ANNUAL REPORT 2012

ALBA
GRUPO MARCH

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INDEX

BOARD OF DIRECTORS AND MANAGEMENT TEAM

BOARD OF DIRECTORS[1]

CHAIRMEN
Juan March Delgado
Carlos March Delgado

VICE-CHAIRMAN
Juan March de la Lastra

MANAGING DIRECTOR
Santos Martínez-Conde Gutiérrez-Barquín

DIRECTORS
Nicholas Brookes
Ramón Carné Casas
Juan March Juan
Amparo Moraleda Martínez
José Nieto de la Cierva
José María Serra Farré

SECRETARY AND DIRECTOR
José Ramón del Caño Palop

Note (1): Composition of the Board of Directors as of 30 April 2013. At 31 December 2012 the Directors included Isidro Fernández Barreiro and Eugenio Ruiz-Gálvez Priego, who resigned from their posts on 25 January 2013.

AUDIT COMMITTEE[2]

Amparo Moraleda Martínez	Chairwoman
Nicholas Brookes	Member
José Nieto de la Cierva	Member
José Ramón del Caño Palop	Secretary

NOMINATION AND REMUNERATION COMMITTEE

Juan March Delgado	Chairman
Nicholas Brookes	Member
José María Serra Farré	Member
José Ramón del Caño Palop	Secretary

Note (2): Composition of the Audit Committee as of 30 April 2013. At 31 December 2012 the members included Eugenio Ruiz-Gálvez Priego (chairman) and Isidro Fernández Barreiro, who resigned from their positions as Directors on 25 January 2013.

MANAGEMENT TEAM

MANAGING DIRECTOR
Santos Martínez-Conde Gutiérrez-Barquín

SENIOR MANAGERS
José Ramón del Caño Palop
Javier Fernández Alonso
Ignacio Martínez Santos
Tomás Villanueva Iribas

TAX ADVISOR
Andrés Zunzunegui Ruano

DEPARTMENT HEADS
Antonio Egido Valtueña
Diego Fernández Vidal
Félix Montes Falagán
José Ramón Pérez Ambrojo
Andrés Temes Lorenzo

MEDIA RELATIONS
Luis F. Fidalgo Hortelano

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Dear Shareholders:

We are very pleased, as always, to report to you on the progress and performance of Alba and its investee companies during the last year.

Unfortunately, the year 2012 brought no substantial improvements in the general macroeconomic environment either in Europe or in Spain, although we believe it could represent a turning point in the economic and financial crisis we have been suffering for several years already.

The sovereign debt crisis in the "peripheral" economies of the euro zone grew to alarming proportions in the first half of the year. During that period the markets called the very foundations of the European Union and the survival of the euro into question, with constant rumours about the need to "rescue" large economies such as Spain or Italy, amidst high volatility in both fixed-income and equity markets. In the days preceding the Eurogroup's 26 July decision approving a bailout of the Spanish banking sector, the Ibex 35 reached a low for the year (5,905 points, down 31.1% on the beginning of the year). Meanwhile, the risk premium, i.e., the spread between the 10-year Spanish bond and the benchmark 10-year German bond, reached its highest level since the introduction of the euro (628 points, more than double the level seen at the end of 2011).

The Eurogroup agreed to provide financial assistance of up to 100,000 million euros to help restructure the Spanish banking sector. This translated into the partial nationalisation of most of the former cajas, or savings banks, and the creation of a "bad bank" to pool the financial institutions' troubled real estate assets. At the same time, through its president Mario Draghi, the European Central Bank stated its determination to do "whatever it takes" to preserve the Euro. Although the financial sector in Spain is still not nearly back to normal, both these actions helped remove some of the greatest uncertainties surrounding the country's public finances, the banking sector and, by extension, the Spanish economy as a whole. In our opinion, these measures could be key to gradually restoring the flow of credit to the real economy. The importance of these measures is evidenced by the strong stock market recovery from the moment they were announced until the end of the year (the Ibex 35 gained 38.3% in the period from its low in July until the end of the year) and the significant decline in the risk premium (down 38.1% at 389 points as of 31 December 2012), a trend that has continued into the first few months of 2013.

Despite these far-reaching measures and statements of intentions, however, the macroeconomic situation still shows no real signs

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

of improvement. In Spain the unemployment rate continued to rise at a swift pace, accompanied by steady falls in real GDP and private consumption, exacerbated to a large extent by the measures adopted to control the deficit, consisting mainly of increases in all kinds of taxes and cuts in public spending and public employment.

It is fair to say that the Spanish economy is suffering the consequences of the austerity measures. These measures, though necessary in order to control the deficit and restore confidence in the sustainability of public finances and public debt, nevertheless have the effect of deepening the economic recession in the short and medium term. A paradigmatic example is the labour reform, which is vital in order to create a more flexible labour market and promote job creation in the medium term and yet has the perverse effect of driving up unemployment in the short term. This phenomenon is not exclusive to Spain but is being felt throughout Europe (indirectly affecting even stronger economies such as Germany), thus fuelling debate across the Union European and among multinational bodies as to whether the austerity measures should be relaxed or, at least, combined with other initiatives aimed at stimulating economic growth. In our view, once steps have been taken to reduce the public sector deficit, the need to reactivate economic growth is particularly necessary in highly indebted economies such as Spain, as the contraction brought on by the deficit control measures also result in a deterioration of these economies' debt ratios.

In any case, despite the apparently unanimous commitment to support the Euro, the European Union is experiencing serious internal tensions between net creditors, such as Germany and Finland, and net debtors, such as Spain and Italy, as regards the advisability of relaxing the austerity policies. At present it appears to be a degree of consensus regarding the need to give the peripheral countries more time to meet the deficit targets, so as to moderate the contraction of their economies, provided these countries continue to make real progress with the proposed structural reforms.

Overall, economic forecasts are starting to predict a return to economic growth in Spain from the end of the current year, though very possibly with little or no job creation. And yet episodes such as the Cyprus bailout give no assurance that the European crisis is under control, so further periods of uncertainty and volatility are not to be ruled out.

Regarding the evolution of the markets, it is important to highlight the strong performance of the equity and debt markets in Europe in the second half of 2012 and the first months of this year, thanks to the measures adopted at the end of July, as mentioned previously, which reduced the uncertainty surrounding the Euro and the debt crisis in the peripheral economies. In recent months, however, the markets have started to show renewed signs of weakness, as the macroeconomic uncertainties have returned. It should also be pointed out that this strong performance in Europe was sustained by an improvement in the outlook for the United States (with record-breaking market indexes in the first few months of 2013), driven partly by a strongly expansionary monetary policy, and partly by the dissipation of earlier doubts over the growth of the Chinese economy.

In any case, despite the adverse macroeconomic outlook just described, 2013 may not necessarily be a bad year for the equity market in Spain if the prospects of future recovery persist.

Turning to Alba, the Net Asset Value (NAV) decreased 5.8% in 2012 to 2,765 million euros at the end of the year. This fall is due almost exclusively to the 9.8% decline in the market value of our listed

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

portfolio, dragged down by the drop in the market price of the two main listed investees, ACS and Acerinox, down 16.9% and 15.8%, respectively.

NAV per share at 31 December 2012, after deducting treasury shares, was 47.49 euros, down 5.8% compared to the end of the previous year.

The Alba share ended 2012 at 35.31 euros, up 16.8% over the year, outperforming both the Eurostoxx 50 (13.8%) and, most particularly, the Ibex 35 (-4.7%). It should be stressed that this strong share price performance, coupled with the above-mentioned fall in NAV, translated into a significant decrease in the discount at which the Alba share traded in relation to its NAV before taxes, which was 25.6% at the end of 2012, compared to 40.1% at the end of the previous year.

The consolidated net result in 2012 presented net losses of 299.4 million euros, compared with net profits of 406.2 million euros the previous year. In terms of results per share, Alba posted losses per share of 5.14 euros in 2012, as against earnings per share of 6.96 euros in 2011.

This reversal is attributable mainly to the losses of 311.8 million euros contributed by our associated companies in 2012, in particular the extraordinary loss posted by ACS in connection with its investment in Iberdrola. If these extraordinary items related to ACS are excluded, Alba would have posted a net profit of 180.3 million euros, down 33.2% on the previous year's comparable profit, excluding the gains obtained by Alba on the sale of ACS shares at the beginning of 2011.

In this report you will find a more detailed analysis of the various items on Alba's income statement and balance sheet, along with details of the performance of our investee companies during 2012.

In terms of investments and divestments, 2012 was a year of transition, in which no material transactions were completed, partly due to the uncertainty and volatility in the markets and the economy but also, in large measure, to the significant investments made in previous years, almost entirely in new investees.

Between the beginning of 2009 and the end of 2011, Alba invested 631 million euros in listed and unlisted companies, including Indra, Ebro Foods, Mecalux, Pepe Jeans, Ros Roca and Flex. In line with its strategy of turning over the portfolio as opportunities arise, Alba sold equity interests for a total of 704 million euros, mainly in ACS. In the same period Alba also purchased treasury shares for nearly 115 million euros.

Among the investments and divestments carried out after the year end, Alba sold, during the first quarter of 2013, shares representing 1.96% of Prosegur for 54 million euros.

Looking to 2013, we have moderately positive expectations for our investees, thanks to their competitive strengths and the internationalisation efforts of recent years, which have enabled them to substantially reduce their dependence on the crisis-hit Spanish market. In 2012, 83.0% of the aggregate consolidated sales of our listed investees was generated outside Spain, compared to 51.1% just two years earlier. We believe that international activities will continue to gain in importance in all these companies over the next few years.

Alba has consistently shown concern for compliance with corporate governance standards and best practices and has followed existing recommendations, notably those contained in the Unified Code approved by the CNMV.

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

The Annual Corporate Governance Report, which gives details of ownership structure and governance, risk control systems and monitoring of good governance recommendations, the Supplementary Report with the information requested by the CNMV, and the Directors' Remuneration Report have all been approved. All of them are available to shareholders and investors, along with other additional reports by the Board committees.

As regards the allocation of profit for the year, the Board of Directors will recommend a full-year ordinary dividend of 1.00 euro per share out of 2012 earnings. Accordingly, a final dividend of 0.50 euros per share, complementary to the interim dividend of the same amount paid in October last year, will be paid in the near future.

Lastly, we would like to thank the employees of our Group and of our Investees for their professionalism, enthusiasm and commitment, and all you, our shareholders, for your confidence and support.

Yours sincerely,

Carlos March Delgado
Juan March Delgado

KEY FINANCIAL DATA

KEY FINANCIAL DATA

Financial Highlights

(In millions of euros unless otherwise indicated)	2012	2011	2010	2009
Share capital at year-end	**58.3**	58.3	59.3	60.8
Shareholders' equity at year-end	**2,765**	2,863	2,949	2,788
Ordinary shares in issue (thousands), average for the year	**58,226**	58,363	59,271	60,293
Net result	**(299)**	406	419	391
Dividends	**58**	234	59	60
Earnings/(loss) per share (euros)	**(5.14)**	6.96	7.08	6.48
Dividend per share (euros)	**1.00**	4.00	1.00	1.00

Note: Per share data calculated using the average number of shares outstanding during the year.

KEY FINANCIAL DATA

Share Price Performance

	2012	2011	2010	2009
Closing share price (in euros per share)				
High	**35.49**	44.40	38.99	40.50
Low	**22.10**	27.43	29.28	23.49
Close	**35.31**	30.23	38.46	36.55
Stock market capitalisation at 31/12 (million euros)	**2,059**	1,762	2,282	2,221
Volume traded				
Number of securities (thousands)	**9,890**	12,989	19,365	23,004
In millions of euros	**299**	505	675	745
Daily average (millions of euros)	**1.2**	2.0	2.6	2.9
Dividend yield (on closing price for the year)	**2.8%**	13.2%	2.6%	2.7%
P/E ratio (on closing price for the year)	**neg.**	4.34	5.43	5.64

KEY FINANCIAL DATA

The Alba share gained 16.8% in 2012, performing substantially better than the Ibex 35, which fell 4.7% over the year, and also better than the Eurostoxx 50, which rose 13.8%.

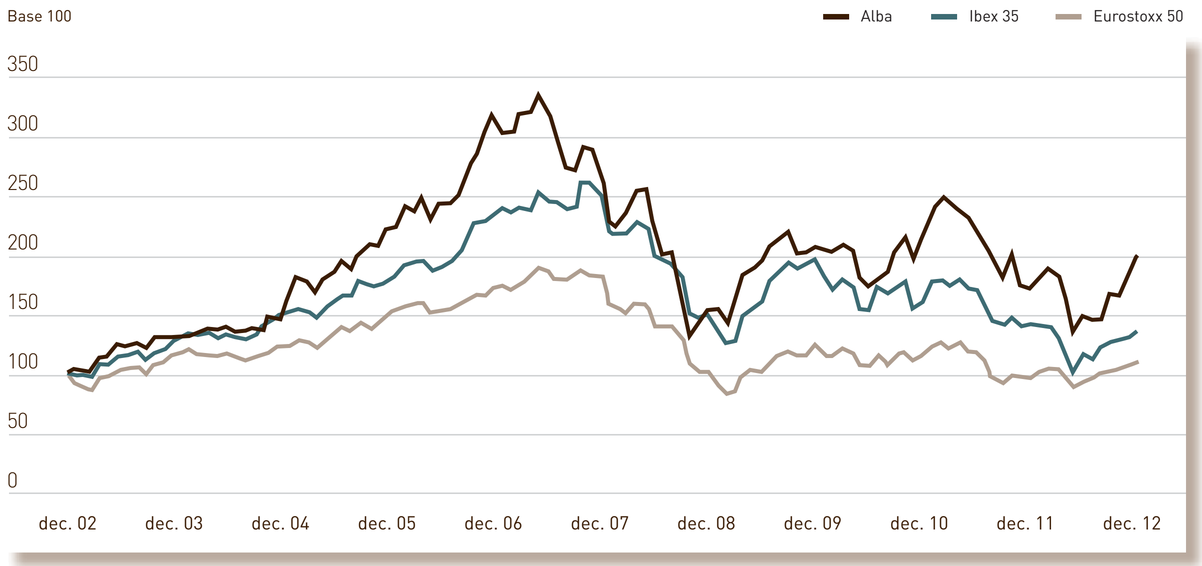
Alba share price performance in 2012

Source: Bloomberg.

KEY FINANCIAL DATA

Alba's strong share price performance over the last ten years shows the significant value creation achieved by our company in the long term. Since December 2002 the Alba share price has increased by 100.6%, while the Ibex 35 and the Eurostoxx have risen 35.3% and 10.5%, respectively. The graph shows the depth of the stock market plunge of 2007 and 2008, the significant recovery from the low point in March 2009 and the subsequent relapse in 2011, caused mainly by the sovereign debt crisis in the euro zone. The strong market recovery in the second half of 2012 was due, as explained earlier, to the decisive action taken by the European Central Bank and the agreements reached by the Eurogroup in July, which substantially diminished the uncertainties over a possible bailout of Spain and the future of the single currency.

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



Source: Bloomberg.

KEY FINANCIAL DATA

Net Asset Value

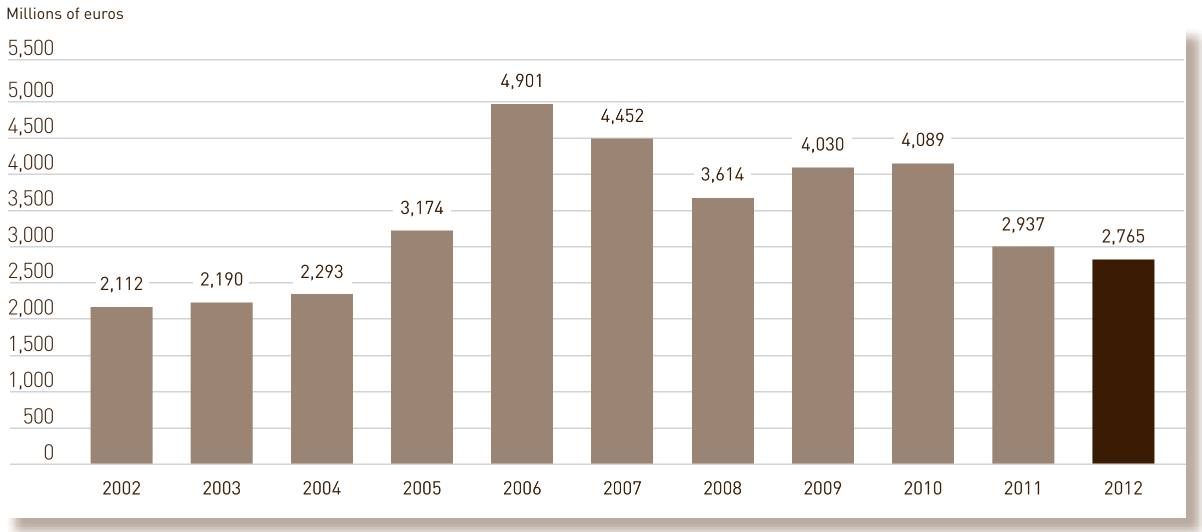
(In millions of euros unless otherwise indicated)	2012	2011	2010	2009
Net Asset Value (*)	**2,765**	2,937	4,089	4,030
Net Asset Value in euros per share (*)	**47.49**	50.44	69.63	67.18
Share price in euros per share	**35.31**	30.23	38.46	36.55
Discount to Net Asset Value	**25.6%**	40.1%	44.8%	45.6%

(*) Before taxes.

KEY FINANCIAL DATA

The changes in Net Asset Value since the end of 2002 can be seen in the chart below, which shows the sharp increase in 2005-2006 and the decline since 2010, partly due to the extraordinary dividend paid in 2011:

Historical Net Asset Value (31 Dec.)

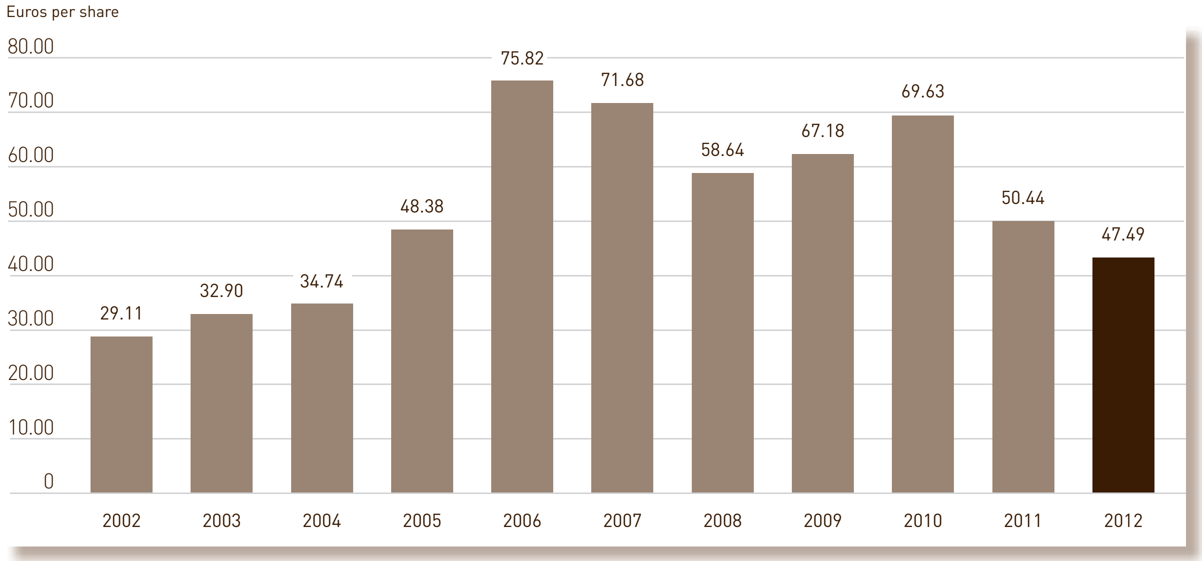


Note: Before taxes.

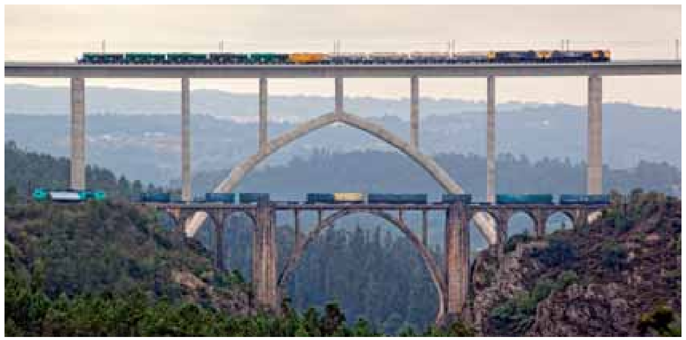
KEY FINANCIAL DATA

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

Net Asset Value per share (31 Dec.)



Note: Before taxes.



