorizes the clauses	X	

	Yes	**No**
Are the agreements reported to the Company in General Meeting?		X

B.1.14 Describe the process for setting directors' remuneration and indicate the relevant clauses of the Articles of Association:

Process for setting directors' remuneration and 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 and without prejudice to remuneration received as a manager of the Company, the 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.

Indicate whether the Board of Directors in plenary session has reserved the right of approval over the following decisions:

	Yes	**No**
The appointment and removal of senior managers and their compensation clauses, at the proposal of the Company's chief executive.	X	
Directors' remuneration and, in the case of executive directors, any additional consideration for their management duties and other contract conditions.	X	

B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and, if so, indicate the points it specifies:

Yes [X] No [ ]

	Yes	No
The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the resulting fixed annual payment	X	
Performance-related components	X	
Main characteristics of pension systems, with an estimate of their equivalent annual amount or cost	X	
The conditions to be respected by the contracts of executive directors who perform senior management functions	X	

B.1.16 Indicate whether the Board submits a report on the directors' remuneration policy to the vote of the shareholders in General Meeting, as a separate point on the agenda. Where appropriate, explain the remuneration policy the Board has approved for future years, any significant changes with respect to the policy adopted during the year under review and an overview of how the remuneration policy was applied in that year. Specify the role played by the Remuneration Committee and, if external advice was taken, the identity of the outside consultants who provided it:

Yes [ ] No [X]

Points specified in the report on remuneration policy
The report on remuneration policy specifies the following points: - Fixed components - Performance-related components - Remuneration in the form of shares or stock options - Annual bonuses or other non-cash benefits - Pension systems - Basic conditions of the contracts of executive directors who perform senior management functions.

Role played by the Remuneration Committee
The Nomination and Remuneration Committee issues an opinion on the remuneration report.

	Yes	No
Was external advice taken?		X
Identity of outside consultants		

B.1.17 Give details of any directors who are also directors, managers or employees of companies that own significant shareholdings in the reporting company and/or other companies in its group:

Name of director	Name of significant shareholder	Post
Carlos March Delgado	Banca March, S.A.	Chairman
Juan March Delgado	Banca March, S.A.	Director
Pablo Vallbona Vadell	Banca March, S.A.	Executive Vice-President
Francisco Verdú Pons Member	Banca March, S.A.	Managing Director
Isidro Fernández Barreiro	Banca March, S.A.	Director
Enrique Piñel López	Banca March, S.A.	Director

Give details of any significant relationships, other than those disclosed in the preceding paragraph, between directors and significant shareholders and/or other companies in the group:

Name of director	Name of related significant shareholder	Description of relationship

B.1.18 Indicate whether the Board Regulations were modified in any way during the year:

Yes ☒ **No** ☐

Description of modifications
On April 24, 2007 a new set of Board Regulations was approved in line with the Unified Code on Good Corporate Governance approved by the CNMV on May 22, 2006. The main changes concern: - Board functions - Proportion of independent non-executive directors - Explanation of directors' status and annual review - Appointment of the Secretary - Board assessment - New director orientation program - Web site information on directors' profiles - Board assessment of criminal suits against directors - Explanation of director resignations - Report on directors' remuneration policy - Composition and functions of the Audit Committee and the Nomination and Remuneration Committee

B.1.19 Describe the procedures for the appointment, reappointment, assessment and removal of directors. Specify the competent bodies, the formal procedures and the criteria to be used in each procedure.

Any appointment proposals submitted by the Board of Directors to the General Meeting and any appointment resolutions adopted by the Board itself in exercise of its legal power of co-option must respect the Board Regulations as regards the proportions of executive and non-executive directors. Any proposal for the appointment, reappointment or removal of a director must first be submitted to the Nomination and Remuneration Committee, which will issue a report, before it is discussed by the Board of Directors. In the case of independent non-executive directors the proposal must come from the Nomination and Remuneration Committee.

In addition, under the Board Regulations, once an external director (independent or proprietary) has been elected by the General Meeting, the Board of Directors will not propose early termination of his or her period of office except in exceptional cases where the Board itself believes there is good reason to do so, subject to a prior report by the Nomination and Remuneration Committee.

As regards the Board assessment procedure, the first assessment was carried out with respect to 2007 and was conducted internally by the Nomination and Remuneration Committee. The Board's performance was approved.

B.1.20 State the circumstances in which directors are required to resign.

Under the Board Regulations, directors should tender their resignation and, if the Board so decides, formalize the corresponding resignation in the following cases:

a) When they reach 70 years of age.
b) When they are disqualified on the grounds of conflict of interest or any other legal grounds.
c) When they are affected by circumstances that may harm the Company's good name and reputation; in particular, when they are prosecuted for a criminal offence or are subject to disciplinary action by the market supervisory authorities for a serious or very serious infraction.
d) When they are seriously reprimanded by the Audit Committee for failing to perform their duties as directors; and
e) When the reasons for which they were appointed cease to apply; in particular, in the case of independent or domanial directors, when they cease to qualify as such.

B.1.21 Does the same person exercise the function of Chief Executive and Chairman of the Board of Directors? If so, describe the measures taken to limit the risks arising from the concentration of power in one person:

Yes ☐ **No** ☒

Measures taken to limit the risks

Indicate whether rules have been established to allow one of the independent directors to call a Board meeting or add new business to the agenda, coordinate and act as spokesperson for the external non-executive directors and lead the Board's assessment of its Chairman. If so, explain the rules.

Yes ☐ **No** ☒

Explanation of the rules
Under Recommendation 17 of the Unified Code on Good Corporate Governance approved by the CNMV on May 22, 2006, rules must only be established to allow one of the independent directors to call a Board meeting or add new business to the agenda, coordinate and act as spokesperson for the external directors and lead the Board's assessment of its Chairman if the Chairman of the Board is also the Chief Executive of the Company, which is not the case in Corporación Financiera Alba, S.A.

B.1.22 Are qualified majorities, other than the legally stipulated majorities, required for any kind of decision?