KEY FINANCIAL DATA

Over the last 10 years Alba's Net Asset Value per share increased by 63.1%, representing annual compound growth of 5.0%, outperforming the Ibex 35 (3.1%). The growth in Net Asset Value per share is attributable to the value creation by our investee companies during the period, the good results of the investment and divestment decisions made, and the positive effect for our shareholders of the purchase and subsequent cancellation of own shares. The difference in the performance of the share price and the Net Asset Value per share over time is due to the change in the discount at which the Alba share trades in the market compared to the value of its assets. This discount was 39.5% at the end of 2002 and by the end of 2012 it had been reduced to 25.6%.

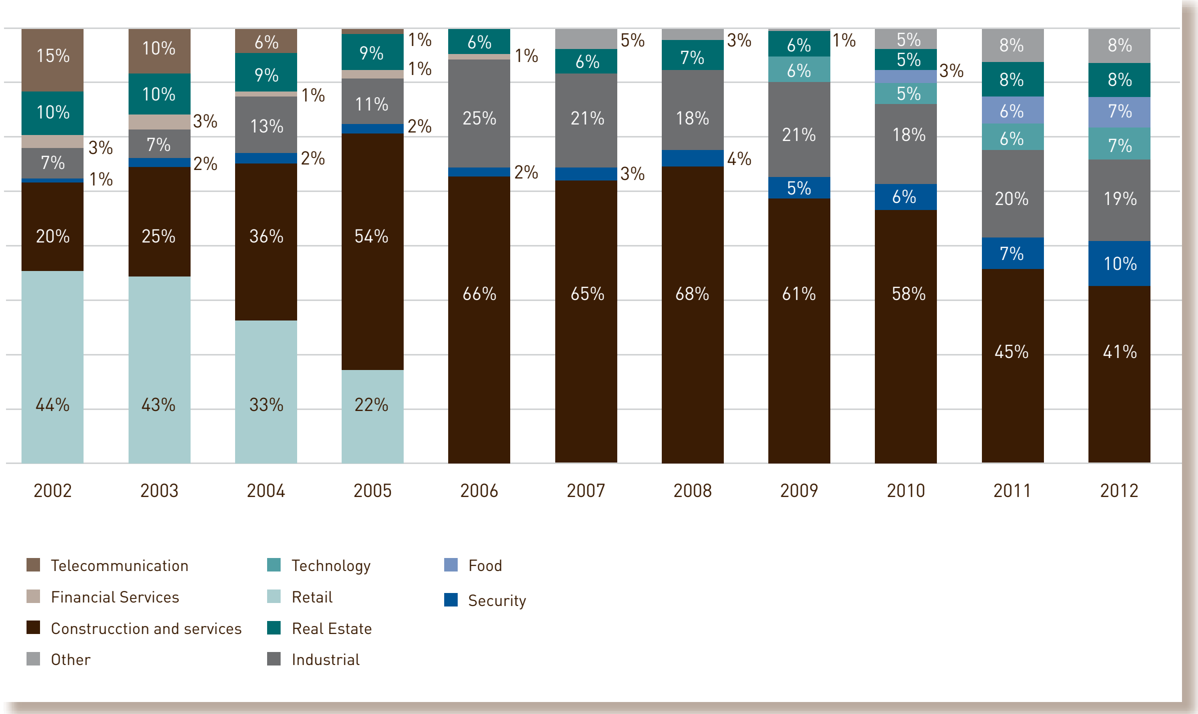
Net Asset Value per share compared to share price

Note: Before taxes.

KEY FINANCIAL DATA

The following chart shows the changes in the industry composition of Alba's portfolio over the last ten years.

Breakdown of Alba's Gross Asset Value by industry at year-end (31 Dec.) (*)



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

KEY FINANCIAL DATA

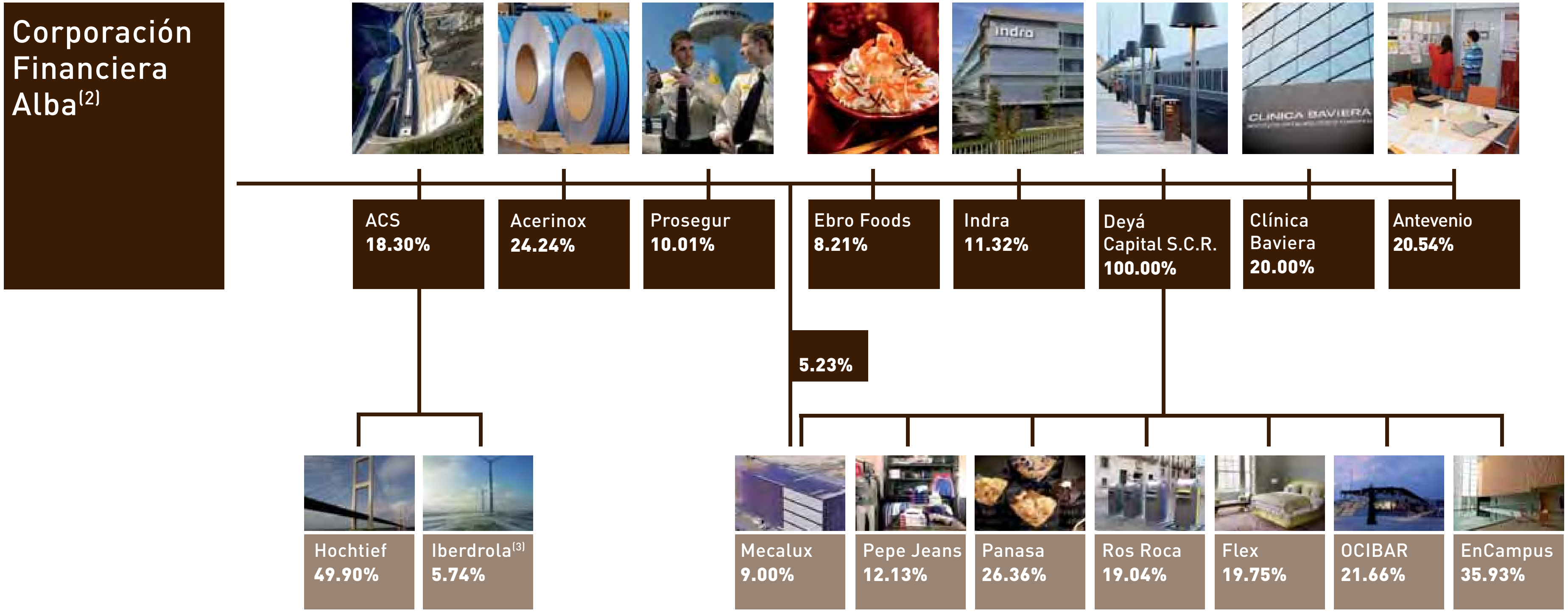
The composition of Alba's portfolio has been transformed in recent years as a result of investments and divestments and stock performance of the investee companies. The Retail and Telecommunications sectors, for example, which at the end of 2002 respectively consisted of Pryca–Carrefour and Airtel–Vodafone and together accounted for 59% of Alba's portfolio, have not been present in the portfolio since 2006. The most important sectors at the end of last year were Construction and Services (ACS, 41% of the portfolio) and Industrial (Acerinox, 19%). In 2009 and 2010 two new sectors were added to the portfolio: Technology (Indra, 7%) and Food (Ebro Foods, 7%). The weight of Construction and Services has fallen from a high of 68% at the end of 2008 to 41% at the end of 2012.

In 2012 the "Other" category includes the investments in Clínica Baviera and Antevenio and the investments made through Deyá Capital (Mecalux, Pepe Jeans, Panasa, Ros Roca, Flex, OCIBAR and EnCampus).

KEY FINANCIAL DATA

Investment Portfolio

Structure of the main investees in Alba's portfolio at 31 December 2012 [1]:



(1) Other investees: Artá Capital, S.G.E.C.R., S.A.U. (75.01%) and Corporación Empresarial de Extremadura, S.A. (0.94%).

(2) Stakes held through the companies Alba Participaciones, S.A.U. and Balboa Participaciones, S.A.U., both fully owned by Corporación Financiera Alba, S.A.

(3) Includes the stake held through derivatives.

KEY FINANCIAL DATA

Portfolio value at 31 December 2012:

Listed companies [2]	Shareholding	Market value (1) Millions of euros	Market value (1) Euros per share	Main stock exchange traded on
ACS	18.30	1,096.7	19.04	Madrid
Acerinox	24.24	504.5	8.35	Madrid
Prosegur	10.01	274.2	4.44	Madrid
Ebro Foods	8.21	189.4	15.00	Madrid
Indra	11.32	186.2	10.02	Madrid
Clínica Baviera	20.00	12.4	3.81	Madrid
Antevenio	20.54	4.3	4.98	Alternext París
Total market value		**2,267.7**		
Total book value		2,262.0		
Unrealised capital gains		**5.7**		
Unlisted companies		**208.8**	Book value	
Real Estate portfolio		**220.2**	Independent appraisal	

(1) Prices at the closing price in December.

(2) Investments recorded using the equity method.

KEY FINANCIAL DATA

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

	Shareholding (%)			
	31-12-2012	Change 2012	31-12-2011	31-12-2010
LISTED COMPANIES				
ACS	**18.30**	-	18.30	23.31
Acerinox	**24.24**	-	24.24	24.24
Prosegur	**10.01**	-	10.01	10.01
Indra	**11.32**	-	11.32	10.02
Ebro Foods	**8.21**	0.09	8.12	5.70
Clínica Baviera	**20.00**	-	20.00	20.00
Antevenio	**20.54**	-	20.54	20.54
UNLISTED COMPANIES				
Mecalux	**14.23**	-	14.23	14.23
Pepe Jeans	**12.13**	(0.15)	12.28	12.28
Panasa	**26.36**	(0.40)	26.76	-
Ros Roca	**19.04**	-	19.04	19.04
Flex	**19.75**	-	19.75	-
Ocibar	**21.66**	-	21.66	21.66
EnCampus	**35.93**	35.93	-	-

The increase in the investment in Ebro Foods is due to the distribution, at the end of 2012, of a non-cash dividend that involved the transfer to shareholders of the treasury shares held at that time. The shareholding of Alba in Pepe Jeans and Panasa, held through Deyá Capital, decreased slightly in 2012 as a result of capital increases carried out by these two companies within the framework of senior management incentive and loyalty schemes. At the end of 2012, through Deyá Capital, Alba invested 1.9 million euros in the establishment of EnCampus, an investment vehicle for the development and management of student residences in Spain, in which Alba has a 35.93% stake.

KEY FINANCIAL DATA

Industry Diversification

If the equity investments are combined with the rest of Alba's assets, all valued at market prices, the distribution of the Company's investments by industry, based on year-end portfolio composition and share prices, is as follows (in percentage):

	Percent of total Gross Asset Value			
	2012	2011	2010	2009
Construction and Services	**41**	45	58	61
Industrial	**19**	20	18	21
Security	**10**	7	6	5
Real estate	**8**	8	5	6
Technology	**7**	6	5	6
Food	**7**	6	3	-
Other	**8**	8	4	2
	100	100	100	100
(In millions of euros)				
Gross Asset Value	**2,697**	2,951	4,398	4,248
Net Asset Value before taxes	**2,765**	2,937	4,089	4,030

The relative weight of the Construction and Services sector decreased last year, from 45% to 41%, due to the weaker performance of the ACS share. The substantial decline in the relative weight of this sector in Alba's Gross Asset Value (down twenty percentage points in three years) is also attributable to the sale of shares in ACS and the significant investments in new investee companies, especially Ebro Foods and the investees of Deyá Capital.

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.

REVIEW OF CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated Balance Sheets before Profit Distribution

Assets

In millions of euros	At 31 December 2012	At 31 December 2011	At 31 December 2010
Investment property	205.3	213.3	221.9
Property, plant and equipment	9.9	11.3	12.0
Tangible fixed assets, net	**215.2**	**224.6**	**233.9**
Investments in associates	2,262.0	2,439.8	2,867.7
Financial assets at fair value through profit or loss	208.8	206.9	155.8
Other investments	188.5	146.0	136.1
Total investments	**2,659.3**	**2,792.7**	**3,159.6**
Total fixed assets	**2,874.5**	**3,017.3**	**3,393.5**
Financial assets held for trading	**-**	**1.8**	**25.4**
Other current assets	**472.6**	**445.6**	**278.9**
TOTAL ASSETS	3,347.1	3,464.7	3,697.8

REVIEW OF CONSOLIDATED FINANCIAL PERFORMANCE

Equity and Liabilities

In millions of euros	At 31 December 2012	At 31 December 2011	At 31 December 2010
Share capital	**58.3**	58.3	59.3
Reserves	**3,037.0**	2,605.5	2,520.1
Treasury shares	**(2.8)**	(3.0)	(20.8)
Interim dividend paid	**(29.1)**	(204.7)	(29.4)
Profit/(loss) for the year	**(299.4)**	406.2	419.4
Minority interests	**0.7**	0.7	0.7
Shareholders' equity	**2,764.7**	**2,863.0**	**2,949.3**
Provisions	**-**	**2.8**	**4.4**
Other non-current liabilities	**36.2**	**38.7**	**45.6**
Financial debt	**325.0**	250.0	75.0
Other long-term debt	**2.0**	2.0	1.9
Long-term payables	**327.0**	**252.0**	**76.9**
Financial debt	**203.7**	294.6	612.3
Other short-term debt	**15.5**	13.6	9.3
Short-term payables	**219.2**	**308.2**	**621.6**
TOTAL EQUITY AND LIABILITIES	**3,347.1**	**3,464.7**	**3,697.8**

REVIEW OF CONSOLIDATED FINANCIAL PERFORMANCE

Balance Sheet

The changes in Alba's key balance sheet items during 2012 are detailed below:

Investment property, consisting of properties to lease, reached 205.3 million euros, compared to 213.3 million in 2011. The decrease compared to the previous year is due mainly to a 8.3 million euro charge against the value of the properties, based on appraisals carried out by independent experts, which is recognised in the income statement under **Change in the fair value of investment property**.

Property, plant and equipment declined from 11.3 to 9.9 million euros, due mainly to the depreciation charge for the year.

Investments in associates decreased by 177.8 million euros. This decline is a consequence of, among other things, the losses contributed by associates, which are recorded in the income statement under **Share of profit/(loss)** of associates, and the dividends received from associates, partly offset by changes in the shareholders' equity of the investee companies.

Financial assets at fair value through profit or loss increased by 1.9 million euros as a result of the acquisition of a 35.93% interest in EnCampus Residencias de Estudiantes by Deyá Capital.

Other investments increased by 42.5 million euros, due mainly to the recovery of losses of 43.7 million euros on financial assets that had been written down in 2009.

Financial assets held for trading has a zero balance at the end of 2012, as the assets held in this account at the end of the previous year, with a book value of 1.8 million euros at that time, were sold during the year.

Other current assets increased from 445.6 to 472.6 million euros. This total includes 384.4 million euros of positive cash balances and 88.2 million euros of receivables, consisting mainly of **Corporate income** tax for 2011 recoverable and payments on account of **Corporate income tax** for 2012.

Share capital at 31 December 2012 was 58.3 million euros, the same as at 31 December 2011.

Reserves were up from 2,605.5 to 3,037.0 million euros, mainly due to unallocated profit for the previous year and changes in the reserves of investees (basically due to purchases of own shares, valuation gains on financial instruments and exchange differences), partly offset by dividend payments.

Interim dividend shows a balance of 29.1 million euros at the end of 2012, reflecting the gross ordinary interim dividend of 0.50 euros per share paid at the end of October 2012 against 2012 earnings.

Treasury shares includes the cost of own shares held at 31 December 2012, amounting to 2.8 million euros and representing 0.12% of the Company's share capital (68,429 shares).

Profit/(loss) for the year shows a loss of 299.4 million euros, as against a net profit of 406.2 million euros the previous year.

REVIEW OF CONSOLIDATED FINANCIAL PERFORMANCE

For all the reasons given above, **Shareholders' equity** at year-end stood at 2,764.7 million euros, up 3.4% on the previous year.

Provisions are down 2.8 million euros, reaching a zero balance at year-end, as the reasons for which these amounts were recorded in previous years no longer apply.

Long-term payables consist of bank borrowings with a term of more than one year and, to a lesser extent, guarantees received for leases. Borrowings amounted to 325.0 million euros, maturing in June 2014 and June 2015.

Short-term payables, which includes bank loans and other payables, decreased from 308.2 million euros to 219.2 million euros.

At 31 December 2012 total gross borrowings stood at 528.7 million euros. Considering the 384.4 million euros of cash and equivalents available at that date, as mentioned in relation to **Other current assets**, Alba's net debt at the end of 2012 was 144.2 million euros, down 33.7% on the previous year.

REVIEW OF CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated Income Statement [1]

In millions of euros	2012	2011	2010
Share of profit/(loss) of associates	**(311.8)**	241.9	375.1
Lease income and other items	**13.6**	15.5	15.7
Change in the fair value of investment property	**(8.3)**	(9.1)	(8.4)
Interest income	**19.5**	19.0	34.2
Other income and results	**2.2**	-	-
Recovery/(Impairment) of assets	**23.8**	56.5	-
Profit/(loss) on assets	**-**	185.3	6.3
Sum	**(261.0)**	**509.1**	**422.9**
Operating expenses	**(19.2)**	(17.1)	(17.1)
Interest expenses	**(17.5)**	(28.1)	(23.4)
Amortisation and depreciation	**(1.0)**	(1.0)	(1.0)
Corporate income tax	**0.3**	(55.1)	39.6
Minority interests	**(1.0)**	(1.6)	(1.6)
Sum	**(38.4)**	**(102.9)**	**(3.5)**
NET RESULT	**(299.4)**	**406.2**	**419.4**
Net earnings per share (euros)	**(5.14)**	**6.96**	**7.08**

(1) Items are grouped in these income statements according to management criteria and so do not necessarily coincide with the figures in the financial statements.

REVIEW OF CONSOLIDATED FINANCIAL PERFORMANCE

Income Statement

In 2012 Alba obtained a **Net loss** of 299.4 million euros, compared to a net profit of 406.2 million euros the previous year. The net result per share went from earnings per share of 6.96 euros in 2011 to a loss per share of 5.14 euros in 2012.

Share of profit/(loss) of associates shows losses of 311.8 million euros, down from a positive 241.9 million euros the previous year. These losses were due mainly to the impact on ACS's earnings of the extraordinary losses incurred on its investment in Iberdrola, which had a negative impact of 479.7 million euros on Alba's results. These extraordinary losses included, among others, the write-down of the value of ACS's stake in Iberdrola at year-end and the losses incurred in the sale of a part of its stake in this company during the year.

Lease income, mainly from investment property, was 13.6 million euros, down 12.3% lower than the previous year. The occupancy rate at 31 December 2012 was 85.1%.

According to appraisals by independent experts, the value of Alba's investment property decreased by 8.3 million euros in 2012, reporting this amount in **Change in the fair value of investment property**. This represents a decrease of 3.9% in appraised value compared to the end of the previous year. At 31 December 2012 the fair value of leased investment property was 205.3 million euros.

Interest income reached 19.5 million euros, in line with the previous year.

Recovery/(Impairment) of assets includes a credit of 43.7 million euros to adjust the book value of a financial asset to the best estimate of its current fair value, recovering in full the impairment losses recognised in previous years. It also includes an impairment charge of 19.1 million euros to the investment in Indra Sistemas, so as to adjust the its book value to the best estimate of its current fair value.

Operating expenses grew 12.3% to reach 19.2 million euros. At 31 December 2012 they represented 0.69% of NAV before taxes.

The decrease in **Interest expenses**, which went from 28.1 to 17.5 million euros, was due to lower average indebtedness during the year and a higher negative valuation of various interest rate hedging instruments the previous year.

Corporate income tax was practically zero in 2012, compared to a charge of 55.1 million euros in 2011, mainly reflecting the tax impact of the gains obtained during the year on sales of assets.

INFORMATION ABOUT EQUITY INVESTMENTS

EQUITY INVESTMENTS
Listed - ACS

ACS
ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS

www.grupoacs.com

Company description

ACS is one of the world's largest groups in construction (mainly civil engineering), turnkey projects and infrastructure concessions, with a major presence in Europe, North America, Australia, Asia and the Middle East.

It also has a significant presence in urban services and waste processing, mainly in Spain but with a growing volume of business in other European countries, and acts as developer, builder and operator of renewable energy and energy transport infrastructure projects.

The acquisition of a controlling interest in Hochtief in 2011 represented a very significant qualitative leap in ACS's international expansion strategy, allowing the company to achieve important leading positions in markets in which it had already been operating previously, such as North America, as well as in large new markets with strong potential, such as Australia, the Middle East and Asia. The Group's activities in Australia and the Asia-Pacific region are conducted through Leighton Holdings, a listed Australian company in which Hochtief is the majority shareholder.

EQUITY INVESTMENTS
Listed - ACS

Key financial data

(In millions of euros unless otherwise indicated)	2012	2011	2010
Sales	**38,396**	28,472	15,380
EBITDA	**3,088**	2,318	1,505
EBIT	**1,579**	1,333	1,099
Net result	**(1,926)**	962	1,313
Net earnings per share (euros)	**(6.61)**	3.24	4.38
Gross dividend paid per share (euros)	**1.97**	2.05	2.05
Total assets	**41,563**	47,988	34,185
Net financial debt	**4,952**	9,334	8,003
Own funds [1]	**2,657**	3,319	4,178
Shareholders' equity	**5,712**	6,191	4,442
Net debt / EBITDA	**1.6 x**	4.0 x	5.3 x

Note: ACS has recorded Hochtief by the full consolidation method since 1 June 2011.

(1) Shareholders' equity less Adjustments for change in value. Does not include minority interests.

EQUITY INVESTMENTS
Listed - ACS

ACS's activities are divided into three large business areas: Construction, Industrial Services and Environment.

- The **Construction** area includes the civil engineering, residential and non-residential construction activities of ACS, through Dragados, and Hochtief and its subsidiaries, the most important of which are Leighton Holdings in Australia and Turner and Flatiron in the United States. Civil engineering works account for a large proportion of the Group's turnover.

  In civil engineering, the Construction business area also participates in the design, tender, financing and execution of concessions. ACS is a world leader in the development, construction, management and operation of new transport infrastructures.

  Through Iridium, ACS has interests in various toll road concessionaires in, among others, Spain, the United States, Canada, Chile, Greece, Ireland, Portugal and the United Kingdom; and in railway and public facility concessionaires in Spain, Portugal and Canada. Additionally, Hochtief has an active presence in the development and operation of motorway concessions and airports and the management of mining operations, among others.

- ACS has extensive experience throughout the Industrial Services value chain, from the development, applied engineering and construction of new projects to the maintenance of industrial infrastructures in the communications, control systems and energy industries, in some cases also acting as infrastructure operator. Industrial Services are classified in three broad areas:

  - **Facilities and Industrial Maintenance**, which includes Networks, Specialised Facilities and Control Systems.

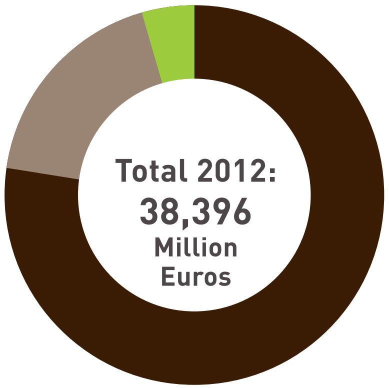
  - **Integrated Projects**, which includes turnkey projects for all kinds of industrial facilities (desalination plants, refineries, etc.) and power plants (combined cycle plants, wind and solar power projects, etc.). It also includes the investments made in electricity transmission line concessions in Latin America.

  - **Renewable Energies**, which includes the generation of energy through the operation of wind farms and solar thermal plants.

- Lastly, the **Environment** area includes the urban and industrial waste collection, management, treatment and recycling activities, which are carried out through the subsidiary Urbaser. These activities are generally performed under concessions or long-term contracts. Urbaser is one of the main urban service companies in Spain, with a growing presence in France and the United Kingdom, especially through waste processing plants.

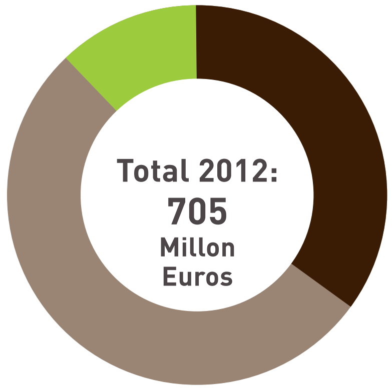
EQUITY INVESTMENTS
Listed - ACS

Sales by activity



- Construction **77.3%**
- Industrial Services **18.3%**
- Environment **4.4%**

Ordinary net profit by activity



- Construction **34.8%**
- Industrial Services **52.8%**
- Environment **12.3%**

EQUITY INVESTMENTS
Listed - ACS

Review of the company's operations during 2012

When comparing the consolidated figures for 2012 with those of previous years, it should be borne in mind that 2012 is the first full year of consolidation of Hochtief by the full consolidation method, as in 2011 Hochtief was fully consolidated only from 1 June. This change in the global consolidation perimeter has a significant impact on the figures for the year. For example, consolidated sales were up 34.9% at 38,396 million euros, whereas comparable sales (assuming full consolidation of Hochtief for the full year, both in 2011 and in 2012) grew 4.1%, thanks to the growth of international activities. Despite this difficulty in the comparison, the various divisions of ACS performed well in operational terms, considering the ongoing severe economic crisis, especially in the Spanish market.

Thanks to the industry and geographical diversification strategy pursued in recent years, the Group has been able to compensate for the weakness of domestic construction with an increase in the relative weight of international businesses (84.4% of 2012 sales and 82.7% of the total backlog at year-end) and non-construction activities (65.2% of ordinary net profit for the year).

As in sales, the consolidation of Hochtief also had a very significant impact on EBITDA and EBIT, which rose 33.3% and 18.5% over the year to 3,088 and 1,579 million euros, respectively. Ordinary net profit in 2012 was 705 million euros, down 9.9% on the previous year.

The extraordinary expenses incurred by ACS in relation to the restructuring of the bank borrowings associated with its investment in Iberdrola, together with impairment provisions and losses on derivatives on own shares, reached a total of 333 million euros in 2012. These expenses were almost entirely offset by gains of 322 million euros on the sale of the interest in Abertis and the partial sale of Clece. Including this extraordinary income and expense, the net profit of ACS before the extraordinary items related to the investment in Iberdrola was 694 million euros, 27.9% less than in 2011.

In addition, in 2012 ACS posted extraordinary net losses of 2,620 million euros related to its investment in Iberdrola: on the one hand, a loss of 1,312 million euros, net of taxes and other associated expenses, on the sale of shares representing approximately 12.0% of the share capital of Iberdrola; and on the other, a loss of 1,308 million euros due to impairment of the carrying value of the shares in Iberdrola and fair value losses on equity derivatives on the shares of Iberdrola. It should be noted that the fair value losses were already recognised in the shareholders' equity of ACS, so the impact of these extraordinary losses on own funds is less than the total amount mentioned.

As a result of these extraordinary items, ACS posted consolidated net losses of 1,926 million euros in 2012, as against net profits of 962 million euros the previous year.

EQUITY INVESTMENTS
Listed - ACS

The Group's total order backlog reached 65,626 million euros at year-end 2012, slightly less than at the end of the previous year (-0.8%), in which the Hochtief portfolio was already included.

Key performance indicators by business segment

(In millions of euros)	2012	2011	2010
Construction			
Turnover	**29,683**	19,802	49.9%
Ordinary net profit	**274**	277	(1.0%)
Order backlog (31 Dec)	**49,264**	50,336	(2.1%)
Industrial Services			
Turnover	**7,050**	7,045	0.1%
Ordinary net profit	**416**	415	0.2%
Order backlog (31 Dec)	**7,161**	6,875	4.2%
Environment			
Turnover	**1,691**	1,686	0.3%
Ordinary net profit	**97**	121	(19.3%)
Order backlog (31 Dec)	**9,201**	8,941	2.9%
Number of employees (average workforce)	**164,342**	164,923	(0.4%)

Note: Construction includes Hochtief on a fully consolidated basis since June 2011. In both years, Construction also includes Iridium's concessions business. Environment does not include Clece in either year, as Clece is classified as a discontinued operation held for sale. Results at corporate level are not included.

EQUITY INVESTMENTS
Listed - ACS

The comparison of data for **Construction** is affected by the abovementioned full consolidation of Hochtief since mid-2011. Thus, Construction had sales of 29,683 million euros in 2012, an increase of 49.9% compared to the previous year. Comparable sales (assuming full consolidation of Hochtief from 1 January 2011) grew by 5.3%. Sales growth was affected by the decline in domestic construction activity (-15.9%), due to the decrease of public investment in infrastructure and the slowdown in residential and non-residential construction. International sales, totalling 27,873 million euros, accounted for 93.9% of the total.

The ordinary net profit of the Construction activity, excluding gains and losses on asset sales and other extraordinary items, was 274 million euros, down 1.0% on the previous year.

The order backlog at year-end was 49,264 million euros, 40,832 million of which came from Hochtief. The backlog was down 2.1% compared to the previous year due to a decline in Europe and the sale of Thiess Waste Management, owned by Leighton. At the end of 2012, the international order backlog represented 92.7% of the total backlog.

In 2012 Iridium, the concessions subsidiary of ACS, headed the list of the world's top infrastructure concession groups published by Public Works Financing Newsletter for the sixth year running. It is worth pointing out that Iridium and Hochtief are considered separately in this list, in which Hochtief holds the eleventh place.

Industrial Services performed in line with 2011: Sales in 2012 were 7,050 million euros, up 0.1% on the previous year, while ordinary net profit was up 0.2% on 2011 at 416 million euros.

International sales increased by 21.6%, accounting for 58.3% of total sales in 2012. This growth offset the 19.8% decline in domestic sales. By activity, sales growth was led by Integrated Projects, with revenues of 2,689 million euros (up 14.8% on 2011), while the other segments declined as a result of the abovementioned weakness of the domestic business.

The order backlog increased by 4.2% to 7,161 million euros at the end of the year, of which 4,616 million (64.5% of the total) related to international projects. Growth in the order backlog was once again led by Integrated Projects, with an increase of 15.3% to reach 3,091 million euros.

Environment posted sales of 1,691 million euros in 2012, up 0.3% on the previous year. When making comparisons, it is important to take into account the sale of Consenur, a company specialising in medical waste management, in the third quarter of 2011. If the data for Consenur are excluded from the results for 2011, sales growth in 2012 would have been 3.1%. The international business represented 25.8% of sales, growing 7.0% in the year compared to a fall of 1.8% in the domestic business.

Ordinary net profit was 97 million euros, down 19.3% on the previous year, due to the abovementioned sale of Consenur and various logistic assets.

The backlog at year-end was 9,201 million euros, up 2.9% on the end of the previous year. This increase was due to strong growth outside Spain (+17.7%), as a result of which the international order backlog came to account for 42.3% of the total.

EQUITY INVESTMENTS
Listed - ACS

Most notable in relation to the listed investments, apart from the extraordinary losses related to the investment in Iberdrola already mentioned, was the gain on the sale of the entire stake in Abertis at the end of April. This sale brought proceeds for ACS of 897 million euros, with a net gain of 197 million euros.

As shown in the following table, in 2012 ACS made investments totalling 2,496 million euros and asset sales of 4,781 million euros.

Investments in 2012

(In millions of euros)	Gross investment	Disposals	Net investment
Construction	1,892	(683)	1,209
Industrial Services	476	(485)	(10)
Environment	98	(128)	(30)
Corporation	30	(3,485)	(3,455)
TOTAL	**2,496**	**(4,781)**	**(2,285)**

The operational investments in the Construction area related basically to purchases of machinery for Leighton mining contracts (1,100 million euros) and Iridium and Hochtief concession projects (497 million euros).

In Industrial Services, most of the investments were for renewable energy projects such as solar thermal plants and wind farms (166 million euros), transmission lines (197 million euros) and gas storage facilities (48 million euros).

The most important change in Environment was the partial sale of Clece, representing a divestment of 80 million euros.

The main divestments took place at corporate level, with the sale of a stake in Iberdrola (2,573 million euros) and Abertis (897 million euros).

Additionally, ACS paid out 488 million euros in dividends to its shareholders in 2012. Of this amount, 268 million were paid in February as an interim dividend against 2011 earnings and the rest, in July, through the acquisition of allotted bonus share rights from those shareholders who opted to receive the scrip dividend in cash. Approximately 35% of the shareholders opted to receive newly issued bonus shares, representing 2.3% of the share capital. As previously announced, ACS subsequently cancelled an equal number of

EQUITY INVESTMENTS
Listed - ACS

treasury shares, so that the scrip dividend entailed no dilution for shareholders who decided to sell their rights.

The net debt of ACS at the end of 2012 was sharply reduced, at 4,952 million euros (-46.9%), 3,570 million of which consisted of non-recourse financing. The decline in net debt was driven by strong cash generation during the year, with cash inflows from transactions totalling 1,299 million euros, marked by a substantial improvement in working capital consumption, the net disposals mentioned earlier (2,285 million euros) and the restructuring of the debt linked to the acquisition of shares of Iberdrola.

Shareholder structure

Alba is the largest shareholder of ACS and has three representatives on the company's Board of Directors: Pablo Vallbona Vadell (Vice-Chairman), Juan March de la Lastra and Santos Martínez-Conde Gutiérrez-Barquín.

Shareholder structure of ACS at 31 December 2012

Source: Corporate Governance Report for 2012.

Note: "Inversiones Vesan" is an investment vehicle belonging to Florentino Pérez Rodriguez. "Imvernelin, Alcor and others" includes the joint investment of Alberto Cortina Alcocer and Alberto Alcocer Torra, held indirectly through various vehicles.

EQUITY INVESTMENTS
Listed - ACS

ACS share price performance

During 2012 the ACS share price fell 16.9% to 19.04 euros per share, compared to the fall of 4.7% in the Ibex 35.

ACS share price performance since 31 December 2011

Source: Bloomberg.

EQUITY INVESTMENTS
Listed - ACS

Historical stock market data

	2012	2011	2010
Share price in euros per share (closing prices)			
High	**25.09**	37.94	38.80
Low	**10.84**	21.75	28.59
Close	**19.04**	22.90	35.08
Stock market capitalisation at 31/12 (million euros)	**5,991**	7,206	11,037
Dividend yield (gross, on closing price for the year)	**10.3%**	9.0%	5.8%
P/E ratio (on closing price for the year)	**neg.**	7.1 x	8.0 x

Note: The dividend yield is calculated by dividing the total gross dividend paid during the year by the share price at the end of the year.

EQUITY INVESTMENTS
Listed - Acerinox

www.acerinox.es

Company description

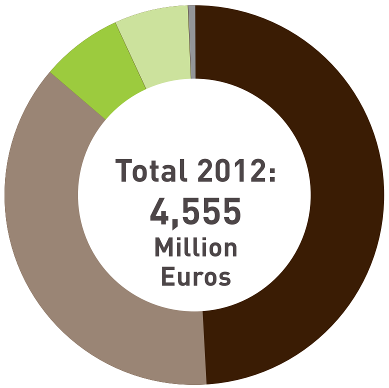
Acerinox is one of the main stainless steel producers worldwide.

The company has four flat product plants (in Spain, the United States, South Africa and Malaysia); three long product plants (Roldán and Inoxfil in Spain and NAS Long Products in the United States); and an extensive commercial network, with warehouses and service centres in more than 25 countries and sales in 80 countries on the five continents.

2012 was the first year of operations of the new stainless steel plant in Johor Bahru (Malaysia). Last year, as part of the Group's sales diversification strategy, Bahru Stainless supplied cold-rolled stainless steel to 188 customers in 15 countries.

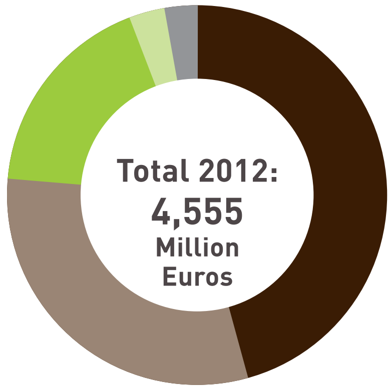
EQUITY INVESTMENTS
Listed - Acerinox

Sales by region



- America **49.0%**
- Europe **37.2%**
- Asia **7.0%**
- Africa **6.3%**
- Pacific **0.5%**

Sales by company



- NAS **45.9%**
- Acerinox Europa **30.3%**
- Columbus **18.0%**
- Bahru **3.0%**
- Others **2.8%**

EQUITY INVESTMENTS
Listed - Acerinox

Key operating data

	2012	2011	2010
Annual output in thousands of tonnes			
Crude steel	**2,189**	2,021	2,060
Hot-rolled products	**1,915**	1,779	1,783
Cold-rolled products	**1,418**	1,270	1,291
Long products (hot-rolled)	**222**	195	210
Number of employees	**7,252**	7,358	7,386

Key financial data

(In millions of euros unless otherwise indicated)	2012	2011	2010
Sales	**4,555**	4,672	4,500
EBITDA	**198**	341	381
EBIT	**48**	192	232
Net result	**(18)**	74	123
Net earnings per share (euros)	**(0.07)**	0.30	0.49
Gross dividend and share premium per share (euros)	**0.45**	0.45	0.45
Total assets	**4,216**	4,071	4,240
Net financial debt	**582**	887	1,084
Shareholders' equity	**1,713**	1,881	1,924
Net debt / EBITDA	**2.9 x**	2.6 x	2.8 x

Review of the company's operations during 2012

After two years of strong growth (8.1% in 2011 and 26.4% in 2010), in 2012 world stainless steel production grew 5.4%, in line with the annual growth rate over the last 62 years (+5.9%), despite the economic uncertainties and the ongoing crisis in the euro area.

Like previous years, 2012 was marked by the ongoing gradual shift of production towards Asia, which already produces 70.2% of the world's stainless steel. China, with its annual output up 14.2%, is the main driver of growth in the Asian market and alone represents 45.4% of the global tonnes produced. In 2001, by contrast, China accounted for less than 3.8% of world production. This significant increase in Chinese output has had a major impact on traditional export flows, further exacerbating the problem of overcapacity in other regions, including Europe, and also on the fall in stainless steel prices and the profitability of companies in the industry.

Furthermore, as a result of the difficult macroeconomic environment and its adverse impact on consumption, commodity prices contracted to 2009 levels, despite the increases

EQUITY INVESTMENTS
Listed - Acerinox

in production. Nickel hit a high for the year of 21,803 dollars per tonne in February but then gave ground, reaching a low for the year of 15,190 dollars per tonne in mid-August, the lowest price since July 2008. Despite a subsequent slight recovery, the price at year-end 2012 was 17,085 dollars per tonne.

The situation faced by the world economy, combined with overcapacity in the stainless steel market and the prolonged weakness in nickel prices, have made especially difficult for the industry to maintain its operating profitability. In this environment, the competitive strength of Acerinox stands out, as it was the only European manufacturer to post an operating profit in 2012.

In November 2012, after considering various divestment proposals, the European Commission finally approved the acquisition, announced at the start of the year, of ThyssenKrupp's stainless steel business (Inoxum) by Outokumpu. This transaction is considered positive in the medium term for Acerinox and the rest of the European producers on account of the anticipated reduction of the production capacity of the combined entity, which will help to reduce excess capacity in the industry in Europe.

In this market context, Acerinox's production levels were slightly higher than in previous year, thanks to the Company's vigorous international expansion. Crude steel output reached 2.2 million tonnes, 8.3% more than in 2011, while hot-rolled production was 1.9 million tonnes, up 7.6%. Higher value added cold-rolled production grew 11.6% to 1.4 million tonnes. Long product output for the year was 222 thousand tonnes, 13.5% more than in 2011.

In 2012 Acerinox posted sales of 4,555 million euros (-2.5%), EBITDA of 198 million euros (-42.0%) and a net loss of 18 million euros (compared to a net profit of 74 million euros in 2011).

Acerinox continued to concentrate on improving its operating strength by implementing the 2011-2012 Excellence Plan II, aimed at achieving additional savings of 90 million euros per year from 2013. By the end of the second year of the plan, i.e. the year ended December 2012, 81% of the targets (73 million euros per year) had already been attained. Given the success of Excellence Plan I and Excellence Plan II, on 18 December 2012 the Board of Directors approved Excellence Plan III 2013-2014, aimed at achieving a further recurring savings of 60 million euros per year.

At the end of 2012 Acerinox had shareholders' equity of 1,713 million euros and net debt of 582 million euros, 34.4% less than in 2011 and the lowest level recorded in the last 10 years. Net debt decreased thanks to a sharp working capital reduction of 531 million euros and despite the allocation of 209 million euros to investments and 112 million euros to dividends and share premium distribution. The working capital reduction was achieved mainly in the second half of the year, generating 715 million euros in cash.

As already mentioned, in 2012 Acerinox invested 209 million euros, 23.7% more than the previous year. 67% of the investments made in 2012, or 140 million euros, were used for the construction of the second phase of Bahru Stainless, whose second cold-rolling stand has been operational since January 2013.

EQUITY INVESTMENTS
Listed - Acerinox

Shareholder structure

Alba kept its shareholding in Acerinox stable during 2012 and remains the largest shareholder, with 24.24% of the company's share capital at 31 December 2012. Alba has three representatives on the company's Board of Directors: Santos Martínez-Conde Gutiérrez-Barquín, Luis Lobón Gayoso and Pedro Ballesteros Quintana.

Shareholder structure of Acerinox at 31 December 2012

- Alba **24.2%**
- Nisshin Steel **15.3%**
- Omega Capital **11.3%**
- Casa Grande de Cartagena **5.0%**
- Metal One **3.8%**
- IDC **3.1%**
- Free-float **37.3%**

Source: Corporate Governance Report for 2012.

EQUITY INVESTMENTS
Listed - Acerinox

Acerinox share price performance

The Acerinox share fell 15.8% in 2012, ending the year at 8.35 euros per share, underperforming the Ibex 35 (-4.7%).