Yes ☐ No ☒

Describe how resolutions of the Board of Directors are adopted, stating at least the minimum quorum and the type of majority required for the adoption of resolutions:

Adoption of resolutions		
Description of resolution	**Quorum**	**Type of majority**
All	At least half plus one of the directors must be present in person or by proxy to meet the quorum requirements for Board meetings	Board resolutions are adopted by an absolute majority of the votes of directors present or by proxy. The Chairman of the Board, or whoever performs the Chairman's role, has the casting vote in the event of a tie

B.1.23 Are there any specific requirements for appointment as Chairman, other than those that apply to directors?

Yes ☐ No ☒

Description of requirements

B.1.24 Does the Chairman have a casting vote?

Yes ☒ No ☐

Matters on which there is a casting vote
All resolutions where voting results in a tie

B.1.25 Do the Articles of Association or the Board Regulations set any age limit for directors?

Yes ☐ No ☒

Age limit for Chairman ☐

Age limit for Chief Executive ☐ Age limit for directors ☐

B.1.26 Do the Articles of Association or the Board Regulations set a limit to the term of office of independent non-executive directors?

Yes ☐ No ☒

Maximum number of years in office	

B.1.27 If there are few or no female directors, give reasons and describe any initiatives taken to remedy the situation.

Explanation of reasons and initiatives
The absence of female directors on the Board of Directors is due to the fact that, at the time they were appointed, the current directors were the most suitable people for the job, without regard to their gender. The recommendation of the Unified Code will be taken into consideration in future appointments.

In particular, indicate whether the Nomination and Remuneration Committee has established procedures to ensure that selection processes do not have hidden biases which prevent the selection of female directors and to proactively promote the search for suitable female candidates:

Yes ☐ No ☒

Indicate the main procedures
There are no specific procedures in place to ensure that selection processes do not have hidden biases which prevent the selection of female directors, but the Company is committed to ensuring that selection processes include women as candidates.

B.1.28 State whether there are formal procedures for proxy voting at Board meetings. If so, give brief details.

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

B.1.29 State the number of meetings held by the Board of Directors during the financial year. State also how many times, if any, the Board has met without the Chairman being present:

Number of Board meetings	5
Number of Board meetings without the Chairman being present	0

State the number of meetings the various Board committees have held during the financial year:

Number of meetings of the Executive or Delegate Committee	-
Number of meetings of the Audit Committee	6
Number of meetings of the Nomination and Remuneration Committee	2
Number of meetings of the Nomination Committee	-
Number of meetings of the Remuneration Committee	-

B.1.30 State the number of meetings of the Board of Directors in the year at which not all its members were present. Non-attendance of proxies appointed without specific instructions should be included in the calculation:

Number of non-attendances of directors during the year	0
Number of non-attendances as a % of the total number of votes during the year	0

B.1.31 Are the individual and consolidated annual accounts certified before submission to the Board of Directors for approval?

Yes X **No** ☐

If so, state the person(s) who certified the Company's individual and consolidated annual accounts for formulation by the Board:

Name	Post
Santos Martínez-Conde Gutiérrez-Barquín	Managing Director
Ignacio Martínez Santos	Finance Director

B.1.32 Give details of any mechanisms the Board of Directors has established to avoid having the individual and consolidated annual accounts laid before the General Meeting with qualifications in the auditors' report.

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

B.1.33 Is the Company Secretary a director?

Yes [ ]   No [X]

B.1.34 Explain the procedures for appointing and removing the Company secretary. Indicate whether such appointment or removal is subject to a report by the Nomination and Remuneration Committee and approval by the Board in plenary session.

Appointment and removal procedure
Under the new Board Regulations (Art. 13), appointment or removal of the Company secretary requires a report by the Nomination and Remuneration Committee and approval by the Board in plenary session. As the present Company secretary was appointed before the Unified Code and the new Board Regulations came into force, this procedure was not followed at that time.

	Yes	No
Does the Nomination Committee report on appointment?	X	
Does the Nomination Committee report on removal?	X	
Does the Board of Directors in plenary session approve appointment?	X	
Does the Board of Directors in plenary session approve removal?	X	

Does the Company secretary have the specific task of ensuring compliance with good governance recommendations?

Yes [X]   No [ ]

Observations

B.1.35 Describe any mechanisms the Company has established to safeguard the independence of the auditor, financial analysts, investment banks and rating agencies.

By law it is the responsibility of the Audit Committee to ensure the independence of the external auditors and, in particular, to receive information on any matter that might jeopardise their independence.

The Company fully respects the prohibitions established in the Audit Act (*Ley de Auditoría*), as amended by the Financial Act 44/2002 (*Ley Financiera*), and avoids conflicts of interest as defined therein.

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

The company does not at present have a procedure in place to ensure the independence of financial analysts and investment banks, but has always acted transparently in its dealings with them.

No procedure is required with respect to rating agencies, as the Company at present has no relationship with any rating agency.

B.1.36 Indicate whether the Company changed its external auditor during the year. If so, identify the outgoing and the incoming auditor:

Yes ☐ **No** ☒

Outgoing auditor	Incoming auditor

If there was any disagreement with the outgoing auditor, explain the substance of the disagreement:

Yes ☐ **No** ☒

Explanation of disagreement

B.1.37 Does the external auditor provide any non-audit services to the Company and/or its group? If so, state the auditor's fees for such non-audit services in absolute terms and as a percentage of the total fees invoiced to the Company and/or its group:

Yes ☒ **No** ☐

	Company	Group	Total
Fees for non-audit services (000s of €)	0	1.5	1.5
Fees for non-audit services / Total fees invoiced by the auditor (in %)	0	1.98	1.98

B.1.38 Indicate whether the auditors' report on the financial statements for the previous financial year included qualifications. If so, state the reasons given by the Chair of the Audit Committee to explain the content and scope of the qualifications.