Acerinox share price performance since 31 December 2011

Source: Bloomberg.

EQUITY INVESTMENTS
Listed - Acerinox

Historical stock market data

	2012	2011	2010
Share price in euros per share (closing prices)			
High	**11.30**	14.08	15.38
Low	**7.81**	8.18	10.95
Close	**8.35**	9.91	13.13
Stock market capitalisation at 31/12 (million euros)	**2,081**	2,471	3,272
Dividend yield and share premium (gross, on closing price for the year)	**5.4%**	4.5%	3.4%
P/E ratio (on closing price for the year)	**neg.**	33.0 x	26.8 x

EQUITY INVESTMENTS
Listed - Prosegur

PROSEGUR

www.prosegur.es

Company description

With almost 40 years of experience, Prosegur is the leader in Spain in private security services. It has a significant presence in Europe and, most particularly, in Latin America, having recently started to expand in the Asian market.

Prosegur currently has more than 400 sales offices in 16 countries and nearly 155,000 employees. In 2012 Prosegur provided services to almost 390,000 customers.

The company offers a wide range of services to corporate and retail customers, including active security, access control, telecontrol and telesurveillance, intrusion protection and alarms, cash management, ATM management, secure transport, security consulting and training, fire protection and security for homes and for small and medium businesses.

EQUITY INVESTMENTS
Listed - Prosegur

Key financial data

(In millions of euros unless otherwise indicated)	2012	2011	2010
Sales	**3,669**	2,809	2,560
EBITDA	**427**	364	347
EBIT	**311**	284	263
Net profit	**172**	167	161
Net earnings per share (euros)	**0.30**	0.29	0.27
Gross dividend paid per share (euros)	**0.10**	0.10	0.09
Total assets	**2,886**	2,192	1,976
Net financial debt	**646**	360	174
Shareholders' equity	**732**	671	667
Net debt / EBITDA	**1.5 x**	1.0 x	0.5 x

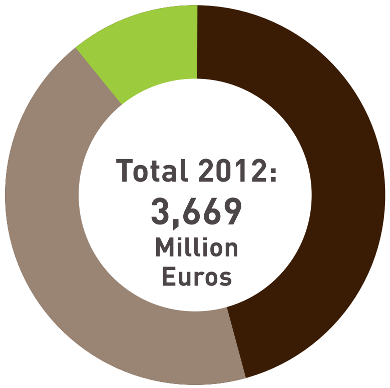
EQUITY INVESTMENTS
Listed - Prosegur

Review of the company's operations during 2012

In 2012 Prosegur posted sales of 3,669 million euros, up 30.6% on the previous year, mainly through strong inorganic growth +(23.3%), based on the integration of the Nordeste Group in Brazil from March 2012, and to a lesser extent organic growth (+9.2%), again thanks to the company's activities in Latin America.

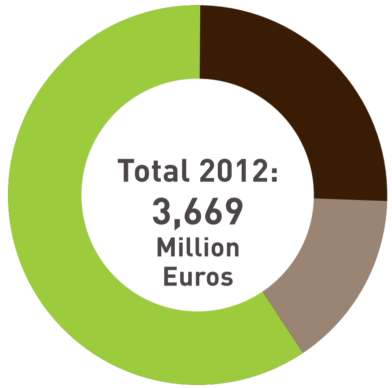
EBIT reached 311 million euros, up 9.6% compared to 2011. Consolidated net profit rose 2.7% to 172 million euros. The slower growth of EBIT and net profit by comparison with sales was due mainly to the difficult economic environment in Europe and the lower margins of the acquired businesses.

Sales by activity



- Guarding **45.9%**
- Cash in transit **42.9%**
- Technology **11.2%**

Sales by geography



- Spain **25.7%**
- Other European countries and Asia **14.9%**
- Latin America **59.4%**

EQUITY INVESTMENTS
Listed - Prosegur

All the business lines increased their sales in the year. Cash in transit showed the biggest growth, up 43.3%, due, among other things, to the acquisition of Securlog in Germany. Manned guarding grew 24.1% and Technology 16.5%.

By geography, Latin America was the main source of sales growth for the company, with sales up 43.5% in 2012 at 2,178 million euros. The Europe & Asia region also showed an increase of 15.5%, although Spain posted a fall of 1.0%. In 2012 Latin America accounted for 59.4% of the group's total sales, while the domestic business accounted for only 25.7%.

Earnings results differed sharply between the two geographic areas into which Prosegur divides its activities. Consolidated EBIT growth of 9.6% breaks down into an increase of 22.7% in Latin America and a fall of 34.2% in Europe and Asia. The relatively high operating margin of the Latin American activities (12.3%, compared to 2.9% in Europe and Asia) explains why Latin America's contribution to consolidated EBIT is 86.2%, considerably higher than its contribution to sales.

In 2012 Prosegur continued with its policy of selective acquisitions in key markets, completing a total of 9 acquisitions. Most of these acquisitions were in Latin America, although they also included one in France, one in China and one in India. The most important acquisition was the Nordeste Group, mentioned earlier, for 309 million euros (plus 50 million euros in earn-outs). With its contribution of 393 million euros of sales in 2012, this acquisition reinforced Prosegur's presence in Brazil.

In the last two years Prosegur has made 20 acquisitions for a total of 571 million euros. These investments have increased the company's net financial debt to 646 million euros at the end of 2012, which represents 1.5 times the EBITDA for the year.

Shareholder structure

At 31 December 2012 Alba had a 10.01% interest in Prosegur, unchanged with respect to the previous year. During the first quarter of 2013 Alba reduced its shareholding to 8.1%, with the sale of a 2.0% stake for 54 million euros. Alba is currently not represented on Prosegur's Board of Directors.

Shareholder structure of Prosegur at 31 December 2012

Source: Corporate Governance Report for 2012.

EQUITY INVESTMENTS
Listed - Prosegur

Prosegur share price performance

During 2012 the Prosegur share rose 31.4% to 4.44 euros per share, contrasting with the fall of 4.7% in the Ibex 35. Since the end of 2008 Prosegur has gained nearly 90%, one of the largest gains within the Spanish stock market over that period. This excellent performance is due to the continuous increase of the Company results and its exposure to growth markets, especially Latin America.

Prosegur share price performance since 31 December 2011

Source: Bloomberg.

EQUITY INVESTMENTS
Listed - Prosegur

Historical stock market data

	2012	2011	2010
Share price in euros per share (closing prices)			
High	**4.71**	4.63	4.71
Low	**3.23**	2.73	2.80
Close	**4.44**	3.38	4.21
Stock market capitalisation at 31/12 (million euros)	**2,740**	2,085	2,600
Dividend yield (gross, on closing price for the year)	**2.3%**	2.9%	2.1%
P/E ratio (on closing price for the year)	**14.8 x**	11.9 x	16.2 x

EQUITY INVESTMENTS
Listed - Ebro Foods

www.ebrofoods.es

Company description

Ebro Foods is a multinational food company operating in the rice and pasta segments. It has a sales or manufacturing presence in more than 25 countries in Europe, North America, Asia and Africa through an extensive network of subsidiaries and brands, positioning itself as the world leader in the rice sector and the world's second largest pasta manufacturer.

Ebro Foods has a wide range of leading brands. Its main markets are the United States and France, while Spain represents a small part of its business (7.3% of sales in 2012).

The company has undergone a deep transformation in recent years, significantly expanding its activities in rice and pasta through acquisitions (especially in the United States and France) and divesting formerly strategic businesses such as sugar (2008) and dairy products (2010). Ebro Foods has been successful in integrating its acquisitions, consolidating leadership positions in these markets and substantially improving its profitability.

EQUITY INVESTMENTS
Listed - Ebro Foods

Following its strategy of expansion in the rice and pasta businesses, in 2011 the Company made two significant acquisitions. It acquired the rice business of Deoleo (formerly SOS) for 205 million euros, which includes activities and brands in Spain, the United States, Saudi Arabia, Portugal and the Netherlands. And it acquired the No Yolks and Wacky Mac healthy pasta brands from Strom Products in the United States and Canada for 50 million euros.

During 2012 Ebro Foods concentrated on integrating these acquired businesses, consolidating existing brands and generating cash. The company currently has low net debt and sufficient financial strength to continue its expansion in the strategic rice and pasta segments, where considered appropriate.

Key financial data

(In millions of euros unless otherwise indicated)	2012	2011	2010
Sales	**2,041**	1,804	1,689
EBITDA	**300**	273	267
EBIT	**242**	224	212
Net profit	**158**	152	389
Net earnings per share (euros)	**1.05**	0.99	2.54
Gross dividend paid per share (euros)	**0.63**	0.87	0.70
Total assets	**2,732**	2,711	2,885
Net financial debt	**245**	390	18
Shareholders' equity	**1,693**	1,588	1,607
Net debt / EBITDA	**0.8 x**	1.4 x	0.1 x

EQUITY INVESTMENTS
Listed - Ebro Foods

Review of the company's operations during 2012

Ebro Foods increased its sales by 13.1% in 2012 to 2,041 million euros, mainly driven by the incorporation of the rice assets acquired from Deoleo (SOS).

The integration of the new businesses also resulted in growth of 9.7% in consolidated EBITDA and 8.2% in consolidated EBIT, which reached 300 and 242 million euros, respectively. The lower profitability of the new businesses compared to the existing brands contributed to a slight decline in margins.

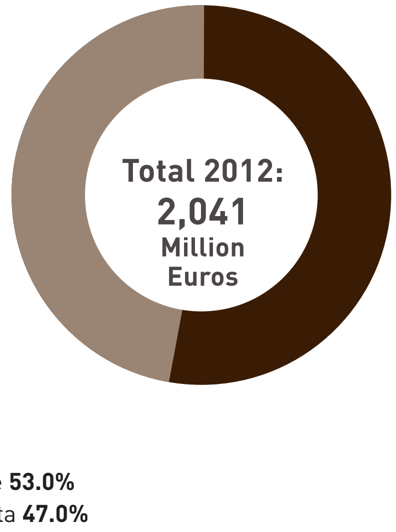
Net profit reached 158 million euros, up 4.5% on 2011. The relatively slower growth of net profit compared to EBIT is due to higher interest expenses as a result of the higher average net debt during the year and a rise in the average tax rate.

It should be noted that the acquisitions made at the end of 2011 contributed to a substantial increase in net debt at 31 December that year and also in average net debt during 2012. Even so, the net debt of 245 million euros at 31 December 2012 (0.8 times the EBITDA for the year) was down 37.2% on the end of the previous year.

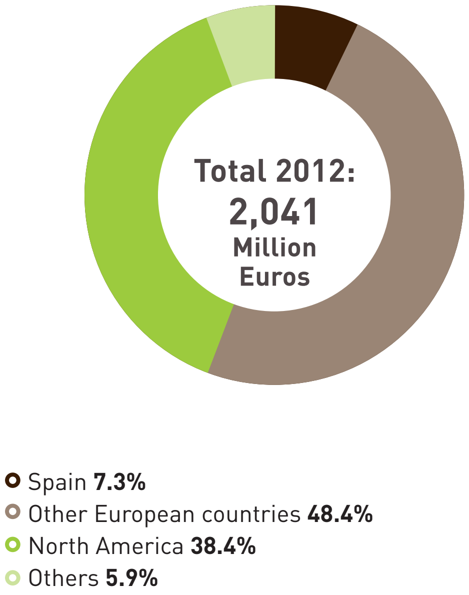
The Group's return on capital employed (ROCE) stood at 20.0%, showing an efficient management of the company's results and assets.

EQUITY INVESTMENTS
Listed - Ebro Foods

Sales by activity



Sales by geography



By business area, sales in the Rice division rose 20.1% to 1,106 million euros, due to the inclusion of the SOS businesses. Excluding the SOS acquisition, organic sales growth was approximately 3.0%. EBITDA grew 18.4% (or nearly 6.0% excluding SOS) to 161 million euros, while EBIT was up 17.8% at 134 million euros. It should be pointed out that these results were obtained with the support of a favourable exchange rate and despite the fact that ARI, SOS's business in the United States, contributed 153 million euros in sales but with an EBITDA margin of 7.3%, well below the rest of the rice business. The Rice division's return on capital employed in 2012 was 18.4%, slightly lower than the 18.8% recorded the previous year.

EQUITY INVESTMENTS
Listed - Ebro Foods

The results of the **Pasta** division were affected by price rises in the United States, due to the increase in durum wheat prices, which had an adverse impact on volumes and share in the first half of the year. Starting in the third quarter, prices were adjusted and an important effort in advertising was made to try to recover sales volume. In Europe, meanwhile, the market continued to grow, with slight gains in share due to good product positioning and the success of new launches. Pasta business sales were up 5.8% at 982 million euros, largely thanks to the recovery of volumes in the second part of the year. However, EBITDA grew only 0.6% to 145 million euros, while EBIT fell 2.0% to 117 million euros as a result of the weak performance of Birkel in Germany, with practically zero EBITDA, and increased advertising investments. ROCE declined almost four percentage points to 22.4%.

Shareholder structure

During 2012 Alba's stake in Ebro Foods increased slightly to 8.21% at 31 December. This increase was due to the distribution of treasury shares by the company at the end of the year through a non-cash dividend. The investment in Ebro Foods is the fourth largest in Alba's portfolio by market value. Alba is represented on the Board of Directors of Ebro Foods by José Nieto de la Cierva.

Shareholder structure of Ebro Foods at 31 December 2012

Source: Corporate Governance Report for 2012.

EQUITY INVESTMENTS
Listed - Ebro Foods

Ebro Foods share price performance

During 2012 the market price of the Ebro Foods share rose 4.5%, compared to a fall of 4.7% in the Ibex 35, bringing the cumulative gain over the last four years to more than 53%. This positive trend is caused by the company's strong earnings growth, the successful sale of the sugar and dairy businesses and the company's ongoing expansion in the rice and pasta sectors, both through organic growth and through acquisitions, backed by its excellent financial position and its experience in acquiring and integrating businesses.

Ebro Foods share price performance since 31 December 2011

Source: Bloomberg.

EQUITY INVESTMENTS
Listed - Ebro Foods

Historical stock market data

	2012	2011	2010
Share price in euros per share (closing prices)			
High	**15.37**	17.20	16.76
Low	**12.40**	12.39	12.80
Close	**15.00**	14.35	15.83
Stock market capitalisation at 31/12 (million euros)	**2,308**	2,208	2,436
Dividend yield (gross, on closing price for the year)	**4.2%**	6.1%	4.4%
P/E ratio (on closing price for the year)	**14.3 x**	14.4 x	6.2 x

EQUITY INVESTMENTS
Listed - Indra

www.indracompany.com

Company description

Indra is the leading information technology and security and defence systems company in Spain and also one of the largest in Europe and Latin America. It offers high value added solutions and services for the Security and Defence, Transport and Traffic, Energy and Industry, Financial Services, Health Care and Public Services, and Telecom and Media industries. It ranks second in its sector in Europe in terms of R&D investment, with nearly 550 million euros invested in the last three years.

The Company operates in more than 125 countries and employs nearly 39,000 professionals. In the last few years Indra has substantially increased its international sales, which in 2012 already accounted for 57.2% of the total, with a growing proportion coming from Latin America (25.3% of total sales). In 2011 international sales represented barely 43.3% of the total.

Indra offers end-to-end management of customer needs, from the design and development of solutions to their implementation and operational management. Indra divides its service offering in two main segments: Solutions and Services.

EQUITY INVESTMENTS
Listed - Indra

- **Solutions:** The Solutions segment includes a wide range of proprietary and third-party integrated systems, applications and components for the capture, processing, transmission and subsequent presentation of data, focused basically on the control and management of complex processes. Indra also offers a wide range of consulting services, including technology, transaction and strategic consulting.

- **Services**: Services encompasses all the activities involved in the outsourcing of the management, maintenance and operation of systems and applications for third parties, as well as the outsourcing of certain business processes where technology is a strategic and differential element.

Key financial data

(In millions of euros unless otherwise indicated)	2012	2011	2010
Sales	**2,941**	2,688	2,557
EBITDA	**300**	313	294
EBIT	**217**	268	252
Net profit	**133**	181	189
Net earnings per share (euros)	**0.82**	1.11	1.16
Gross dividend paid per share (euros)	**0.68**	0.68	0.66
Total assets	**3,756**	3,525	2,976
Net financial debt	**633**	514	275
Shareholders' equity	**1,110**	1,067	1,014
Net debt / EBITDA	**2.1 x**	1.6 x	0.9 x

EQUITY INVESTMENTS
Listed - Indra

Review of the company's operations during 2012

In 2012 Indra posted sales of 2,941 million euros, up 9.4% on the previous year, partly thanks to the acquisitions in Brazil (Politec) and Italy (Galyleo). Excluding these acquisitions, sales growth would have been approximately 1% compared to the previous year.

EBIT contracted 18.9% to 217 million euros under the impact of the restructuring expenses of 32 million euros incurred in the year. Excluding these extraordinary items from the 2012 results, recurring EBIT would have been 249 million euros, down just 7.1% on the 268 million euros recorded in 2011.

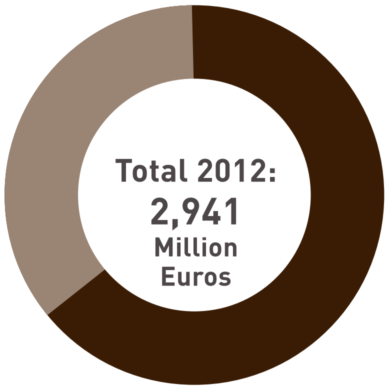
Consolidated net profit reached 133 million euros in 2012, down 26.7% on the previous year.

These results were achieved in a very complicated economic environment, especially in the domestic market, where conditions were significantly more adverse than Indra had anticipated. The cost cutting and balance sheet reduction policies adopted by Spanish central and local governments and private sector firms affected the levels of order intake and sales, profitability and working capital. The company reacted by adjusting Spanish resources and operating costs to the worsening situation and by adapting its offering, especially in Solutions, to the competitive requirements of other geographical markets and strengthening its presence in international markets through both organic and inorganic growth.

Order intake grew 7.3% in 2012 to 3,193 million euros (63.0% international) and the order backlog grew to 3,470 million euros at the end of the year, up 7.4% on December 2011). The book-to-bill ratio at year-end was 1.18 (1.20 at year-end 2011), giving good visibility on revenues for 2013.

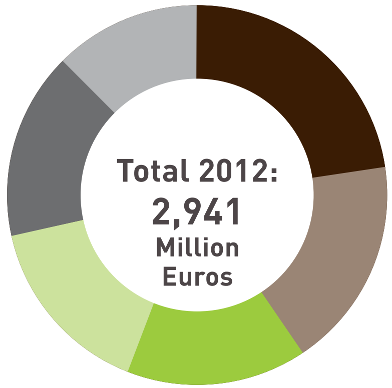
EQUITY INVESTMENTS
Listed - Indra

Sales by segment



- Solutions **64,0%**
- Services **36,0%**

Sales by vertical market



- Transport and Traffic **22,7%**
- Public Admin. and Healthcare **17,6%**
- Financial services **15,8%**
- Security and Defence **15,7%**
- Energy and Industry **15,7%**
- Telecoms and Media **12,5%**

The **Solutions** segment accounts for the bulk of group revenue, with sales of 1,881 million euros in 2012, up 3.9% on the previous year. This growth was possible thanks to the favourable evolution in the Transport and Traffic, Public Administration and Healthcare, and Energy and Industry sectors, which offset the worse performance of the rest of the vertical markets. Order intake was up 9.3% compared to 2011, due to the good performance of the emerging markets, especially in the Asia, Middle East and Africa area, which resulted in all the sectors except Security and Defence and Financial Services showing positive growth rates in order intake. The book-to-bill ratio improved during 2012, increasing from 1.22 to 1.29 (+5.4%). It should be noted that the acquisition of Galyleo and Politec did not affect the results of this segment, as both companies specialise in service provision. The contribution margin fell 2.0% to 331 million euros, representing a margin of 17.6% on sales in this business segment.

Indra pushed ahead this year with its policy of differentiating its service offering, with notable investments being made to evolve its proprietary Solutions in intelligent networks for energy and utilities, air and rail transport, and security and defence.

EQUITY INVESTMENTS
Listed - Indra

Services performed well over the year, increasing its sales by 20.7% to 1,060 million euros. Order intake rose 3.8% to 1,123 million euros, while the order backlog grew 2.9% to 1,044 million euros. As sales grew faster than the order book, the book-to-bill ratio fell 14.8% to 0.99. The contribution margin, meanwhile, was up 7.4% at 136 million euros, representing a margin of 12.8% on sales. These growth figures include the contribution of the abovementioned acquisitions of Galyleo and Politec.

At the level of individual **vertical markets**, Public Administration and Healthcare and Financial Services, both of them significant markets within the Services segment, delivered a particularly strong performance. In 2012 all the vertical markets increased their revenue except Security and Defence, which was affected by the budget restrictions in Spain, and Telecom and Media, due to the previous two years' rapid growth and the slowdown in the domestic market.

By **geography**, growth was particularly significant in international sales, which were up 44.8% (more than 25% excluding acquisitions), the strongest performers being Latin America and Other Countries (mainly Africa, Asia and Australia). Spain, meanwhile, experienced a 17.6% drop in sales. Indra expects international activities to continue to grow as a proportion of the group's sales and order backlog over the next few years.

Indra's net debt at the end of the year stood at 633 million euros, up 23.3% on one year earlier. This level of net debt was equivalent to 2.1 times the year's recurring EBITDA.

Shareholder structure

Alba's interest in Indra remained unchanged during 2012 at 11.32%. At 31 December 2012 Alba was Indra's second largest shareholder and had one representative on the company's Board of Directors, Juan March de la Lastra.

Shareholder structure of Indra at 31 December 2012

- Banco Financiero y de Ahorro **20.1%**
- Alba **11.3%**
- FMR (Fidelity) **10.0%**
- Liberbank **5.0%**
- Casa Grande de Cartagena **5.0%**
- Free-float **48.6%**

Source: Corporate Governance Report for 2012.

EQUITY INVESTMENTS
Listed - Indra

Indra share price performance

During 2012 the Indra share price rose 1.9% to 10.02 euros per share, outperforming the Ibex 35 (-4.7%) over the year. The year can be divided into two clearly distinguishable phases: a bearish phase until mid-July, when the share hit a low for the year of 6.10 euros per share (-39.1% with respect to the price at year-end 2011), and a subsequent strong recovery to 10.02 euros per share (+64.3% from mid-July to the end of December). This behaviour is linked to the company's exposure to the domestic market and also to public sector customers.

Indra share price performance since 31 December 2011

Source: Bloomberg.

EQUITY INVESTMENTS
Listed - Indra

Historical stock market data

	2012	2011	2010
Share price in euros per share (closing prices)			
High	**11.00**	15.80	17.30
Low	**6.10**	9.74	12.18
Close	**10.02**	9.84	12.79
Stock market capitalisation at 31/12 (million euros)	**1,645**	1,615	2,098
Dividend yield (gross, on closing price for the year)	**6.8%**	6.9%	5.2%
P/E ratio (on closing price for the year)	**12.3 x**	8.8 x	11.0 x

EQUITY INVESTMENTS
Listed - Clínica Baviera

CLÍNICA BAVIERA
INSTITUTO OFTALMOLÓGICO EUROPEO

www.clinicabaviera.com

Company description

Clínica Baviera is Spain's leading provider of ophthalmological services for the correction of eye conditions such as myopia, hyperopia astigmatism, presbyopia and cataracts. At 31 December 2012 Clínica Baviera had 70 eye care clinics and counselling centres, of which 47 were in Spain, 20 in Germany, Austria and the Netherlands (through the subsidiary Care Vision), and three in Italy.

Additionally, it offers aesthetic medicine and surgery services in Spain through Clínica Londres. At year-end 2012 it had 14 centres in Spain, at which it provides services including aesthetic medicine, plastic surgery and obesity treatment.

EQUITY INVESTMENTS
Listed - Clínica Baviera

Key financial data

(In millions of euros unless otherwise indicated)	2012	2011	2010
Sales	**90**	94	90
EBITDA	**10**	14	14
EBIT	**4**	8	8
Net result	**(0)**	5	5
Net earnings per share (euros)	**(0.01)**	0.33	0.32
Gross dividend paid per share (euros)	**0.15**	0.26	0.19
Total assets	**51**	58	57
Net financial debt	**7**	5	6
Shareholders' equity	**21**	24	22
Net debt / EBITDA	**0.7 x**	0.4 x	0.4 x

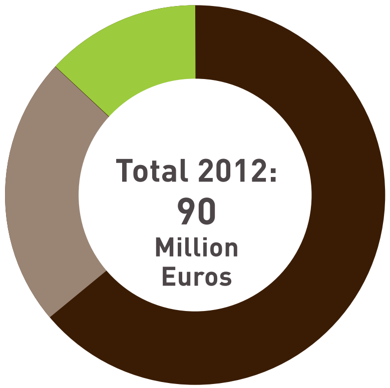
EQUITY INVESTMENTS
Listed - Clínica Baviera

Review of the company's operations during 2012

In Ophthalmology, the Baviera Group continued to grow in 2012, with the addition of seven new centres, four of them in Germany and three in Spain. Three centres were closed in the Netherlands to reduce the costs of this activity and focus the investments on those geographies that offer a greater potential for return.

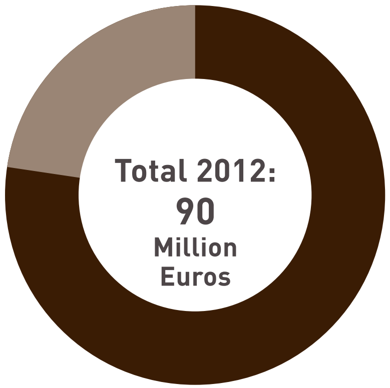
Meanwhile, Clínica Londres maintained its network of clinics in Spain, with a total of 14 centres at the end of 2012.

Sales by business unit



- Ophtalmology Spain **64,1%**
- Ophtalmology International **22,6%**
- Aesthetics **13,3%**

Sales by geography



- Spain **77,4%**
- International **22,6%**

EQUITY INVESTMENTS
Listed - Clínica Baviera

The sales of the **Ophthalmology** area, which accounts for the bulk of the group's turnover, fell by 1.0% in 2012 to 78 million euros, with marked increases in international activities (+11.6%), especially in Germany, but with falls in the Spanish market (-4.6%). This increase in revenue outside Spain demonstrates the Baviera Group's capacity to compensate for the weakness of the domestic market, currently suffering from extremely difficult economic and consumer conditions, through its international businesses, which already account for 22.6% of the group's total sales (26.1% if only Ophthalmology revenue is considered).

The EBITDA of Ophthalmology fell 19.7% in 2012 to 12 million euros, with a decline of 23.6% in Spain and a rise of 5.1% in the international businesses. The decline in margins in Spain is attributable to the shift in product mix towards a greater emphasis on intraocular surgery and the impact on margins caused by the fall in revenue as a large proportion of the business's operating costs are fixed. The increase in the profitability of the international businesses is largely explained by the absorption of fixed costs as new facilities are opened, despite high restructuring costs in the Netherlands arising from clinic closures.

The **Aesthetics** area turned in a weak performance, both in sales, which were down 19.6% at 12 million euros, and in EBITDA, posting losses of 2 million euros. Part of the decline in sales is attributable to the increase in VAT from 10% to 21%, a rise that cannot easily be passed on to customers in an environment of consumption crisis.

At consolidated level, sales rose to 90 million euros in 2012, down 4.0% on the previous year. The fall in EBITDA was significant, with a decline of 33.5% to 10 million euros, for the reasons already stated. Lastly, consolidated net profit was slightly negative as a result of a 3 million euros impairment charge to the goodwill of the Aesthetics business.

The Company invested nearly 5 million euros in 2012, of which 3 million went to new clinic openings and transfers, while the remaining 2 million went to maintenance and replacement of existing equipment and centres.

Net debt grew 26.4% to 7 million euros as a result of the investments made in 2012.

EQUITY INVESTMENTS
Listed - Clínica Baviera

Shareholder structure

In 2012 Alba maintained its 20.0% interest in the share capital of Clínica Baviera and remains one of the company's largest shareholders. Alba is represented on Clínica Baviera's Board of Directors by Javier Fernández Alonso.

Shareholder structure of Clínica Baviera at 31 December 2012

- Eduardo and Julio Baviera **19.6%**
- Alba **20.0%**
- Grupo Zriser **10.0%**
- Fernando Llovet **9.1%**
- Southamerican Farming **5.0%**
- Free-float **36.3%**

Source: Corporate Governance Report for 2012.

Note: The investments of Julio Baviera, Eduardo Baviera and Fernando Llovet are held through various companies. Grupo Zriser is a portfolio company belonging to various members of the Serratosa family.

EQUITY INVESTMENTS
Listed - Clínica Baviera

Clínica Baviera share price performance

The price of the Clínica Baviera share fell 41.4% in 2012 to 3.81 euros per share at the end of the year, performing considerably worse than the Ibex 35, which slipped 4.7%. Among the reasons for this sharp fall are the company's high exposure to the Spanish market (77.4% of sales in 2012), where discretionary consumption has fallen significantly as a result of the economic crisis, as well as the impact the crisis has had on the company's results and the share's reduced liquidity.

Clínica Baviera share price performance since 31 December 2011

Source: Bloomberg.

EQUITY INVESTMENTS
Listed - Clínica Baviera

Historical stock market data

	2012	2011	2010
Share price in euros per share (closing prices)			
High	**6.99**	8.62	9.10
Low	**3.70**	6.29	5.87
Close	**3.81**	6.50	7.20
Stock market capitalisation at 31/12 (million euros)	**62**	106	117
Dividend yield (gross, on closing price for the year)	**3.9%**	4.0%	2.6%
P/E ratio (on closing price for the year)	**neg.**	19.7 x	22.4 x

EQUITY INVESTMENTS
Listed - Antevenio

antevenio
Anticipation e-Marketing

www.antevenio.com

Company description

Antevenio operates in the digital marketing sector and currently offers online advertising, affiliate marketing, mobile marketing, co-registration, e-mail marketing and e-commerce services. It has been listed on Alternext Paris since 2007 and is the only Spanish company listed on this market. At present it has offices in Madrid, Barcelona, Buenos Aires, Mexico City, Milan and Paris.

Since becoming listed, Antevenio has substantially increased its product platform and geographical presence, with the opening of offices in France and the United Kingdom, acquisitions in Italy and Latin America, and the launch of its products, from Spain, in countries in which it is not physically present. Antevenio has set its sights on launching new products and services and expanding its activities internationally.

EQUITY INVESTMENTS
Listed - Antevenio

Sales reached 25.5 million euros in 2012, up 5.2% on the previous year. EBITDA fell 40.5% to 2.1 million euros, while net profit was down 77.9% at 0.3 million euros. The significant decline in results is due to the losses incurred in certain activities in Spain, where the market has been very badly hit by the crisis, and the acquisition in August of the French company Clash Media, which posted losses for the year. These negative impacts neutralised the improvement in returns from Latin American activities and the good performance in Italy.

Key Financial Data

(In millions of euros)	2012	2011	2010
Shareholders' equity	**16.6**	16.5	16.3
Sales	**25.5**	24.2	21.3
EBIT	**2.1**	3.6	2.7
Net profit	**0.3**	1.3	0.9

EQUITY INVESTMENTS
Listed - Antevenio

Shareholder structure

At 31 December 2012 Alba was Antevenio's largest shareholder, with 20.54% of the capital. Alba is represented on Antevenio's Board of Directors by Javier Fernández Alonso.

Shareholder structure of Antevenio at 31 December 2012

- Grupo Rodés **30.5%**
- Alba **20.5%**
- Joshua Novick **11.9%**
- NextStage **11.0%**
- Free-float **26.1%**

Source: Consolidated financial statements for 2012.

Note: The interest of the Rodés Group in Antevenio is held through Aliada Investment B.V. (20.2%) and Inversiones y Servicios Publicitarios, S.A. (10.3%).

EQUITY INVESTMENTS
Listed - Antevenio

Antevenio share price performance

The Antevenio share is listed on Alternext, a NYSE-Euronext Group market based in Paris and specialising in small and mid-cap European companies. The share price fell 10.4% in 2012, ending the year at 4.98 euros per share, below the performance of the Alternext All-Shares benchmark index (-8.8%) and the Ibex 35 (-4.7%).

Antevenio share price performance since 31 December 2011

Source: Bloomberg.

EQUITY INVESTMENTS
Listed - Antevenio

Historical stock market data

	2012	2011	2010
Share price in euros per share (closing prices)			
High	**5.56**	6.20	6.34
Low	**4.51**	4.50	4.26
Close	**4.98**	5.56	5.25
Stock market capitalisation at 31/12 (million euros)	**21**	23	22
Dividend yield (gross, on closing price for the year)	**0.0%**	0.0%	3.8%
P/E ratio (on closing price for the year)	**118.7 x**	16.8 x	27.6 x

EQUITY INVESTMENTS
Unlisted - Mecalux

www.mecalux.es

Mecalux is a world leader in storage systems. It designs, manufactures, sells and provides services related to metal shelving, automatic warehouses and other storage solutions, using state-of-the-art technology.

Mecalux has a broad international presence, with sales in more than 70 countries. It has production facilities in Spain, Poland, the United States, Mexico, Brazil and Argentina and an extensive sales and distribution network, which make it the market leader in shelving in southern Europe, NAFTA and Mercosur.

At 31 December 2012 Alba had a stake of 14.23% in the share capital of Mecalux, 5.23% held directly and 9.00% through Deyá Capital SCR.

EQUITY INVESTMENTS
Unlisted - Panasa

www.berlys.es

Founded in 1968, Panasa (Panaderías Navarras) is one of the main manufacturers of fresh and frozen bread, pastry goods and cakes in Spain, with a unique position only in its domestic market.

Through Berlys, its main brand, it offers its products to more than 16,000 customers, including bakeries, hotels, restaurants, large retailers and other food stores, thanks to its broad distribution network covering the whole of the Iberian Peninsula. It also has a network of more than 180 own stores in Navarra and the Basque Country, through which it distributes its fresh and frozen products.

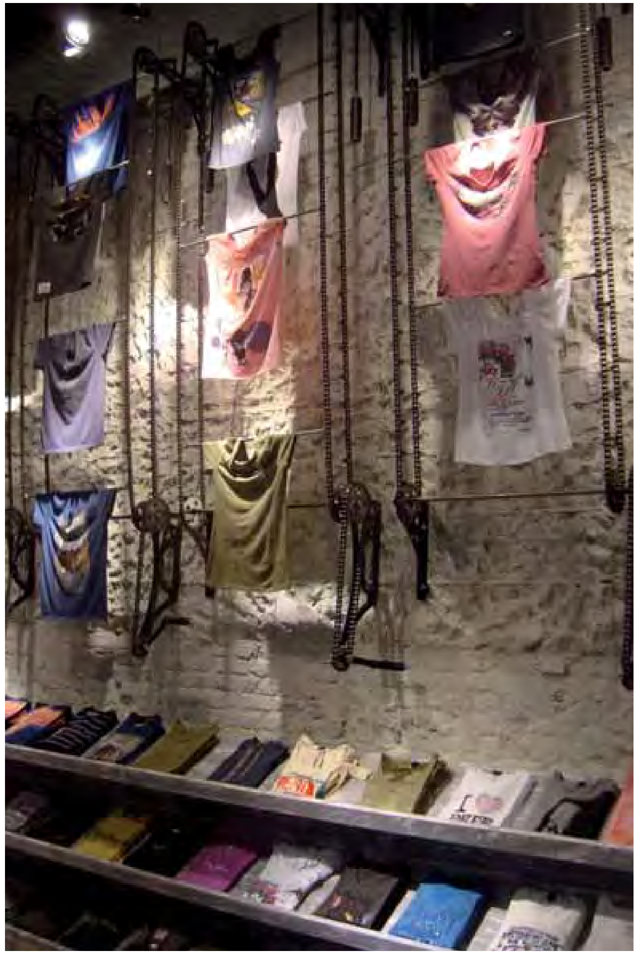
It has modern production facilities, having invested heavily in recent years.

At 31 December 2012 Alba's stake in Panasa, through Deyá Capital, was 26.36%.

EQUITY INVESTMENTS
Unlisted - Pepe Jeans

Pepe Jeans LONDON

www.pepejeans.com



Pepe Jeans designs and distributes apparel and other fashion items, being Pepe Jeans London and Hackett the group's flagship brands. The company was founded in London in 1973. In addition, Pepe Jeans is the exclusive agent and master franchisor for Tommy Hilfiger in Spain, Portugal and Andorra.

Pepe Jeans makes the great majority of its sales through wholesale channels (mainly department stores, multibrand stores and franchises) and its network of own stores and outlets, using third-party distributors to access international markets in which it is not directly present. More than two-thirds of its sales are made outside Spain, mainly in other European countries.

At 31 December 2012 Alba's stake in Pepe Jeans, through Deyá Capital, was 12.13%.

EQUITY INVESTMENTS
Unlisted - Ros Roca Environment

RosRoca environment

www.rosrocaenvironment.com

Ever since it was founded in 1953, Ros Roca has specialised in the manufacture of capital goods and the design and development of engineering systems and processes applied to the environment. Ros Roca is currently a world leader in each of these businesses and exports to more than 70 countries.

Besides manufacturing and selling capital goods covering the entire waste collection and treatment cycle (truck-mounted compactor collectors, road cleaning machinery and sewer cleaning equipment), in recent years Ros Roca has also developed systems for the treatment of all types of waste, including waste selection, composting and transfer plants and bio-anaerobic digestion and slurry treatment plants for the environmentally clean production of electricity and biogas. In addition, Ros Roca develops pneumatic waste collection systems.

Headquartered in Tárrega, Lérida, Ros Roca has clear international ambitions and has other major subsidiaries and production centres in the United Kingdom, France, Germany, Brazil, Mexico and Malaysia.

At 31 December 2012 Alba's stake in Ros Roca, through Deyá Capital, was 19.04%.

EQUITY INVESTMENTS
Unlisted - Flex

www.flex.es

Flex is one of the leading European companies in sleep systems, with a strong presence in Latin America. Founded in 1912, it manufactures and markets mattresses, pillows, adjustable beds and other accessories.

Thanks to a powerful portfolio of brands, including Flex, Vi-Spring, Mash and Molaflex, among others, it is the largest manufacturer of sleep systems in Spain, Portugal and the United Kingdom (luxury segment) and has an excellent positioning in Chile, Brazil and Cuba. More than 75% of the Group's activity takes place outside Spain. It has production plants in Spain, Portugal, the United Kingdom, Brazil, Chile and Cuba.

In addition, the Group has a network of more than 130 stores under the Noctalia, Plumax and And So To Bed (Europe and the Middle East) brands.

At 31 December 2012 Alba's stake in Flex, through Deyá Capital, was 19.75%.

EQUITY INVESTMENTS
Unlisted - OCIBAR

OCIBAR
MARINAS SINGULARES

www.ocibar.com

OCIBAR specialises in the development and operation of marinas on a concession basis and currently has several concessions in operation on the Balearic Islands, notably Port Adriano in Calvià (Majorca) and Ibiza Magna.

In April 2007 OCIBAR was granted the concession for the construction and operation of an extension to the Port Adriano marina. This extension includes 82 berths for vessels between 20 and 60 metres in length and a commercial area covering more than 4,000 square metres, making Port Adriano one of the main ports for mega-yachts in the Mediterranean. The extension has been fully operational since the second half of 2011, both the marine part and the commercial area.

At 31 December 2012 Alba's stake in OCIBAR, through Deyá Capital, was 21.66%, making Alba the second largest shareholder.

REAL ESTATE INVESTMENTS

REAL ESTATE INVESTMENTS

At the end of 2012 Alba had more than 82,000 square metres of leasable area and 1,100 parking lots, mainly in office buildings in Madrid and Barcelona.

The book value of the properties is updated annually based on appraisals carried out by an independent expert, who at 31 December 2012 valued the properties at 205.3 million euros, down 3.7% compared to the previous year. Despite the decline in value during the year, the valuation amount exceeds the carrying amount of the investment by 97.9 million euros.

The main office rental market ratios in 2012 and 2011, obtained from market studies developed by the main specialised consulting firms, are as follows:

	2012		2011	
	Madrid	Barcelona	Madrid	Barcelona
New office rentals	**-18.3%**	**-23.9%**	-22.0%	13.0%
Average rent	**-9.7%**	**-6.1%**	-6.5%	-8.2%
Vacancy rate at 31.12.2012	**12.5%**	**14.2%**	11.4%	13.7%
Area of highest occupancy	**5.5%**	**4.4%**	5.1%	4.5%
Area of lowest occupancy	**18.1%**	**30.1%**	15.5%	21.5%

Alba obtained results in line with the industry average. The vacancy rate at year-end 2012 was 14.9%, 5.6% higher than at the end of 2011.

Rental income amounted to 13.6 million euros, down 12.3% on 2011. The direct costs of the property business increased 1.7% to 3 million euros.

The gross yield, calculated using the year-end valuation, was down from 7.3% in 2011 to 6.6% in 2012. During the year, investments totalling 0.3 million euros were made in improvements to the structure and facilities of the buildings, as required.

AUDITORS' REPORT

AUDITORS' REPORT


Ernst & Young

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. (la Sociedad dominante) y Sociedades dependientes (el Grupo), que comprenden el balance de situación consolidado al 31 de diciembre de 2012, la cuenta de pérdidas y ganancias consolidada, el estado del resultado global consolidado, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio anual terminado en dicha fecha. Como se indica en la Nota 2 de la memoria adjunta, los Administradores de la Sociedad dominante son responsables de la formulación de las cuentas anuales del Grupo, de acuerdo con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales consolidadas en su conjunto, basada en el trabajo realizado de acuerdo con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, que requiere el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales consolidadas y la evaluación de si su presentación, los principios y criterios contables utilizados y las estimaciones realizadas están de acuerdo con el marco normativo de información financiera que resulta de aplicación.