Yes ☐ No ☒

Explanation of the reasons

B.1.39 For how many consecutive years has the current auditor audited the Company's and/or group's annual accounts? For what proportion of the total number of years in which the accounts have been audited has the current auditor audited the Company's annual accounts?

	Company	Group
Number of consecutive years	3	3

	Company	Group
Number of years audited by current audit firm/Number of years the Company has been audited (%)	13.636	13.636

B.1.40 Give details of directors' shareholdings in companies whose business is similar, analogous or complementary to the main business of the Company or its group, insofar as they have been notified to the Company. Specify any offices or functions the named directors hold or perform in those companies:

Name of director	Name of company in which shares are held	% shareholding	Post or function
Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	1.536	Director
Alfredo Lafita Pardo	Diana, Sociedad de Capital Riesgo, S.A.	0.000	Chairman
Manuel Soto Serrano	Banco Santander, S.A.	0.003	Fourth Vice-chairman
Manuel Soto Serrano	Instituto per le Opere di Religione	0.000	Director

B.1.41 Is there a procedure to allow directors to take independent professional advice? If so, give details.

Yes ☒ No ☐

Details of the procedure
- The external directors may agree, by majority vote, to retain legal, accounting or financial advisers or other experts at the Company's expense. - The advice sought must concern specific problems of some importance and complexity that arise in the discharge of their duties. - The decision to hire outside services must be notified to the Chairman of the Company and implemented through the Managing Director. The Board may veto any such decision if it considers the advice unnecessary for the satisfactory performance of the directors' tasks, if the advice is considered unreasonably expensive in relation to the importance of the problem, or if the advice could be adequately provided by the Company's own experts and specialists. A majority of two-thirds of the directors present is required for any such veto to take effect.

B.1.42 Is there a procedure in place to ensure that directors have sufficient, timely information to prepare for Board and committee meetings? If so, give details.

Yes [X] **No** [ ]

Details of the procedure
It is the Managing Director's responsibility to prepare all the information required for proper consideration of the business on the agenda of each Board meeting and make it available to the other directors at least three days in advance of the meeting.

B.1.43 Indicate whether the Company has established an obligation for directors to inform the Company and, if necessary, resign if their circumstances are liable to harm the Company's good name and reputation:

Yes [X] **No** [ ]

Explain the rules
Directors must notify the Board of any criminal prosecution in which they are defendants and keep it informed of the progress of any such prosecution. If a director is charged with or prosecuted for any of the offences named in Article 124 of the Public Limited Companies Law, the Board will study the matter at the earliest opportunity and, giving due consideration to the circumstances, decide whether the director should stand down or not. All such decisions will be explained in full in the annual corporate governance report.

B.1.44 Indicate whether any director has informed the Company of any charge or prosecution brought against him or her for any of the crimes named in Article 124 of the Public Limited Companies Law:

Yes [ ] **No** [X]

Name of director	Charge	Observations

Indicate whether the Board of Directors has studied the case. If so, explain and give reasons for the decision taken as to whether the director should stay on or stand down.

Yes ☐ **No** ☐

Decision taken	Reasoned explanation
Stay on / Stay down	

B.2. Board Committees

B.2.1 Give details of all Board committees and their members:

Executive or Delegate Committee

Name	Post	Status

Audit Committee.

Name	Post	Status
Alfredo Lafita Pardo	Chairman	Independent
Manuel Soto Serrano	Member	Independent
Francisco Verdú Pons Member	Member	Proprietary
Enrique Piñel López	Member	Proprietary

Nomination and Remuneration Committee

Name	Post	Status
Juan March Delgado	Chairman	Proprietary
Alfredo Lafita Pardo	Member	Independent
Alfonso Tolcheff Alvarez	Member	Independent

Nomination Committee

Name	Post	Status

Remuneration Committee

Name	Post	Status

Committee

Name	Post	Status

B.2.2 Indicate whether the Audit Committee performs the following functions:

	Yes	No
Ensure that the Company's and, where appropriate, the group's financial information is prepared in accordance with applicable law and is complete, that the scope of consolidation is properly defined and that accounting principles are applied correctly.	X	
Regularly review internal control and risk management systems to ensure that the most important risks are properly identified, managed and disclosed	X	
Monitor the independence and efficacy of the internal audit function; make proposals for the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular reports on the department's activities; and ensure that senior management takes the findings and recommendations of internal audit reports into account in its decisions		X
Establish and supervise a mechanism that allows staff to report, confidentially and, if necessary, anonymously any irregularities they detect in the course of their duties, in particular financial or accounting irregularities with potentially serious implications for the firm	X	
Make recommendations to the Board for the selection, appointment, reappointment or removal of the external auditor and the terms of engagement of the auditor.	X	
Receive regular reports from the external auditor on the audit plan and audit results and ensure that senior management takes the external auditor's recommendations into account	X	
Ensure the independence of the external auditor	X	
In the case of groups, encourage group companies to use the same external auditor as the group itself.	X	

B.2.3 Describe the constitution and operation of each Board committee and its responsibilities.

Audit Committee

The regulations for this committee are included in the Articles of Association and are supplemented by the Board Regulations. The main regulations concerning the Audit Committee are as follows:

a) Establishment of the committee. The Audit and Compliance Committee was created in 2000 in response to the recommendations of the “Olivencia Code”. Under the 2002 Financial Act (*Ley Financiera*), companies are now legally required to have an Audit Committee. The Audit Committee is therefore included in the amended Articles of Association adopted in 2003, along with rules regarding its constitution, operation and functions. These rules are set forth in more detail in the Board Regulations, which following the 2007 amendment take account of the recommendations of the Unified Code approved by the CNMV on May 22, 2006.

b) Composition and Chair. The Audit Committee shall consist of at least three and at most five members, one of which shall act as Chair. 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’s 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. All directors shall receive a copy of the minutes.

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

- Risk detection and internal control system;
- Review and approval of financial information;
- External audit of the annual accounts;
- 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.

Nomination and Remuneration Committee

This Committee is regulated by the Board Regulations. The main parts of these regulations are summarised below.

a) Establishment of the committee. This Committee was created in the amendment to the Board of Directors Regulations approved in May 2003, following the recommendations of the "Aldama Report". The scope of its activities was broadened with the further amendment of the Board Regulations in 2007.

b) Composition. The Nomination and Remuneration Committee has a minimum of three and maximum of five members, all of whom are external or non-executive directors appointed by the Board of Directors from among its members. The Board of Directors also appoints the Chairman of the committee.

c) Tenure. The duration of the appointment shall be for the period remaining until the end of the director's term as director, with the possibility of reappointment.

d) Meetings. The Nomination and Remuneration Committee shall meet no less than once a year and as many times as convened by agreement of the Committee itself or its Chairman. Any person from inside or outside the Company may be called to attend the meetings as considered appropriate.

B.2.4 Describe the powers of each committee to make recommendations, issue opinions and act on behalf of the Board:

Committee	Brief description
Audit Committee	In accordance with the Company by-laws, the Audit Committee has the following competences: - Report to the General Meeting on matters that shareholders raise in it in the area of its competence. - Make proposals to the Board for submission to the General Meeting regarding the appointment of the external auditors. - Supervision of the internal audit service, if there is one. - 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.
Nomination and Remuneration Committee	Under the Board Regulations, the main functions of the Nomination and Remuneration Committee are: - Assess the competencies, knowledge and experience required by the Board and the necessary dedication. - Advise on proposals for the appointment, reappointment, ratification or removal of directors and for appointments to Board committees. - Advise on the appointment and removal of the Company secretary. - Examine the succession of the Chairman and Chief Executive. - Annually review the classification of directors. - Propose to the Board: (i) The policy on directors' and senior managers' remuneration; (ii) The individual remuneration and other contractual terms of executive directors; and (iii) The standard terms of senior management contracts. - Ensure that remunerations are transparent and that information on remuneration is included in the annual report. - Advise on the appointment and removal of senior managers.

B.2.5 State whether there are any regulations governing the work of Board committees, where the regulations are available for consultation, and any changes made to them during the year. In addition, state whether each committee has voluntarily prepared an annual report on its activities.

The Board Regulations include regulations governing each of the two committees referred to above. The Board Regulations may be examined at the Company's registered office, on the corporate web site, at the CNMV or at the Companies Registry.

The Audit Committee is mentioned in Article 47 of the Articles of Association and Articles 21 to 34 of the Board Regulations.

The Nomination and Remuneration Committee is mentioned in Articles 35 and 36 of the Board Regulations.

The Audit Committee and the Nomination and Remuneration Committee have both prepared reports on their activities during 2007.

B.2.6 Does the composition of the Executive Committee reflect the proportions of the different types of directors on the Board?

Yes ☐ **No** ☐

If not, describe the composition of the Executive Committee.
There is no Executive Committee

C Related-party transactions

C.1 Indicate whether the Board of Directors in plenary session reserves the right to approve any transactions between the Company and its directors, significant shareholders or shareholders represented on the Board, or people associated with them, subject to a favourable report by the Audit Committee or any other committee that has been commissioned to report on the matter:

Yes X **No** ☐

C.2 Give details of any significant transactions involving the transfer of resources or obligations between the Company or group entities and the Company's significant shareholders:

Name of significant shareholder	Name of company or group entity	Nature of relationship	Type of transaction	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.	Commercial	Guarantees	2,413
Banca March, S.A.	Corporación Financiera Alba, S.A.	Corporate	Dividends and other profit distributions	2,204
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest charged	1,624
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Unpaid accrued interest	421
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest paid	25
Banca March, S.A.	Corporación Financiera Alba, S.A.	Contractual	Sale of investments	48,444
CIMSA	Corporación Financiera Alba, S.A.	Commercial	Operating lease agreements	109
CIMSA	Corporación Financiera Alba, S.A.	Contractual	Compensation	4,000
March Vida	Corporación Financiera Alba, S.A.	Commercial	Provision of services	221

C.3 Give details of any significant transactions involving the transfer of resources or obligations between the Company or group entities and directors or senior managers of the Company:

Name of director or senior manager	Name of company or group entity	Nature of transaction	Type of transaction	Amount (000s of €)

C.4 Give details of any significant transactions between the Company and other group companies that are not eliminated on consolidation and that are not part of the ordinary course of the Company's business:

Name of group company	Brief description of transaction	Amount (000s of €)

C.5 Indicate whether during the year the directors had any conflicts of interest, within the meaning of Article 127 ter of the Public Limited Companies Law.

Yes ☐ No ☒

Name of director	Description of the conflict of interest

C.6 Give details of the mechanisms in place to detect, determine and resolve any conflicts of interest between the Company and its group, on the one hand, and its directors, senior managers or significant shareholders, on the other.

The Board Regulations prohibit directors from directly or indirectly engaging in professional or commercial transactions with the Company or any of its subsidiaries without prior Board notification and approval, subject to a favourable report by the Audit Committee.

In addition, if the Board of Directors or any of its members publicly solicits proxies, the direction in which the representative will vote if the shareholder does not give instructions must be indicated. Furthermore, where proxies have been solicited publicly, the director may not exercise the voting rights attached to shares he or she represents on agenda items where the director has a conflict of interest nor, under any circumstances, on the items specifically mentioned in Article 114 of the Securities Market Law (as enacted by Act 26/2003 of July 17).

C.7 Is more than one group company listed in Spain?

Yes ☐ No ☒

Name the subsidiaries that are listed on Spanish stock exchanges:

Subsidiaries listed in Spain

Indicate whether the areas of activity and likely business relationships between the parent company and each listed subsidiary and between each listed subsidiary and other group companies have been fully and publicly disclosed.

Yes ☐ No ☐

Describe the likely business relationships between the parent company and the listed subsidiary and between the listed subsidiary and other group companies

Identify the mechanisms that will be used to resolve any conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for resolving conflicts of interest

D Risk Control Systems

D.1 Give a general description of the risk policy of the Company and/or its group. Specify and evaluate the risks covered by the risk control system and explain how the system deals with each type of risk.