En nuestra opinión, las cuentas anuales consolidadas del ejercicio 2012 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Corporación Financiera Alba, S.A. y Sociedades dependientes al 31 de diciembre de 2012, así como de los resultados consolidados de sus operaciones y de los flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación.

El informe de gestión consolidado adjunto del ejercicio 2012 contiene las explicaciones que los Administradores de Corporación Financiera Alba, S.A. consideran oportunas sobre la situación del Grupo, 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 2012. 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 Corporación Financiera Alba, S.A. y Sociedades dependientes.

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

José Luis Perelli Alonso

5 de abril de 2013

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

We have audited the consolidated financial statements of Corporación Financiera Alba, S.A. (the "Parent Company") and subsidiaries (the "Group"), comprising the consolidated balance sheet at 31 December 2012 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes for the year then ended. As indicated in Note 2 of the accompanying notes to the consolidated financial statements, the directors of the Parent Company are responsible for the authorisation of the financial statements of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting regulatory framework applicable to the Group. 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 current auditing regulations in Spain, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and criteria used and the estimates made are in accordance with the applicable financial reporting regulatory framework.

In our opinion, the accompanying consolidated financial statements for 2012 give, in all material respects, a true and fair view of the consolidated assets and liabilities and consolidated financial position of Corporación Financiera Alba, S.A. and Subsidiaries at 31 December 2012 and of the consolidated results of their operations and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the applicable financial reporting regulatory framework.

The accompanying consolidated management report for 2012 contains such explanations as the directors of Corporación Financiera Alba, S.A. have deemed appropriate with regard to the Group's situation, the development of its businesses and other matters, but is not an integral part of the consolidated financial statements. We have verified that the accounting information contained in the consolidated management report is consistent with the consolidated financial statements for 2012. 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 accounting records of Corporación Financiera Alba, S.A. and Subsidiaries.

CONSOLIDATED FINANCIAL STATEMENTS

OF CORPORACIÓN FINANCIERA ALBA, S.A. AND SUBSIDIARIES FOR 2012

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Balance Sheets

at 31 December 2012 and 2011 and 1 January 2011

Assets

In thousands of euros	Notes	31/12/2012	31/12/2011 Restated (Note 2.1)	01/01/2011 Restated (Note 2.1)
Investment property	5	205,350	213,320	221,880
Property, plant and equipment	6	9,853	11,330	11,974
Intangible assets		62	68	99
Investments in associates	7	2,262,019	2,439,819	2,867,708
Financial assets at fair value through profit or loss	8	208,802	206,907	155,802
Other financial assets	9	145,635	101,951	45,631
Deferred tax assets	19	42,816	43,945	90,435
NON-CURRENT ASSETS		2,874,537	3,017,340	3,393,529
Trade and other receivables	10	88,098	120,359	75,523
Financial assets held for trading		-	1,779	25,403
Cash and cash equivalents	12	384,421	325,191	203,371
CURRENT ASSETS		472,519	447,329	304,297
TOTAL ASSETS		3,347,056	3,464,669	3,697,826

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Equity and Liabilities

In thousands of euros	Notes	31/12/2012	31/12/2011 Restated (Note 2.1)	01/01/2011 Restated (Note 2.1)
Share capital	13	58,300	58,300	59,330
Retained earnings		3,024,256	3,630,812	3,431,471
Treasury shares	13	(2,757)	(2,976)	(20,757)
Other reserves	13	(286,668)	(619,149)	(492,065)
Interim dividend	3	(29,113)	(204,672)	(29,424)
SHAREHOLDERS' EQUITY		**2,764,018**	**2,862,315**	**2,948,555**
Minority interests		686	680	699
TOTAL SHAREHOLDERS' EQUITY		**2,764,704**	**2,862,995**	**2,949,254**
Bank borrowings	17	325,000	250,000	75,000
Other financial liabilities	9	1,948	2,019	1,936
Provisions	15	35	2,755	4,434
Deferred tax liabilities	19	36,232	38,667	45,637
NON-CURRENT LIABILITIES		**363,215**	**293,441**	**127,007**
Trade and other payables	16	15,483	13,627	9,225
Bank borrowings	17	203,654	294,606	612,340
CURRENT LIABILITIES		**219,137**	**308,233**	**621,565**
TOTAL EQUITY AND LIABILITIES		**3,347,056**	**3,464,669**	**3,697,826**

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Income Statements

for the years ended 31 December 2012 and 2011

In thousands of euros	Notes	2012	2011
Share of the profit/(loss) of associates	7	(311,812)	241,865
Lease income	22	13,449	15,476
Other income		121	-
Changes in the fair value of investment properties	5	(8,265)	(9,121)
Profit/(loss) on disposal of financial assets and other assets	7 and 11	31	185,283
Impairment of assets	6, 7 and 9	23,832	56,484
Staff costs	23.a	(11,706)	(9,572)
Other operating expenses	22	(7,510)	(7,539)
Other income/(expenses)		2,103	-
Depreciation and amortisation		(1,016)	(998)
OPERATING PROFIT/(LOSS)		**(300,773)**	**471,878**
Finance income	23.b	19,469	19,040
Finance costs and exchange differences		(16,604)	(21,879)
Change in fair value of financial instruments	23.c	(905)	(6,195)
NET FINANCIAL INCOME/(EXPENSE)		**1,960**	**(9,034)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING ACTIVITIES		**(298,813)**	**462,844**
Corporate income tax expense	19	345	(55,114)
PROFIT/(LOSS) FROM CONTINUING ACTIVITIES		**(298,468)**	**407,730**
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**(298,468)**	**407,730**
Profit/(loss) attributable to minority interests		966	1,556
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP		**(299,434)**	**406,174**
Average number of shares outstanding during the year (excluding treasury shares)		58,226,128	58,363,359
Basic and diluted earnings per share (euros/share)		(5.14)	6.96

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Statements of Comprehensive Income

for the years ended 31 December 2012 and 2011

In thousands of euros	Notes	2012	2011
CONSOLIDATED PROFIT/(LOSS) PER INCOME STATEMENT		**(298,468)**	**407,730**
Income and expenses recognised directly in equity			
Arising from valuation of financial instruments		259,135	(237,439)
Arising from investments in associates	7	259,135	(237,439)
Other adjustments		(46)	(101)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**259,089**	**(237,540)**
TOTAL COMPREHENSIVE INCOME		**(39,379)**	**170,190**
Attributable to the parent		(40,345)	168,634
Attributable to minority interests		966	1,556

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Statement of Changes in Consolidated Shareholders' Equity

for the years ended 31 December 2012 and 2011

In thousands of euros	Share capital	Retained earnings	Treasury shares	Other reserves	Interim dividend	Shareholders' equity	Minority interests	Total shareholders' equity
BALANCE AT 1 JANUARY 2011	**59,330**	**3,443,161**	**(20,757)**	**(503,755)**	**(29,424)**	**2,948,555**	**699**	**2,949,254**
Changes in accounting policies	-	(11,690)	-	11,690	-	-	-	-
BALANCE AT 1 JANUARY 2011 (RESTATED NOTE 2.1)	**59,330**	**3,431,471**	**(20,757)**	**(492,065)**	**(29,424)**	**2,948,555**	**699**	**2,949,254**
Changes in consolidated net assets of associates (Note 7)	-	(122,045)	-	(115,394)	-	(237,439)	-	(237,439)
Other	-	(101)	-	-	-	(101)	-	(101)
Profit for the year	-	406,174	-	-	-	406,174	1,556	407,730
Total income and expenses for the year	-	284,028	-	(115,394)	-	168,634	1,556	170,190
Interim dividend for the previous year	-	(29,424)	-	-	29,424	-	-	-
Dividends paid during the year (Note 3)	-	(29,113)	-	-	(204,672)	(233,785)	(1,575)	(235,360)
Redemption of capital	(1,030)	(37,840)	38,870	-	-	-	-	-
Purchase of own shares (Note 13)	-	-	(21,089)	-	-	(21.089)	-	(21.089)
BALANCE AT 31 DECEMBER 2011	**58,300**	**3,619,122**	**(2,976)**	**(607,459)**	**(204,672)**	**2,862,315**	**680**	**2,862,995**
Changes in consolidated net assets of associates (Note 7)		(61,656)	-	320,791	-	259,135	-	259,135
Other		(46)	-	-	-	(46)	-	(46)
Profit/(loss) for the year		(299,434)	-	-	-	(299,434)	966	(298,468)
Total income and expenses for the year		(361,136)	-	320,791	-	(40,345)	966	(39,379)
Interim dividend for the previous year (Note 3)		(204,672)	-	-	204,672	-	-	-
Dividends paid during the year (Note 3)		(29,113)	-	-	(29,113)	(58,226)	(704)	(58,930)
Increases/(decreases) due to business combination		-	-	-	-	-	(256)	(256)
Purchase of own shares (Note 13)		-	219	-	-	219	-	219
Other changes		55	-	-	-	55	-	55
BALANCE AT 31 DECEMBER 2012	**58,300**	**3,024,256**	**(2,757)**	**(286,668)**	**(29,113)**	**2,764,018**	**686**	**2,764,704**

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Cash Flow Statements

for the years ended 31 December 2012 and 2011. (Note 28)

In thousands of euros	Notes	2012	2011 restated (Note 2.1)
OPERATING ACTIVITIES			
Profit/(loss) for the year		(299,434)	406,174
Adjustments to profit/(loss)			
Depreciation and amortisation		1,016	998
Changes in the fair value of investment properties	5	8,265	9,121
Share of the profit/(loss) of associates	7	311,812	(241,865)
Profit/(loss) on assets		-	(241,767)
Finance income	23.b	(19,469)	(19,040)
Finance costs		16,604	21,879
Change in fair value of financial instruments	23.c	(23,832)	6,195
Corporate income tax paid	19	(345)	55,114
Other cash flows from operating activities			
Dividends received		160,623	170,760
Payments on account of corporate income tax		(24,055)	(64,390)
Interest received		19,469	19,040
Interest paid		(16,604)	(21,879)
Other items		1,782	652
NET CASH FROM OPERATING ACTIVITIES		**135,832**	**100,992**

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated Cash Flow Statements

for the years ended 31 December 2012 and 2011. (Note 28)

In thousands of euros	Notes	2012	2011 restated (Note 2.1)
INVESTING ACTIVITIES			
Purchases of equity investments		-	(137,317)
Sales of equity investments		-	535,160
Purchases of investment properties		(295)	(561)
Purchases of property, plant and equipment and intangible assets		(240)	(126)
Purchases/sales of financial assets		(1,889)	21,280
NET CASH FROM INVESTING ACTIVITIES		**(2,424)**	**418,436**
FINANCING ACTIVITIES			
Dividends paid	3	(58,226)	(233,785)
Purchases of own shares	13	-	(21,089)
Proceeds from bank borrowings		278,654	469,606
Repayment of bank borrowings		(294,606)	(612,340)
NET CASH FROM FINANCING ACTIVITIES		**(74,178)**	**(397,608)**
INCREASE/(DECREASE) IN NET CASH		**59,230**	**121,820**
Cash and cash equivalents at 01/01 (note 12)		325,191	203,371
Cash and cash equivalents at 31/12 (note 12)		384,421	325,191

Notes to the Consolidated Financial Statements

for the year ended 31 December 2012

1. Business activities

Corporación Financiera Alba, S.A. (Alba), headquartered in Madrid, Spain, has significant holdings in various companies in different industries, as detailed below. Its basic activities also include property leasing and private equity investment.

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 policies

The consolidated financial statements of Alba for the year ended 31 December 2012 were prepared and authorised for issue by the Board of directors at its meeting held on 20 March 2013 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, as required by Regulation (EC) 1606/2002 of the European Parliament and Council, of 19 July, and subsequent amendments thereto, so as to give a true and fair view of the consolidated net assets and financial position of Alba at 31 December 2012 and of its consolidated results of operations, changes in net assets and cash flows for the year then ended.

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

For comparison, the figures in these consolidated financial statements are presented together with the figures for the previous year.

The accounting policies used in preparing the consolidated financial statements for the year ended 31 December 2012 are the same as those used in preparing the consolidated financial statements for the year ended 31 December 2011, except for the following change, which is applicable to financial years starting on or after 1 January 2012:

- Amendment to IFRS 7 "Financial Instruments: Disclosures": applicable to financial years starting on or after 1 July 2011. The Group has no assets with these characteristics and so the above amendment has had no impact on the presentation of these consolidated financial statements.

At the date of publication of these consolidated financial statements, the following standards , amendments and interpretations had been published by the IASB and approved by the European Union but were not mandatory:

- Amendment to IAS 1 "Presentation of items of other comprehensive income": applicable to financial years starting on or after 1 July 2012.

- Revised IAS 19 "Employee benefits": applicable to financial years starting on or after 1 July 2013.

- IFRS 10 "Consolidated financial statements": applicable to financial years starting on or after 1 January 2014.

- IFRS 11 "Joint arrangements": applicable to financial years starting on or after 1 January 2014.

- IFRS 12 "Disclosure of interest in other entities": applicable to financial years starting on or after 1 January 2014.

- IFRS 13 "Fair value measurement": applicable to financial years starting on or after 1 January 2013.

- Revised IAS 28 "Investments in associates and joint ventures": applicable to financial years starting on or after 1 January 2014.

- IFRIC 20 "Stripping costs in the production phase of a surface mine": applicable to financial years starting on or after 1 January 2013.

- Amendment to IAS 32 "Offsetting financial assets and financial liabilities": applicable to financial years starting on or after 1 January 2014.

- Amendment to IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities": applicable to financial years starting on or after 1 January 2013.

- Amendment to IAS 12 "Deferred tax – Recovery of underlying assets": applicable to financial years starting on or after 1 January 2013.

The Group intends to adopt these standards, amendments and interpretation when they come into effect.

At the date of publication of these consolidated financial statements, the following standards, amendments and interpretations had been published by the IASB but were not mandatory and had not been approved by the European Union:

- IFRS 9 "Financial instruments": applicable to financial years starting on or after 1 January 2015 for the IASB.

- Improvements to IFRS: applicable to financial years starting on or after 1 January 2013 for the IASB.

- Amendment to IFRS 9 and IFRS 7 "Mandatory effective date and transition disclosures": applicable to financial years starting on or after 1 January 2015 for the IASB.

- Amendment to IFRS 10, IFRS 11 and IFRS 12 "Transition guidance": applicable to financial years starting on or after 1 January 2013 for the IASB.

- Amendment to IFRS 10, IFRS 11 and IAS 27 "Investment entities": applicable to financial years starting on or after 1 January 2014 for the IASB.

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

The Group is currently analysing the impact that application of these standards and amendments could have. Based on the analyses carried out to date, the Group considers that initial application of these standards and amendments will have no material impact on the consolidated financial statements.

Pursuant to IAS 8, "Accounting policies, changes in accounting estimates and mistakes", the financial statements for 2011 have been restated in the following respects:

- In accordance with IAS 7, "Statements of cash flows", the amounts that Alba has used in a given activity have been given a consistent presentation. To this end, the following reclassifications have been made, without affecting the changes in cash and cash equivalents for 2011:

  - Purchases of own shares have been classified as a financing activity.

  - Interest received and paid and proceeds and repayments of bank borrowings are not shown netted.

  - Cash inflows and outflows relating to investments in long-term assets and acquisitions and disposals of equity instruments issued by other entities have been classified as investing activities.

- Under IAS 28, "Investments in associates", investments in associates held through private equity companies must be recorded at fair value through profit or loss. In the restated information, these investments are recorded under "Financial assets at fair value through profit or loss" in the amount of 206,907 thousand euros at the end of 2011 and 155,882 thousand euros at the start of 2011 (previously under "Available-for-sale financial assets"), while changes in fair value are recognised in equity under "Retained earnings" in the amount of (11,690) thousand euros at both the end and the start of 2011 (previously under "Other reserves").

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

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

In preparing certain information included in these consolidated financial statements, judgements and estimates are used based on assumptions that affect the application of accounting principles and rules and the carrying amounts of assets, liabilities, income, expenses and commitments. The most significant estimates used in preparing these consolidated financial statements concern:

- Impairment losses and the useful lives of tangible assets (note 4.b).

- The testing of consolidation goodwill for impairment (Note 4.c).

- The fair value of certain non-traded assets (see Note 4.d).

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 income statement for that period and successive periods, in accordance with IAS 8.

2.3. 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 through its votes.

On acquisition of a subsidiary, the subsidiary's assets, and liabilities are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value 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 in the Group's net assets and profit for the year is presented under "Minority interests" in Total Equity in the consolidated balance sheet and "Profit attributable to minority interests" in the consolidated income statement, respectively.

In accordance with International Financial Reporting Standards, the Group companies have been consolidated by the full consolidation method and all their assets, liabilities, income, expenses and cash flows have been included in the consolidated financial statements, after adjustments and eliminations relating to intragroup transactions.

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

The information for 31 December 2012 and 2011 is shown below:

Subsidiary	Activity	Years	% ownership interest	Net carrying amount before consolidation	Shareholders' equity before undistributed profi	Profit/ (loss) for the year
Alba Participaciones, S.A.U.	Securities investment	2012	100.00	117,633	2,501,676	110,475
Castelló, 77, 5ª planta		2011	100.00	117,633	2,114,147	423,600
28006 Madrid						
Artá Capital, Sociedad Gestora de	Venture capital	2012	75.01	1,673	1,722	3,868
Entidades de Capital Riesgo, S.A.U.	management company	2011	62.50	1,156	1,722	4,150
Pza. Marqués de Salamanca, 10						
28006 Madrid						
Artá Partners, S.A.	Securities investment	2012	75.01	1,275	1,699	3,156
Castelló, 77, 5ª planta		2011	-	-	-	-
28006 Madrid						
Balboa Participaciones, S.A.U.	Securities investment	2012	100.00	21,118	28,922	(7,804)
Castelló, 77, 5ª planta		2011	100.00	8,929	16,057	(7,128)
28006 Madrid						
Deyá Capital, S.C.R. de Régimen	Private equity company	2012	100.00	187,909	192,049	(4,140)
Simplificado, S.A.U		2011	100.00	184,255	190,281	(4,212)
Pza. Marqués de Salamanca, 10						
28006 Madrid						

In 2012 the company Artá Partners, S.A. was formed, in which Balboa Participaciones, S.A.U. has a 75.01% stake.

Ernst & Young is the auditor of Alba Participaciones, S.A., Deyá Capital, S.C.R. de Régimen Simplificado, S.A. and Artá Capital, S.G.E.C.R., S.A.

2.4. 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 parent company takes into account, among other factors, representation on the Board of Directors, participation in policy making and the duration of the shareholding.

The information for 2012 and 2011 is shown below:

Associate / Auditor	Registered address	Activity	% ownership interest At 31/12/2012	At 31/12/2011
Acerinox, S.A. KPMG Auditores	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of stainless steel products	24,24	24,24
ACS, Actividades de Construcción y Servicios, S A. Deloitte	Avda. de Pío XII, 102 (Madrid)	Construction and services	18,30	18,30
Antevenio, S.A. BDO Audiberia	Marqués de Riscal, 11 (Madrid)	Internet advertising	20,54	20,54
Clínica Baviera, S.A. Ernst & Young	Paseo de la Castellana, 20 (Madrid)	Ophthalmic and cosmetic medical services	20,00	20,00
Ebro Foods, S.A. Deloitte	Paseo de la Castellana, 20 (Madrid)	Food	8,21	8,12
Indra Sistemas, S.A. KPMG Auditores	Avda. de Bruselas, 35 (Alcobendas - Madrid)	New technologies	11,32	11,32
Prosegur, Compañía de Seguridad, S.A. KPMG Auditores	Pajaritos, 24 (Madrid)	Security, cash transport and alarms	10,01	10,01

During 2012 the percent ownership interest in Ebro Foods, S.A. increased due to the payment of a stock dividend in December.

During 2011, Alba acquired 2.42% of Ebro Foods, S.A. and 1.30% of Indra Sistemas, S.A. The interest in ACS, Actividades de Construcción y Servicios, S.A. decreased as a result of the sale of 5.01%.

3. Allocation of profit

The proposed allocation of profit for 2012 which the Board of Directors will submit to the General Meeting for approval and the allocation of profit for 2011 approved by the General Meeting are as follows:

	2012	2011
PROFIT TO BE ALLOCATED		
Profit for the year attributable to the parent	28,417	230,778
Retained earnings	134,432	137,439
TOTAL	**162,849**	**368,217**
ALLOCATION		
To retained earnings	104,620	134,432
To dividends	58,229	233,785
TOTAL	**162,849**	**368,217**

The dividends paid by the parent company in 2012 and 2011 were as follows:

	No. of shares with dividend rights	Euros/share	Euros '000
Year 2012			
Interim dividend for 2012	58,226,128	0.500	29,113
Final dividend for 2011	58,226,128	0.500	29,113
Year 2011			
Interim dividend for 2011	58,219,918	0.500	29,110
Extraordinary dividend for 2011	58,520,545	3.000	175,562
Final dividend for 2010	58,225,979	0.500	29,113

The directors will recommend a final dividend of 0.50 euros per share for shares in issue at the date of the dividend payment.