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 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).

As regards real estate investments, the risks are: loss of income if the buildings are unoccupied (especially if they have a large floor area); changes in long-term interest rates; damage; and non-payment 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 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, but this is not a significant risk.

- 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 the companies' share prices at year-end 2007, was 4,455 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 or entities that offer bank guarantees.

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

D.2 Indicate whether any of the various types of risk (operational, technological, financial, legal, reputational, tax…) to which the Company and its group are exposed occurred during the year:

Yes ☐ **No** ☒

If so, indicate the circumstances of the risk event and state whether the control systems worked as expected.

Risk that occurred during the year	Circumstances of the risk event	Performance of control systems

D.3 State whether a committee or other governance body has been specifically tasked with setting up and supervising these control mechanisms.

Yes ☒ **No** ☐

If so, give details of its functions.

Name of committee or body	Description of functions
Audit Committee	The Audit Committee is responsible for supervising the Company's internal control arrangements. The Audit Committee assesses whether the Company has the necessary organisation, staff and procedures to identify and control its main operating, legal and financial risks. To do this, the committee must verify that the Company has the following systems in place and that they function correctly: - A system for identifying and describing the Company's main operating processes and documenting them in operating rules and instruction manuals. - An integrated information system, based on modern technology, which allows timely and reliable preparation of financial information and of the operational data needed for effective business management. - A budgeting system that allows the Company to set quantitative objectives in advance within a strategic framework and analyze the causes of any significant deviations between actual and budgeted results.
External auditor	At regular intervals the external auditor is asked to assess and report on the Company's internal audit mechanisms. These mechanisms will be reviewed in 2008.

D.4 Identify and describe the processes for compliance with the various regulations that affect your Company and/or its group.

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, when required, by the Company's finance director, who is responsible for internal control and who reports to the Committee on this matter.

E General Meeting

E.1 Indicate whether the quorum requirements for general shareholders' meetings differ from the minimum specified in the Public Limited Companies Law (LSA). If so, give details.

Yes ☐ No ☒

	% difference from quorum under LSA Art. 102 for general purposes	% difference from quorum under LSA Art. 103 for special purposes
Quorum on first call		
Quorum on second call		

Description of the differences
The quorum for General Meetings on first call is 25% of the issued voting shares. There is no quorum requirement on second call. There are no differences with respect to the minimum requirements under the Public Limited Companies Law.

E.2 Indicate whether the majority rules for the adoption of resolutions in General Meetings differ from the provisions of the Public Limited Companies Law (LSA). If so give details:

Yes ☐ No ☒

Describe the difference.

	Qualified majority different from that specified in LSA Art. 103.2 for purposes envisaged in Art. 103.1	Others purposes requiring a supermajority
% established by the Company for the adoption of resolutions		
Describe the differences		
There are no differences.		

E.3 List any rights of shareholders in relation to General Meetings which are different from those established under the Public Limited Companies Law.

In relation to General Meetings, shareholders have all 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 State what measures, if any, have been taken to promote shareholder participation in General Meetings.

The Company complies with all the requirements established by law and the Articles of Association relating to the convening and holding of General Meetings. As a specific measure, the Company uses the corporate web site to inform shareholders of the proposals to be submitted to the Meeting and to make available all the necessary documentation. After the Meeting, the web site also reports the resolutions adopted. Furthermore, the Company responds to queries submitted by shareholders by post and by e-mail.

E.5 State whether General Meetings are chaired by the Chairman of the Board of Directors. If applicable, give details of any measures taken to ensure the independence and smooth functioning of the General Meeting:

Yes X **No** ☐

Describe the measures taken
Under the General Meeting Regulations: - The Chairman guides the deliberations and ensures orderly conduct of the debates. - The debate may be organised so that shareholders may speak once on each agenda item or once on all the agenda items on which they wish to speak. - As a general rule, the Chairman will reply to issues raised by shareholders, although he or she may also ask other directors or managers of the Company to reply. In particular, if a question falls within the remit of the Audit Committee, the Chairman may ask the Chairman of the Audit Committee or, in the Chair's absence, another committee member to reply. - 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, in view of the complexity of the issue raised, the Chairman considers it impossible to provide an adequate reply in the Meeting, a reply shall be given in writing and published on the Company website.

E.6 State any changes made to the General Meeting Regulations during the year.

At the General Meeting held on May 30, 2007, Articles 5 ("Functions") and 26 ("Adoption of resolutions") of the General Meeting Regulations were amended to include the following points, in line with the recommendations of the Unified Code approved by the CNMV on May 22, 2006:

- Attribution of certain decisions to the General Meeting (transactions entailing changes to the structure of the Company),
- Separate voting on issues that are substantially independent, and
- Option of splitting the vote of financial intermediaries

E.7 Give data for attendance at General Meetings held in the financial year to which this report refers:

	Attendance data				
Date of General Meeting	% present in person	% present by proxy	% remote voting		Total
			Electronic voting	Other	
30-05-2007	19.76	62.01			81.77

E.8 State briefly the resolutions passed at the General Meetings held during the financial year to which this report refers, indicating the percentage of votes with which each resolution was passed.

At the General Meeting held on May 30, 2007 the shareholders resolved to:

1. Approval of both individual and consolidated annual accounts for the financial year ended December 31, 2006.
2. Approval of the management of the Board of Directors during the year.
3. Approval of the proposed distribution of profit and dividend payment.
4. Nomination, ratification and re-election of Directors.
   - To re-elect Nicholas Brookes, Enrique Piñel López and Manuel Soto Serrano as directors.
   - To appoint Alfonso Tolcheff Alvarez as a director.
   - To ratify the appointment of Santos Martínez-Conde Gutiérrez-Barquín and Alfredo Lafita Pardo as directors.
5. Amend the General Meeting Regulations (Articles 5 "Functions" and 26 "Adoption of resolutions") and report on the amendment of the Board Regulations.
6. Give the Company authority to purchase own shares subject to the limits and requirements established in Spain's Public Limited Companies Law (*Ley de Sociedades Anónimas*) and to use the shares purchased under this and previous authorities to implement remuneration plans for executive directors and senior management consisting of the assignment of shares or stock options, and to empower the Board of Directors to reduce share capital as necessary.
7. Reduction of share capital by one million euros by cancelling one million own shares held in treasury and to amend Article 5 of the Articles of Association.
8. Transfer two hundred thousand euros to voluntary reserves, this being the surplus of the legal reserve established by the Company in compliance with Article 214 of the Public Limited Companies Law.
9. Authorisation to the Board of Directors to implement the resolutions adopted by the Meeting.
10. Approval of the minutes of the Meeting.

These resolutions were passed as follows:

Resolution 1. By majority, with 52,067,537 votes in favour, 1,326 votes against and 348,599 abstentions.
Resolution 2. By majority, with 52,301,635 votes in favour and 115,827 abstentions.
Resolution 3. By majority, with 48,858,624 votes in favour, 2,841,161 votes against and 717,677 abstentions.
Resolution 4. By majority, with 52,279,911 votes in favour and 137,551 abstentions, in all the votes on the election, re-election or ratification of directors (separate votes were taken on each election, re-election or ratification).
Resolution 5. By majority, with 52,301,635 votes in favour and 115,827 abstentions.
Resolution 6. By majority, with 52,407,223 votes in favour and 10,239 abstentions.
Resolution 7. By majority, with 52,407,223 votes in favour and 10,239 abstentions.
Resolution 8. By majority, with 52,301,635 votes in favour and 115,827 abstentions.
Resolution 9. By majority, with 52,302,374 votes in favour and 115,088 abstentions.
Resolution 10. By majority, with 52,302,374 votes in favour and 115,088 abstentions.

E.9 State whether the Articles of Association specify a minimum number of shares for attendance at General Meetings:

Yes [X] **No** [ ]

Number of shares required to attend General Meetings	25

E.10 State and explain the Company's policies with respect to the appointment of proxies at General Meetings.

The Company has no policy on the appointment of proxies in General Meetings and the directors do not solicit proxies from shareholders.

E.11 Indicate whether the Company is aware of the policy of institutional investors with regard to participation in company decisions?

Yes [ ] **No** [X]

Describe the policy

E.12 State the web address and means of access to corporate governance information on the Company's website.

URL: www.cf-alba.com
Means of access: Main Menu / Information for shareholders and investors / Corporate Governance.

F Degree of compliance with corporate governance recommendations

Indicate the Company's degree of compliance with the recommendations of the Unified Code on Good Corporate Governance.

In cases where the Company does not comply with a recommendation, explain what recommendations, rules, practices or criteria it follows.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder or impose other obstacles to the takeover of the Company by means of share purchases on the market.

   See sections: A.9 , B.1.22 , B.1.23 and E.1 , E.2.

   Complies [X] Explain [ ]

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

   a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;

   b) The mechanisms in place to resolve possible conflicts of interest.

   See sections: C.4 and C.7

   Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

   a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

   b) Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose;

   c) Operations that effectively add up to the Company's liquidation.

   Complies [X] Complies partially [ ] Explain [ ]

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

   Complies [X] Explain [ ]

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so that shareholders can express their preferences in each case. This rule shall apply in particular to:

   a) The appointment or ratification of directors, with separate voting on each candidate;

   b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

   See section: E.8

   Complies [X] Complies partially [ ] Explain [ ]

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

   See section: E.4

   Complies [X] Explain [ ]

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to maximise its value over time.

   It should likewise ensure that the Company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

   Complies [X] Complies partially [ ] Explain [ ]

8. The Board should see the core components of its mission as to approve the Company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the Company's interests and corporate purpose. As such, the Board in full should reserve the right to approve.

   a) The company's general policies and strategies, and in particular:

      i) The strategic or business plan, management targets and annual budgets;

      ii) Investment and financing policy;

      iii) Design of the structure of the corporate group;

      iv) Corporate governance policy;

      v) Corporate social responsibility policy;

      vi) Remuneration and evaluation of senior officers;

      vii) Risk control and management, and the periodic monitoring of internal information and control systems;

      viii) Dividend policy, as well as the policies and limits applying to treasury stock.

   See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions :

i) On the proposal of the Company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14.

ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B.1.14.

iii) The financial information listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the Company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2. They go through at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1% of the Company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally, the above powers should not be delegated, with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full Board.

See sections: C.1 and C.6

Complies [X] Complies partially [ ] Explain [ ]

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Complies [X] Explain [ ]

10. External directors, proprietary and independent, should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2 , A.3, B.1.3 and B.1.14.

Complies [X] Complies partially [ ] Explain [ ]

11. In the event that some external director can be deemed neither proprietary nor independent, the Company should disclose this circumstance and the links that person maintains with the Company or its senior officers, or its shareholders.

See section: B.1.3

Complies [ ] Explain [ ] Not applicable [X]

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by proprietary directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1 In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2 In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3 , A.2 and A.3

Complies [X] Explain [ ]

13. The number of independent directors should represent at least one third of all Board members.

See section: B.1.3

Complies [X] Explain [ ]

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.1.4

Complies [X] Complies partially [ ] Explain [ ]

15. When women directors are few or non existent, the Board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

a) The process of filling Board vacancies has no implicit bias against women candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.

See sections: B.1.2, B.1.27 and B.2.3.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

The absence of female directors on the Board of Directors is due to the fact that, at the time they were appointed, the current directors were the most suitable people for the job, without regard to their gender. The recommendation of the Unified Code will be taken into consideration in future appointments.

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's chief executive, along with the chairmen of the relevant Board committees.

See section: B.1.42

Complies [X] Complies partially [ ] Explain [ ]

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

18. The Secretary should take care to ensure that the Board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

b) Comply with the Company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting; the relevant appointment and removal procedures being spelled out in the Board's regulations.