The Board of Directors has presented the liquidity statement required under article 277 of the Corporations Law in the Notes to the individual financial statements of the parent company.

4. Valuation rules

The principal valuation rules used in preparing the consolidated financial statements are as follows:

a) Investment property (note 5)

Investment property, consisting of buildings for lease, is carried initially at cost, including transaction costs. Subsequently it is carried at its 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 for the sale to be negotiated, given the nature of the property". Changes in fair value are included in the income statement for the period in which they occur. Investment property is not depreciated.

CONSOLIDATED FINANCIAL STATEMENTS

b) Property, plant and equipment (note 6)

In application of IFRS 1, "First-time adoption of international financial reporting standards", owner-occupied property was recorded at 1 January 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. This increase in value was credited to consolidated equity.

The rest of the property, plant and equipment is measured at cost, not including interest or exchange differences. Any expansion, modernisation or improvement costs that result in an increase in productivity, capacity or efficiency or extend an asset's useful life are capitalised as an increase in the asset's cost.

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:

	Annual depreciation percentage
Buildings and other constructions	2 to 6
Machinery and installations	8 to 24
Transport equipment	16
Furniture and fixtures	10
Computer hardware	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.

c) Investments in associates and Goodwill (note 7)

These items are accounted for using the equity method. Under this method, the investments are carried at cost, which includes Alba's share of the associates' net assets, 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.

Dividends received from associates are recognised by reducing the cost of the investment. Alba's share of the results of associates is included, net of the tax effect, under "Share of profit/(loss) of associates" in the accompanying income statement.

Movements in the equity of associates are likewise recognised in the equity of Alba.

The fair value of the equity interest has been estimated in order to assess the need to adjust the carrying amount of the investment. In accordance with IAS 36, fair value is the higher of the asset's quoted market price at year-end and its value in use.

CONSOLIDATED FINANCIAL STATEMENTS

In 2012 the associated companies whose market price at year-end is less than their book value are Acerinox, S.A., Clínica Baviera, S.A. and Indra Sistemas, S.A. In these cases the fair value has been calculated using the discounted cash flow method, subsequently deducting the value of net debt and minority interests. The assumptions used are as follows:

	Acerinox, S.A.	Clínica Baviera, S.A.	Indra Sistemas, S.A.
Perpetual growth rate	2.5%	2.5%	2.0%
Discount rate	8.0%	8.3%	8.4%
Capital structure	70% capital and 30% debt	88% capital and 12% debt	85% capital and 15% debt
Cost of equity	10.0%	8.9%	9.1%
Cost of debt after tax	3.6%	4.1%	4.9%
Estimated fair value (euros/share)	11.58	11.84	14.77

In 2012 Alba performed the following sensitivity analysis:

	Acerinox, S.A.	Clínica Baviera, S.A.	Indra Sistemas, S.A.
Weighted average cost of capital (WACC)			
2012 fair value rate	8.0%	8.3%	8.4%
Rate that gives book value	8.5%	8.6%	8.4%
Perpetual growth			
2012 fair value rate	2.5%	2.5%	2.0%
Rate that gives book value	2.3%	2.2%	2.0%
EBITDA margin used for the terminal value			
2012 fair value margin	8.5%	18.5%	9.0%
Margin that gives book value	8.3%	17.7%	9.0%
Change in sales during the projection period and terminal value to give book value	-2.7%	-5.1%	-
Change in EBITDA margin during the projection period and terminal value to give book value	-0.2%	-0.7%	-

CONSOLIDATED FINANCIAL STATEMENTS

In 2011 the associated companies whose market price at year-end was less than their book value were Acerinox, S.A., Clínica Baviera, S.A. and Indra Sistemas, S.A. In these cases the fair value has been calculated using the discounted cash flow method, subsequently deducting the value of net debt and minority interests. The assumptions used were as follows:

	Acerinox, S.A.	Clínica Baviera, S.A.	Indra Sistemas, S.A.
Perpetual growth rate	2.5%	2.0%	2.0%
Discount rate	8.6%	8.3%	8.1%
Capital structure	75% capital and 25% debt	90% capital and 10% debt	85% capital and 15% debt
Cost of equity	9.8%	8.7%	8.7%
Cost of debt after tax	4.7%	4.0%	4.7%
Estimated fair value (euros/share)	11.99	12.29	16.70

In 2011 Alba performed the following sensitivity analysis:

	Acerinox, S.A.	Clínica Baviera, S.A.	Indra Sistemas, S.A.
Weighted average cost of capital (WACC)			
2011 fair value rate	8.6%	8.3%	8.1%
Rate that gives book value	8.7%	8.7%	8.5%
Perpetual growth			
2011 fair value rate	2.5%	2.0%	2.0%
Rate that gives book value	2.4%	1.4%	1.5%
EBITDA margin used for the terminal value			
2011 fair value margin	11.5%	21.0%	12.4%
Margin that gives book value	11.4%	19.6%	11.7%
Change in sales during the projection period and terminal value to give book value	-1.2%	-5.1%	-5.5%
Change in EBITDA margin during the projection period and terminal value to give book value	-0.1%	-1.1%	-0.5%

d) Financial assets at fair value through profit or loss (note 8)

Investments held through the private equity company, where there may be said to exist significant influence, are recorded under this heading.

They are stated at fair value, with any changes in the fair value of the investment being recognised in profit or loss.

The fair value of these investments in unlisted companies for which there is no active market is determined using comparable multiples or the discounted cash flow method, whichever is most appropriate in each case.

e) Loans and receivables (notes 9 and 10)

The Group values the financial assets included in this category (Other financial assets and Trade and other receivables) initially at fair value, which is the transaction price. Instruments maturing within one year that do not have a contractual interest rate and dividends receivable and payments due on equity instruments that are expected to be received in the short term are stated attheir face value, given that the effect of not updating the cash flows is non-material.

Subsequently, these financial assets are valued at amortised cost and the accrued interest is recognised in profit or loss using the effective interest method. At least once a year, provided there is objective evidence that a loan or receivable is impaired, the Company carries out impairment tests. Based on the results of these tests, the Company records valuation adjustments as appropriate.

The impairment loss on these financial assets is the difference between the book value and the present value of the future expected cash flows, discounted at the effective interest rate.

Valuation adjustments for impairment, and any reversal thereof, are recognised as an expense or income, as applicable, in the income statement. Where an impairment loss is reversed, the revised carrying amount may not exceed the carrying amount that would have been recognised at the date of reversal if no impairment loss had been recorded.

f) Cash and cash equivalents (note 12)

This item includes cash on hand, sight deposits and other highly liquid short-term investments that are readily convertible into cash and are not subject to a risk of change in value.

g) Financial liabilities (note 17)

Financial liabilities include mainly bank borrowings, which are recognised initially at the value of the consideration received, net of transaction costs incurred. In subsequent periods they are stated at amortised cost, using the effective interest rate. However, the financial liabilities entered into with Deutsche Bank and Credit Agricole are stated at their fair value.

Alba uses financial derivative instruments to hedge interest rate risk. These instruments are recognised initially at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gain or loss resulting from changes in the fair value of derivatives is recognised directly in the income statement.

h) Financial assets and liabilities held for trading (notes 11 and 16)

These are assets and liabilities acquired with the intention of selling them in the short term, including derivatives that do not qualify for hedge accounting. Changes in the fair value of these assets are taken to profit and loss. In the case of listed companies, fair value is the market price at the balance sheet date.

i) 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 equity instruments of Alba.

j) Provisions (note 15)

Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate. Where discounting is used, the increase in the provision arising from the passage of time is recognised as a finance cost.

k) Corporate income tax (note 19)

The corporate income tax expense for the year is calculated as the sum of current tax, which is the result of applying the appropriate tax rate to taxable income for the year less allowances and deductions, and any changes in deferred tax assets and liabilities during the year. It is recognised in the income statement, except when it relates to items charged or credited directly to equity, in which case the corresponding tax is also recognised in equity, and except in business combinations, where it is recorded as an increase or decrease in goodwill.

l) Alternative pension plan systems

Alba has outsourced two alternative defined contribution pension plan systems. The beneficiaries of these alternative pension plans will be employees of Corporación Financiera Alba, S.A. or of a fully owned subsidiary who retire on reaching retirement age.

The main assumptions used in 2012 and 2011 in valuing these commitments are as follows:

Mortality and survival tables	PERM/F 2000 NP
The interest rate included in the policies	4.00% - 6.00%
CPI growth	2.00%
Salary growth	2.50%
Rate of increase in social security bases	2.00%
Retirement age	65

The results of the actuarial valuation are shown below.

	31/12/2012	31/12/2011
Pension obligations towards current employees	28,061	26,635
Vested	18,194	18,615
Unvested	9,867	8,021
Fair value of plan asstes (policies)	19,229	20,435

The contributions to the two plans are recognised in the accompanying income statement and a breakdown is given in Note 23.a.

m) Equity-instrument-based payments (note 25)

Alba classifies its share option scheme as a cash-settled transaction. Until settlement the liability is valued at fair value, calculated as the difference between the quoted market price at year-end and the exercise price of the option, any change in value being recognised in the consolidated income statement. The staff cost is determined based on the fair value of the liability and is recognised as the service is provided over a period of three years.

n) Recognition of income and expenses

Income and expenses are recognised when the goods and services they represent are delivered or provided, independently of the period in which the associated payment is made, and always having regard to the substance of the transaction.

5. Investment property

This item consists of property held to earn rental income. At 31 December 2012 and 2011 these properties were valued by C.B. Richard Ellis, S.A., which specialises in appraising this kind of investment. The valuation was carried out in accordance with the Appraisal and Valuation Standards and the property observation checklist published by the Royal Institution of Chartered Surveyors of Great Britain and is based on the discounted cash flow method and the sales comparison method.

The geographical distribution is as follows:

	2012	2011
Madrid	167,520	173,000
Barcelona	32,820	34,500
Palma de Mallorca	3,050	3,770
Resto	1,960	2,050
TOTAL	**205,350**	213,320

The movements in investment property are as follows:

Balance at 1-1-11	**221,880**
Additions	561
Change in fair value	(9,121)
Balance at 31-12-11	**213,320**
Additions	295
Change in fair value	(8,265)
Balance at 31-12-12	**205,350**

The additions in 2012 and 2011 relate to improvements that were made.

The most significant data regarding the leasable area at 31 December are as follows:

	2012	2011
Floor area above ground level (square metres)	82,267	82,267
Leased floor area (square metres)	69,984	74,611
Leased area as % total floor area	85.1%	90.7%

The expenses relating to unoccupied space are not significant enough to be worth breaking down.

The income from leases, calculated to contractual maturity, at 31 December 2012 and 2011 is as follows:

	2012	2011
In one year	11,960	13,017
Between 1 and 5 years	18,030	31,419
More than 5 years	3,806	6,209
TOTAL	**33,796**	**50,645**

Adequate insurance cover is provided for potential risks to these assets.

6. Property, plant and equipment

The movements in property, plant and equipment were as follows:

	Buildings	Other PPE	Total
COST			
Balance at 1-1-11	**19,300**	**3,011**	**22,311**
Additions	-	126	126
Disposals	-	(245)	(245)
Balance at 31-12-11	**19,300**	**2,892**	**22,192**
Additions	-	240	240
Disposals	-	(96)	(96)
Balance at 31-12-12	**19,300**	**3,036**	**22,336**
ACCUMULATED DEPRECIATION			
Balance at 1-1-11	**(7,651)**	**(2,492)**	**(10,143)**
Additions	(786)	(178)	(964)
Disposals	-	245	245
Balance at 31-12-11	**(8,437)**	**(2,425)**	**(10,862)**
Additions	(774)	(211)	(985)
Disposals	-	96	96
Balance at 31-12-12	**(9,211)**	**(2,540)**	**(11,751)**
PROVISIONS			
Balance at 1-1-12	**-**	**-**	**-**
Additions	(732)	-	(732)
Balance at 31-12-12	**(732)**	**-**	**(732)**
Net PPE at 31-12-11	10,863	467	11,330
Net PPE at 31-12-12	9,357	496	9,853

Adequate insurance cover is provided for potential risks to property, plant and equipment.

7. Investments in associates

The changes in this item in 2012 are as follows:

Company	Consolidated value at 01/01/12	Profit/(loss) of investees	Accrued dividends	Acquisitions/ (disposals)	Impairment	Changes in consolidated net assets of associates	Consolidated value at 31/12/12	Quoted market value at 31/12/12
Acerinox, S.A.	707,890	(4,443)	(15,109)	(6,044)	-	(11,374)	670,920	504,536
ACS, Actividades de Construcción y Servicios, S.A.	1,055,087	(352,627)	(61,516)	-	-	271,005	911,949	1,096,689
Antevenio, S.A.	3,372	36	-	-	-	-	3,408	4,303
Clínica Baviera, S.A.	37,162	(18)	(489)	-	-	30	36,685	12,427
Ebro Foods, S.A.	177,816	13,013	(6,089)	1,792	-	1,720	188,252	189,376
Indra Sistemas, S.A.	288,812	15,023	(12,639)	-	(19,145)	2,499	274,550	186,243
Prosegur, Compañía de Seguridad, S.A.	169,680	17,204	(5,885)	-	-	(4,744)	176,255	274,170
TOTALES	**2,439,819**	**(311,812)**	**(101,727)**	**(4,252)**	**(19,145)**	**259,136**	**2,262,019**	**2,267,744**

CONSOLIDATED FINANCIAL STATEMENTS

The changes in this item in 2011 are as follows:

Company	Consolidated value at 01/01/11	Profit/(loss) of investees	Accrued dividends	Acquisitions / (disposals)	Changes in consolidated net assets of associates	Consolidated value at 31/12/11	Quoted market value at 31/12/11
Acerinox, S.A.	721,718	17,873	(21,153)	(6,043)	(4,505)	707,890	598,940
ACS, Actividades de Construcción y Servicios, S.A.	1,557,876	176,075	(118,078)	(345,474)	(215,312)	1,055,087	1,319,022
Antevenio, S.A.	3,083	289	-	-	-	3,372	4,804
Clínica Baviera, S.A.	36,905	1,086	(848)	-	19	37,162	21,202
Ebro Foods, S.A.	119,975	11,181	(9,283)	61,747	(5,804)	177,816	179,358
Indra Sistemas, S.A.	258,528	18,608	(11,183)	24,465	(1,606)	288,812	182,842
Prosegur, Compañía de Seguridad, S.A.	169,623	16,753	(6,465)	-	(10,231)	169,680	208,653
TOTALES	**2,867,708**	**241,865**	**(167,010)**	**(265,305)**	**(237,439)**	**2,439,819**	**2,514,821**

The changes in the net assets of ACS, Actividades de Construcción y Servicios, S.A. are due mainly to changes in the value of available-for-sale financial assets, adjustments for translation differences and the change in treasury share holdings. The changes in the Group's share of the net assets of associates are due mainly to adjustments to the valuation of available-for-sale financial assets and hedging transactions and to translation differences (Note 13).

The profit or loss on disposals, which is recognised in "Profit/(loss) on disposal of investments" in the accompanying consolidated income statements, was 0 in 2012 and as shown below in 2011:

	2011		
	%	Amount of sale	Profit/(loss)
ACS, Actividades de Construcción y Servicios, S.A.	5.0	535,160	187,545
TOTAL		**535,160**	**187,545**

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

The relevant information on the companies included in this item is as follows:

	Assets		Liabilities			
	Current	Non-current	Current	Non-current	Turnover	Consolidated profit/(loss)
Acerinox, S.A.						
Year 2012	1,907,464	2,308,170	1,324,504	1,178,117	4,554,688	(18,239)
Year 2011	1,819,784	2,251,438	1,201,712	988,318	4,672,244	73,726
ACS, Actividades de Construcción y Servicios, S.A.						
Year 2012	26,390,629	15,172,747	24,934,868	10,917,000	38,396,178	(1,926,438)
Year 2011	27,947,941	20,039,669	28,319,794	13,476,552	28,471,883	961,940
Ebro Foods, S.A.						
Year 2012	890,154	1,841,658	556,281	482,294	2,041,166	158,592
Year 2011	849,747	1,164,337	545,481	576,667	1,804,111	151,542
Indra Sistemas, S.A.						
Year 2012	2,431,284	1,324,659	1,945,912	700,415	2,940,980	132,658
Year 2011	2,280,704	1,244,151	1,830,049	627,606	2,688,495	180,999
Prosegur, Compañía de Seguridad, S.A.						
Year 2012	1,295,077	1,590,517	1,062,308	1,091,486	3,669,091	171,937
Year 2011	1,091,823	1,099,741	829,724	690,939	2,808,531	167,430
Clínica Baviera, S.A.						
Year 2012	12,597	39,071	16,695	14,117	89,881	(88)
Year 2011	16,048	41,807	16,889	17,140	93,593	5,430

Notifications of changes in shareholdings

Acquisitions, modifications and disposals of equity interests in companies have been notified in accordance with applicable laws and regulations.

- In 2012 the Group notified:

  Ebro Foods, S.A. that the Company's equity interest had reached 8.21%

- In 2011 the Group notified:

  ACS, Actividades de Construcción y Servicios, S.A. that the Company had sold an equity interest of 5.01%

  Ebro Foods, S.A. that the Company's equity interest had reached 8.12%

8. Financial assets at fair value through profit or loss

The composition of this item at 31 December 2012 and 2011 is detailed below:

	2012		2011	
Long-term unlisted	% ownership interest	Fair value	% ownership interest	Fair value (restated Note 2.1)
Mecalux, S.A.	14.23	78,983	14.23	78,983
Pepe Jeans, S.L.	12.13	37,963	12.28	37,959
Grupo Empresarial Panasa, S.L.	26.36	32,630	26.76	32,630
Ros Roca Environment, S.L.	19.04	31,013	19.04	31,013
Grupo Empresarial Flex, S.A.	19.75	18,478	19.75	18,475
Ocibar, S.A.	21.66	7,430	21.66	7,430
EnCampus residencias de estudiantes, S.A.	35.93	1,888	-	-
C. E. Extremadura, S.A.	2.55	417	2.55	417
TOTAL		**208,802**		**206,907**

In 2012 the interest in EnCampus was recognised at its acquisition cost on the understanding that this was the best estimate of its fair value, this being a recent acquisition. The fair value of the rest of the investments has been calculated using the discounted cash flow method. Given that the differences in the valuation ranges obtained when determining the fair value in 2012 compared to the previous year are not significant, the previous year's value has been maintained. In the case of Ocibar, S.A., the fair value was calculated using same assumptions as in the initial investment, updated in some cases with the assumptions used in the model used by the lending banks, using a discount rate of 12% per year and including the flows until the value of the last concession, with no terminal value. The result coincides with the acquisition cost. In the case of Ros Roca Environment, S.L., Pepe Jeans, S.L., Mecalux, S.A., Grupo Empresarial Panasa, S.L. and Grupo Empresarial Flex, S.A., the following assumptions were used:

	Ros Roca Environment, S.L.	Mecalux, S.A.	Pepe Jeans, S.L.	Grupo Empresarial Panasa, S.L.	Grupo Empresarial Flex, S A.
Perpetual growth rate	2.0%	2.0%	1.5%	2.0%	2.0%
Discount rate	9.2%	8.4%	7.7%	9.3%	11.2%

In 2011 the investments in Grupo Empresarial Panasa, S.L. and Grupo Empresarial Flex, S.A. were stated at their acquisition cost, on the understanding that this was the best estimate of their fair value, as they were recent acquisitions. The fair value of the rest of the investments was calculated using the discounted cash flow method. In the case of Ocibar, S.A., the same assumptions were used as in the initial investment, updated in some cases with the assumptions used in the model used by the lending banks, using a discount rate of 12% per year and including the flows until the value of the last concession, with no terminal value. In the case of Ros Roca Environment, S.L., Mecalux, S.A. and Pepe Jeans, S.L., the following assumptions were used:

	Ros Roca Environment, S.L.	Mecalux, S.A.	Pepe Jeans, S.L.
Perpetual growth rate	2.0%	2.0%	1.5%
Discount rate	9.2%	8.4%	7.7%

9. Other non-current financial assets and liabilities

The composition of these items at 31 December 2012 and 2011 is as follows:

	2012	2011
OTHER NON-CURRENT FINANCIAL ASSETS		
Loans to third parties	143,894	100,214
Guarantees received from customers	1,723	1,737
Other investments	18	-
Balance at 31 December	145,635	101,951
OTHER NON-CURRENT FINANCIAL LIABILITIES		
Guarantees given to public bodies	1,948	2,019

Loans to third parties relate to the fair value of the amount owed by Grupo Bergé.

In March 2010 the obligor signed a refinancing agreement with a syndicate of institutions, one of which is Alba Participaciones, S.A., with the following changes being made:

- Interest is payable quarterly based on 3-month Euribor, the spread being 100 basis points for the first 5 years, 140 basis points for the following 5 years and 180 basis points for the remaining years. The initial rate was 1.70%.