See section: B.1.34

Complies [X] Complies partially [ ] Explain [ ]

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Complies [X] Complies partially [ ] Explain [ ]

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Complies [X] Complies partially [ ] Explain [ ]

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

Article 15.6 of the Unified Code specifically states that "when directors or the Secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book".

During 2007 no situation occurred in which this rule was applicable.

22. The Board in full should evaluate the following points on a yearly basis:

    a) The quality and efficiency of the Board's operation;

    b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;

    c) The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Complies [X] Complies partially [ ] Explain [ ]

The first Board assessment was carried out in relation to financial year 2007.

23. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the bylaws or Board Regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Complies [X] Explain [ ]

24. All directors should be entitled to call on the Company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the Company's expense.

See section: B.1.41

Complies [X] Explain [ ]

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Complies [X] Complies partially [ ] Explain [ ]

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

    a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

    b) Companies should lay down rules about the number of directorships their Board members can hold.

    See sections: B.1.8, B.1.9 and B.1.17

    Complies ☐ Complies partially ☒ Explain ☐

    Directors disclose their other professional commitments to the Nomination Committee, in case they may interfere with the commitment required by the Company. However, the Company has not established any rules on the number of directorships its members may hold. This is because given the nature of Alba's activities, the directors' duties do not entail a very considerable time commitment. Moreover, the experience the directors gain on other Boards benefits Alba.

27. The proposal for the appointment or renewal of directors which the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the Board:

    a) On the proposal of the Nomination Committee, in the case of independent directors.

    b) Subject to a report from the Nomination Committee in all other cases.

    See section: B.1.2

    Complies ☒ Complies partially ☐ Explain ☐

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

    a) Professional experience and background;

    b) Directorships held in other companies, listed or otherwise;

    c) An indication of the director's classification as executive, proprietary or independent non-executive; in the case of proprietary directors, stating the shareholder they represent or have links with.

    d) The date of their first and subsequent appointments as a director of the Company, and;

    e) Shares or stock options of the Company held by them.

    Complies ☒ Complies partially ☐ Explain ☐

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Complies [X] Explain [ ]

The Articles of Association do not establish any rule in this respect, but to date this recommendation has been followed.

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2 , A.3 and B.1.2

Complies [X] Complies partially [ ] Explain [ ]

No situation arose during 2007 in which this recommendation, which is reflected in the Board Regulations, would have applied.

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the Company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies [X] Explain [ ]

32. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Complies [X] Complies partially [ ] Explain [ ]

33. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board; director or otherwise.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

Article 15.5 of the Board Regulations specifically states that "Directors should clearly state their opposition when they consider that a proposal submitted to the Board is contrary to the Company's interests. This applies in particular to independent directors and others who are not affected by the potential conflict of interest when the decision at issue may be detrimental to shareholders who are not represented on the Board."

During 2007 no situation occurred in which this rule was applicable.

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

During 2007 no situation occurred in which this rule, which is reflected in Article 19.5 of the Board Regulations, was applicable

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

a) The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise ;

b) Variable components, in particular:

i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.

ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and

iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.

d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:

i) Duration;

ii) Notice periods; and

iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Complies [X] Complies partially [ ] Explain [ ]

36. Remuneration comprising the delivery of shares in the Company or other companies in the group, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3 , B.1.3

Complies [X] Explain [ ]

This type of remuneration is not currently used, but if it were, the Articles of Association specify that it would be applicable only to executive directors.

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies [X] Explain [ ]

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies [X] Explain [ ] Not applicable [ ]

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies [X] Explain [ ] Not applicable [ ]

40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the Board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Complies [ ] Complies partially [X] Explain [ ]

The Board has prepared a report on the directors' remuneration policy which will be made available to the shareholders when the General Meeting is announced. The report concerns the remuneration policy approved by the Board. It addresses the points mentioned in Recommendation 35 and describes the role played by the Nomination and Remuneration Committee in preparing the remuneration policy.

However, given the legal uncertainty surrounding such consultative votes, the Board of Directors does not consider it appropriate to submit this report to a vote as a separate item on the General Meeting agenda. The lack of a vote does not diminish the transparency of directors' remuneration, as can be seen in this annual corporate governance report (Section B.1.11) and in the notes to the financial statements.

In any case, if any form of share-based remuneration were to be adopted, the authority of the General Meeting would be required, as the Public Limited Companies Law and the Company's Articles of Association stipulate.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

a) A breakdown of the compensation obtained by each company director, to include where appropriate:

i) Participation and attendance fees and other fixed director payments;

ii) Additional compensation for acting as chairman or member of a Board committee;

iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;

iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;

v) Any severance packages agreed or paid;

vi) Any compensation they receive as directors of other companies in the group;

vii) The remuneration executive directors receive in respect of their senior management posts;

viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

i) Number of shares or options awarded in the year, and the terms set for their execution;

ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;

iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;

iv) Any change in the year in the exercise terms of previously awarded options.

c) Information on the relation in the year between the remuneration obtained by executive directors and the Company's profits, or some other measure of enterprise results.

Complies ☐ Complies partially ☐ Explain ☒

In some cases the Company provides information (in this annual corporate governance report and in the notes to the consolidated financial statements) on the remuneration of individual directors, where individual figures can be given or can be calculated insofar as the remuneration accrues to all directors equally; in other cases, the information is grouped and broken down to provide sufficient detail.

42. When the Company has an Executive Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒

43. The Board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Complies ☐ Explain ☐ Not applicable ☒

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the Board Regulations, and include the following:

a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;

b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.

c) Committees should be chaired by an independent director.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meeting proceedings should be minuted and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

Complies ☐ Complies partially ☒ Explain ☐

Corporación Financiera Alba, S.A. complies with this recommendation, with a single qualification concerning the role of Chairman of the Nomination and Remuneration Committee, which is held by a shareholder-nominated director, rather than an independent non-executive director. This is due to the Company's particular circumstances and, above all, the composition of its shareholder base.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Complies [X] Explain

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Complies [X] Explain [ ]

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Complies [X] Explain [ ]

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Complies [ ] Complies partially [X] Explain [ ]

In Corporación Financiera Alba, the internal audit function is part of the control function, which is carried out by financial management. On matters of internal audit, financial management reports to the Audit Committee, which is responsible for risk detection and internal audit systems.

49. Control and risk management policy should specify at least:

a) The different types of risk (operational, technological, financial, legal, reputational…) the Company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) the risk level the Company sees as acceptable;

c) the impact of risk events should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Complies [X] Complies partially [ ] Explain [ ]

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

   a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

   b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.

   c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

   d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

   a) Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.

   b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.

   c) Monitor the independence of the external auditor, to which end:

      i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

      ii) The Committee should ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

      iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and Mr.3

Complies [X] Complies partially [ ] Explain [ ]

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies [X] Explain [ ]

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

a) The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Complies [X] Complies partially [ ] Explain [ ]

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Complies [X] Complies partially [ ] Explain [ ]

54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members, as the case may be – should be independent directors.

See section: B.2.1

Complies [X] Explain [ ] Not applicable [ ]

55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a) Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.

c) Report on the senior officer appointments and removals which the chief executive proposes to the Board.

d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

56. The Nomination Committee should consult with the Company's Chairman and chief executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a) Make proposals the Board of Directors regarding:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration and other contractual conditions of executive directors.

iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the Company.

See sections: B.1.14, B.2.3

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies [X] Explain [ ] Not applicable [ ]

G Other Information of Interest

If you consider that there is any other relevant principle or aspect of your Company's corporate governance practices that has not been addressed by this Report, please give details.

Use this section to give any additional information, clarification or qualification relating to other sections of this report, provided such additional information is relevant and not a repetition.

In particular, state whether your Company is subject to the corporate governance legislation of countries other than Spain and, if so, include any information that the Company is obliged to disclose that is not required in this report.

Section A.2. Box one

- Banca March, S.A.

Juan, Carlos, Leonor and Gloria March Delgado own 100% of the shares of Banca March, S.A. On May 24, 2004 they entered into a shareholders' agreement relating to Banca March, S.A. which also affects Corporación Financiera Alba, S.A., given that Banca March, S.A. is a significant shareholder of Corporación Financiera Alba, S.A. This shareholders' agreement is referred to in Section A.6. Banca March, S.A.'s 65.35% shareholding in Corporación Financiera Alba, S.A. therefore includes the shareholdings of Juan and Carlos March Delgado mentioned in Section A.3.

Section A.8.

During 2007, 2,529,305 treasury shares were purchased and one million were cancelled.

Section B.1.2.

Luis Angel Rojo Duque ceased to be a director of the Company as his term expired.

After the end of the financial year, Alfonso Tolcheff Alvarez tendered his resignation as a director on account of his appointment to a post that is incompatible with membership of the Board of Directors of this Company.

Section B.1.11.a) Second box

The contributions relate to alternative pension schemes.

Section B. 1.11.c)

The average directors' remuneration, irrespective of status, was 36,000 euros per person. The figure for shareholder-nominated directors' remuneration includes the additional remuneration awarded to the Co-Chairmen, amounting to 78,000 euros each. Also, directors who serve on Board committees receive an additional payment of 6,000 euros per year per committee.

Section B.1.11. d) Second box

The figure of 0.385% is the total directors' remuneration as a percentage of the profit for the year attributable to the group.

Section B. 1.13.

The guarantee or golden parachute clauses were authorised before the amendment to the Board Regulations approved on April 24, 2007, which gives power to authorise such clauses to the Board.

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.1.25.

As a general rule, all directors should tender their resignation to the Board upon reaching the age of 70 and the Board may accept their resignation.

Section C.2.

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

Binding definition of independent non-executive director:

Indicate whether any of the independent non-executive directors has or has had any relationship with the Company, its significant shareholders or its senior managers which, had it been sufficiently significant or important, would have disqualified him or her as an independent non-executive director within the meaning of Section 5 of the Unified Code on Good Corporate Governance:

Yes ☐ **No** ☒

Name of director	Type of relationship	Explanation

This annual corporate governance report was approved unanimously by the Board of Directors of the Company at its meeting on March 26, 2008.

Indicate whether any directors voted against or abstained from voting on this report.

Yes ☐ **No** ☒

Name of director who did not vote to approve this report	Reasons (against, abstention, non-attendance)	Explain the reasons

PROPOSED RESOLUTIONS

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

1.- To receive and approve the individual and consolidated financial statements for the financial year ended December 31, 2007.

2.- To approve the work of the Board of Directors during the year.

3.- To approve the proposed profit distribution and dividend payment.

4.- To appoint, ratify and re-elect directors.
- To re-elect Mr. Carlos March Delgado and Mr. Alfredo Lafita Pardo as directors.
- To appoint Mr. Juan March de la Lastra as a director.
- To ratify the appointment of Mr. Fernando Casado Juan as a director.

5.- To reappoint Ernst & Young S.L. as the auditor of the Company and its consolidated group for a period of three years.

6.- Directors' remuneration. To set the maximum amount of director's remuneration under the Articles of Association at 708,000 euros.

7.- To give the Company authority to purchase own shares, subject to the limits and requirements of the Law on Public Limited Companies, and use the shares purchased under this and previous authorities to implement executive director and senior management remuneration plans entailing the allotment of shares or stock options; and to give the directors authority to cancel shares.

8.- To reduce the Company's share capital by 1,710,000 euros through the cancellation of 1,710,000 shares and to amend Article 5 of the Articles of Association.

9.- To transfer to voluntary reserves the sum of 442,000 euros, representing the excess of the non-distributable legal reserve established by the company pursuant to Article 214 of the Law on Public Limited Companies.

10.- To introduce a share-based payment system based on share options.

11.- To give the directors authority to implement the resolutions adopted by the Meeting.

12.- To approve the minutes of the Meeting.

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