- The schedule of payments starts from 2019 at a rate of 5 million euros per year. This loan is expected to be recovered mainly through the Cash Sweep system, which consists of distributing the surplus of the cash flow among the different types of debt in a pre-established order.

During 2012 and 2011 the obligor continued to meet the contractually established schedule of payments (for interest), so we consider that the future cash flows needed to be re-estimated in order to determine whether the net carrying amount of the receivable was properly recorded at 31 December 2012 and 2011. For this reason the impairment charge in the amount of 43,709 thousand euros in 2012 and 56,290 thousand euros in 2011, recorded under "Impairment of assets" in the accompanying consolidated income statement, was reversed.

10. Trade and other receivables

The composition of this item at 31 December 2012 and 2011 is detailed below:

	2012	2011
Accrued and unpaid dividends	2,738	63,036
Corporate income tax withheld and interim payments	81,424	54,560
Sundry receivables	3,749	2,577
Prepaid expenses	144	153
Trade receivables	43	33
Balance at 31 December	**88,098**	120,359

11. Financial assets held for trading

These are listed shares, which by the end of the year had all been sold. Based on year-end quoted prices, the impact of the sales and changes in fair value on the accompanying income statements was a loss of 31 thousand euros in 2012 and a loss of 2,262 thousand euros in 2011.

12. Cash and cash equivalents

The composition of this item at 31 December 2012 and 2011 is detailed below:

	2012	2011
Cash and banks	91	54,353
Deposits and short-term investments	384,330	270,838
Balance at 31 December	**384,421**	325,191

The short-term deposits and investments are readily convertible into cash and are not exposed to exchange rate risk. The components of this item earn interest at a floating rate based on the interbank rate.

13. Shareholders' equity

At 31 December 2012 and 2011, the Company's issued share capital was represented by 58,300,000 fully paid bearer shares with a par value of 1 euro each, all of which were publicly traded (Stock Exchange Interconnection System, SIBE).

At the General Meeting held on 27 May 2009, 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 a member of the Banca March group. 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.

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

At the end of the period, Banca March, S.A. and its shareholders jointly controlled (Concerted Action) 69.139% of Corporación Financiera Alba, S.A. Another interest above 3% disclosed to the CNMV at 31 December is that held by Juan March de la Lastra, who has a 4.355% stake.

The breakdown of "Other reserves" is as follows:

	2012	2011 restated (Note 2.1)
Due to changes in the consolidated net assets of associates		
Treasury shares	(117,768)	(158,689)
Translation differences	(13,319)	8,471
Valuation of financial instruments	(2,706)	(338,607)
Change in scope of consolidation and other changes	(152,875)	(118,634)
TOTAL	**(286,668)**	**(607,459)**

Movements in treasury shares in 2012 and 2011 were as follows:

	No. of shares	Percent of share capital	Average acquisition price (Euros/share)	Euros '000
At 1 January 2011	**600,908**	**1.01%**	**34.54**	**20,757**
Acquisitions	502,964	0.85%	41.93	21,089
Depreciation and amortisation (General Meeting 25-05-11)	(1,030,000)	(1.74%)	37.74	(38,870)
At 31 December 2011	**73,872**	**0.13%**	**40.29**	**2,976**
Sales	(5,443)	(0.01%)	40.29	(219)
At 31 December 2012	**68,429**	**0.12%**	**40.29**	**2,757**

14. Capital management policy

Alba manages its capital so as to provide its subsidiaries with sufficient economic resources to carry out their activities. Apart from managing the capital required to cover the risks incurred in its activity in a rational and objective manner, Alab also seeks to maximise the return to shareholders by maintaining an appropriate balance of equity and debt.

Alba's gearing ratio at year-end 2012 and 2011 was as follows:

	2012	2011
Bank borrowing	528,654	544,606
Cash and cash equivalents	(384,421)	(325,191)
Financial assets held for trading	-	(1,779)
TOTAL NET DEBT	**144,233**	**217,636**
Shareholders' equity	2,764,018	2,862,315
Shareholders' equity + net debt	2,908.,251	3,079,951
GEARING RATIO	**4.96%**	**7.07%**

15. Provisions

The movements in provisions during 2012 and 2011 were as follows:

	2012	2011
Balance at 1 January	**2,755**	**4,434**
Additions due to recalculation of interest	-	70
Recoveries	(2,686)	-
Uses	(34)	(1,749)
Balance at 31 December	**35**	**2,755**

16. Trade and other payables

The composition of this item at 31 December 2012 and 2011 is detailed below:

	2012	2011
Other financial liabilities	11,236	9,896
Accrued wages and salaries	1,417	1,362
Trade payables	833	679
Current tax liabilities (Note 19)	1,382	1,003
Accruals and deferred income	615	687
Balance at 31 December	**15,483**	**13,627**

In 2012 and 2011 "Other financial liabilities" includes two swaps to hedge the interest rate risk of a loan. These swaps are measured at fair value, with changes in fair value being recognised in profit or loss (Note 23.c).

In relation to Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, which establishes measures to combat delinquency in commercial transactions, it is stated that at 31 December 2012 and 2011 there are, and were, no balances payable to suppliers deferred beyond the legal period for payment.

In relation to the information to be included in the Notes to financial statements pursuant to the Resolution of 29 December 2010 of the Institute of Accounting and Auditing (ICAC), the amount of payments made by Spanish companies belonging to the Group to national suppliers and the outstanding balances payable to said suppliers that have been deferred beyond the legal limit are as follows:

	Payments and balances outst anding at 31/12/2012		Payments and balances outst anding at 31/12/2011	
Within the maximum legal period	8,070	100.00%	10,615	100.00%
Rest	-	-	-	-
TOTAL PAYMENTS FOR THE FINANCIAL YEAR	**8,070**	**100.00%**	**10,615**	**100.00%**
Weighted average period of exceeded payments (days)	-		-	
Delay exceeding the legal maximum period at the closing date	-		-	

17. Amounts owed to credit institutions

Non-current

In June 2012 Alba entered into two linked contracts with Deutsche Bank, both maturing in June 2015, termed the “share basket swap transaction” and the “share basket forward transaction”. Given that Alba has the legal right to net the two contracts and that it is Alba’s intention to perform the netting settlements over the term of the contracts, the presentation of the transaction is similar to that of receiving a floating-rate loan in the amount of 75,000,000 euros, maturing in 2015. This transaction is secured by the pledge of 4,200,000 shares of ACS, Actividades de Construcción y Servicios, S.A., 3,500,000 shares of Acerinox, S.A., 4,100,000 shares of Indra Sistemas, S.A. and 8,000,000 shares of Prosegur, Compañía de Seguridad, S.A. At 31 December 2012 it is estimated that the fair value of this non-current liability does not differ from its carrying amount.In June 2011 Alba entered into two linked contracts with Credit Agricole, both maturing in June 2014, called the "share basket forward transaction" and the "cash-settled share basket swap transaction". Given that Alba has the legal right to net the two contracts and that it is Alba's intention to perform the netting settlements over the term of the contracts, the presentation of the transaction is similar to that of receiving a floating-rate loan in the amount of 250,000,000 euros, maturing in 2014. This transaction is secured by a pledge, extended on successive occasions, over 7,861,868 shares of ACS, Actividades de Construcción y Servicios, S.A., 9,001,819 shares of Acerinox, S.A., 8,140,113 shares of Indra Sistemas, S.A. and 3,123,082 shares of Ebro Foods, S.A.. At 31 December 2012 it is estimated that the fair value of this non-current liability does not differ from its carrying amount.

The above-mentioned share basket forward transaction is included in level 2 of the valuation hierarchy and is valued by estimating the future cash flows based on the spot prices of the shares underlying the financial instrument, the estimated dividends of the shares, and the interest rates for the corresponding time periods, calculated using the term structure of interest rates quoted at the end of the period, deducting the net settlement amounts estimated using the respective zero coupon interest rates obtained from the same term structure of interest rates quoted at the end of the period, plus the estimated credit and liquidity risk premium for financing the Entity.

The above-mentioned cash-settled share basket swap transaction is included in level 2 of the valuation hierarchy and is valued by estimating the future cash flows based on the spot prices of the shares underlying the financial instrument, the estimated dividends of the shares, and the forward and zero coupon interest rates for the corresponding time periods, calculated using the term structure of interest rates quoted at the end of the period, deducting the net settlement amounts estimated using the respective zero coupon interest rates obtained from the same term structure of interest rates quoted at the end of the period.

As the risk components arising from the stock market risk of the share basket forward transaction and the cash-settled share basket swap transaction basically cancel each other out and no payment is expected to be made or received for said risk, given that the two exposures will be settled net, it is considered that the main risk to which the company is exposed is interest rate risk. In 2012 and 2011 sensitivity analyses were performed with respect to interest rate risk and its potential impact on the income statement for the financial liability resulting from combining the two transactions (the share basket forward transaction and the cash-settled share basket swap transaction). This was done based on the market situation and market data at 31 December 2012 and 2011, with parallel upward and downward shifts of 0.50% and 1.00% in the interest rate curve (where the interest rate curve was negative, an

CONSOLIDATED FINANCIAL STATEMENTS

interest rate of 0.00% was assumed). The results obtained considering both products entered into with Credit Agricole (a positive "0% difference" signifies a profit) were:

Fair value sensitivity credit agricole

	2012		2011	
Interest rate change	Loan FV (euros)	0% difference	Loan FV (euros)	0% difference
1.00%	-248,322,405.02	1,677,646.32	-245,090,938.93	3,411,506.33
0.50%	-249,290,744.22	709,307.11	-246,883,841.88	1,618,603.38
0.00%	-250,000,051.33	0.00	-248,502,445.26	0.00
-0.50%	-	-	-249,841,160.49	-1,338,715.23
-1.00%	-	-	-250,687,989.70	-2,185,544.44

CONSOLIDATED FINANCIAL STATEMENTS

Similarly, the sensitivity of the two interest rate swaps to interest rate risk was calculated, using the same assumptions. The results for each of the swaps entered into with Banesto and Banco Sabadell are shown below (a positive "0% difference" signifies a profit):

Fair value sensitivity

	2012		2011	
Interest rate change	Swap FV (euros)	0% difference	Swap FV (euros)	0% difference
1.00%	-4,947,355.16	1,919,476.80	-4,630,318.86	3,118,823.82
0.50%	-5,768,189.01	1,098,642.95	-6,088,547.36	1,660,595.33
0.00%	-6,866,831.96	0.00	-7,749,142.69	0.00
-0.50%	-	-	-9,712,353.08	-1,963,210.40
-1.00%	-	-	-12,182,860.04	-4,433,717.35

CONSOLIDATED FINANCIAL STATEMENTS

Lastly, we report the interest rate sensitivity analysis of the above transactions taken together, using the same assumptions as before (a positive "0% difference" signifies a profit):

Fair value sensitivity

	2012		2011	
Interest rate change	Joint FV (euros)	0% difference	Joint FV (euros)	0% difference
1.00%	-253,269,760.18	3,597,123.12	-249,721,257.79	6,530,330.15
0.50%	-255,058,933.23	1,807,950.06	-252,972,389.24	3,279,198.71
0.00%	-256,866,883.29	0.00	-256,251,587.95	0.00
-0.50%	-	-	-259,553,513.57	-3,301,925.63
-1.00%	-	-	-262,870,849.74	-6,619,261.79

CONSOLIDATED FINANCIAL STATEMENTS

The result of the 2012 sensitivity analysis of the products entered into with Deutsche Bank is as follows:

Fair value sensitivity Deutsche Bank

	2012	
Interest rate change	FV Loan (euros)	0% difference
1.00%	-74,371,953.46	703,958.50
0.50%	-74,783,009.76	292,902.19
0.00%	-75,075,911.95	0.00

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Current

Current bank borrowings fall due within one year. Broken down by maturity, they are as follows:

	At 31/12/2012		At 31/12/2011	
Bank	Maturity	Balance drawn	Maturity	Balance drawn
Credit lines				
Banca March	18/06/2013	59,357	18/06/2012	20
Banca March	26/09/2013	59,996	15/07/2012	10,456
Banco Cooperativo	15/07/2013	10,392	04/07/2012	84,239
Banesto	08/05/2013	73,909	06/07/2012	24,953
Banco Sabadell	-	-	27/06/2012	74,997
Barclays	-	-	29/06/2012	24,927
La Caixa	-	-	02/05/2012	1
Unicaja	-	-	17/06/2012	13
Banco Popular	-	-	04/06/2012	75,000
TOTAL		**203,654**		**294,606**
Limit on credit lines granted		205,500		360,500

As a general rule, interest is payable quarterly, the benchmark index being the Euribor plus a market spread.

18. Risk management objectives and policies

The Board of Directors of Corporación Financiera Alba, S.A. has formulated the following risk management and control policy for the Parent Company and its subsidiaries:

1. Types of risks the Company faces

Corporación Financiera Alba, S.A. engages in two types of business activity: (i) the holding of investments in listed and unlisted companies, and (ii) investment in buildings for lease as offices.

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

The risks with respect to investment properties are: loss of income if the buildings are unoccupied; changes in long-term interest rates; accidental damage; default; 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 cash flow interest rate risk mainly through bank borrowings. Alba's policy will be to have a mix of short and long-term, fixed and floating-rate financing, as appropriate to the financial situation at any given time.

1.2. Exchange rate risk.

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

1.3. Market risk.

Stock market risk affects the most important assets on the Company's balance sheet, namely the investments 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 arises basically from the possibility that the lessors of properties belonging to the Company will fail to meet their obligations under the lease agreements. However, it is the Group's policy to do business exclusively with financially strong entities.

In transactions with derivatives on listed shares, there is also counterparty risk. Such transactions are therefore entered into exclusively with highly solvent and reputable counterparties.

Credit risk also arises from the possibility that the credit institutions at which the company holds deposits of cash as a result of its liquidity management will fail to return the deposits.

1.5. Liquidity risk

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

2. Risk mitigation measures

The most important asset on the Company's consolidated balance sheet is the investment in investee companies. The Company oversees its investees by monitoring both their business activity and performance (for which purpose it is represented on their Boards of Directors and sometimes also on their Executive Committees, Audit Committees and Nomination and Remuneration committees) and their share price performance (in the case of those that are publicly traded).

To guard against the abovementioned risks affecting its investment properties, the Company deals exclusively with highly solvent tenants and always checks the customer's ability to pay before entering into any business relationship. 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 continuously monitors its lease receivables, so that the risk of arrears is never significant, and carries out annual appraisals to track changes in market value.

As regards the risk relating to the return of the term cash deposits held in credit institutions, this type of deposit is made exclusively in institutions that have obtained a certain minimum rating that is considered sufficient.

3. IT and internal audit systems

The Company has organizational resources to monitor and control risks and ensure legal compliance, notably a financial department, a legal department and a tax department. Each of these departments monitors risks and internal and external regulatory compliance 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 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.

In addition, the Board Regulations charge the Secretary with a duty to ensure that the Company acts, in form and substance, within the law and in accordance with its Articles of Association and that its internal procedures and rules of governance are respected.

One of the Audit Committee's tasks is to ensure that 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, when required, by the company's finance director, who is responsible for internal control and who reports to the committee on this matter.

Lastly, the company has an Internal Audit Service as a tool for the proper performance of the functions entrusted to the Board of Directors and the Audit Committee in relation to risk control and management and the monitoring of internal information and control systems. In this sense, Internal Audit contributes to the improvement and, where applicable, the formal establishment of internal procedures and, through specific audits, supervises compliance with said procedures.

19. Tax matters

Corporación Financiera Alba, S.A., together with Alba Participaciones, S.A.U., Balboa Participaciones, S.A.U., Deyá Capital, S.C.R. de Régimen Simplificado, S.A.U. and Artá Partners, S.A. are taxed as a corporate group. Artá Capital, S.G.E.C.R., S.A.U. is taxed on an individual basis.

A reconciliation of taxable income to accounting profit is given below:

	Allocated	
2012	To profit or loss	To equity
Balance of income and expenses	(298,468)	259,136
Corporate income tax	(345)	-
Consolidated profit/(loss) before taxes	**(298,813)**	**259,136**
Differences arising on consolidation (1)	388,024	(259,136)
Gross tax base	**89,211**	**0**
Permanent differences	398	
Gross tax base	**89,609**	
Tax payable at 30%	26,883	
Deductions (double taxation and reinvestment)	27,228	
Tax payable	**(345)**	
Tax for the year	**(345)**	

(1) Includes mainly the Group's share of the profit or loss of associates, the dividends received from associates, the difference between the consolidated accounting and tax gain on disposals of financial assets, and any changes in the fair value of investment property.

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

	Allocated	
2011	To profit or loss	To equity
Balance of income and expenses	407,730	(237,439)
Corporate income tax	55,114	-
Consolidated profit/(loss) before taxes	**462,844**	**(237,439)**
Differences arising on consolidation (1)	9,143	237,439
Gross tax base	**471,987**	**0**
Permanent differences	505	
Gross tax base	**472,492**	
Tax payable at 30%	141,748	
Deductions (double taxation and reinvestment)	86,654	
Tax payable	**55,094**	
Tax withheld on foreign dividends	20	
Tax for the year	**55,114**	

(1) Includes mainly the Group's share of the profit or loss of associates, the dividends received from associates, the difference between the consolidated accounting and tax gain on disposals of financial assets, and any changes in the fair value of investment property.

CONSOLIDATED FINANCIAL STATEMENTS

The movement in deferred tax assets and liabilities is as follows:

	31/12/2012	Additions/ (Derecognitions)	31/12/2011	Additions/ (Derecognitions)	01/01/2011
Deferred tax assets					
Due to non-deductible impairment	16,330	(5,158)	21,488	(16,888)	38,376
Tax credits from loss carryforwards and deductions pending application	15,954	4,347	11,607	(29,293)	40,900
For retirement plan and other expenses	5,523	(318)	5,841	(309)	6,150
From valuation adjustments against equity	5,009	-	5,009	-	5,009
Total deferred tax assets	42,816		43,945		90,435
Deferred tax liabilities					
Due to capital gains on investments	36,232	(2,435)	38,667	(6,970)	45,637
Total deferred tax liabilities	36,232		38,667		45,637

CONSOLIDATED FINANCIAL STATEMENTS

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

	Profit subject to reinvestment (article 42 of the Law on Public Limited Companies)	Amount of sale	Year of reinvestment	Expiry date of minimum investment term
2011	287,396	535,160	2011 and 2012	2017
2008	686	15,758	2008	2013
2007	88,985	122,329	2007	2012
2006	19,280	27,390	2006 and 2007	2012

At 31 December 2012 and 2011 the consolidated tax group had no unused tax losses. The unused deductions are as follows:

Year of expiry	2012	2011
2021	11,442	11,607
2022	4,512	-
TOTAL	**15,954**	11,607

The tax returns for 2007, 2008 and 2009 are currently undergoing inspection. Any additional tax liabilities that may arise as a result of these inspections are not expected to be material. The tax returns for 2010 onward remain open to inspection. Any additional tax liabilities that may arise as a result of these inspections are not expected to be material.

CONSOLIDATED FINANCIAL STATEMENTS

The amount shown in Note 16 "Current tax liabilities" under the "Trade and other payables" heading breaks down as follows:

	2012	2011
For corporate income tax	376	506
For personal income tax	860	331
For VAT	83	115
For social security contributions	63	51
TOTAL	**1,382**	**1,003**

20. Guarantees issued to third parties and other contingent assets and liabilities

A breakdown of this item at 31 December is given below:

	2012	2011
Guarantees given for the sale of the stake in Banco Urquijo, S.A.	-	1,971
TOTAL	**-**	**1,971**

Both in Xfera, now Yoigo, and in Broadnet, which were investees of Alba in previous years, the 2001 public radio frequency reservation fee, which Alba paid and which was recognised in the income statement, has been appealed and is awaiting a decision by the Supreme Court. If the decision is in the Company's favour, Alba would recover the corresponding portion, which as of today remains undetermined.

21. Workforce

The average number of employee each year, by category, was as follows:

	2012			2011		
	Men	Women	Total	Men	Women	Total
Executive Directors and Senior Managers	9	-	9	6	-	6
Department heads	10	-	10	7	1	8
Administrative staff and others	18	17	35	22	15	37
TOTAL	**37**	**17**	**54**	**35**	**16**	**51**

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

	2012			2011		
	Men	Women	Total	Men	Women	Total
Executive Directors and Senior Managers	9	-	9	6	-	6
Department heads	10	-	10	7	1	8
Administrative staff and others	16	17	33	22	18	40
TOTAL	**35**	**17**	**52**	**35**	**19**	**54**

22. Segment information

The following tables provide information about the income, profit or loss, assets and liabilities of the operating segments for the years ended 31 December 2012 and 2011.

There were no transactions between segments.

Segment information 2012

In thousands of euros	Property lease	Securities investment	Total Group
DIRECT SEGMENT INCOME AND EXPENSES			
Lease income and other items	13,449		13,449
Profit from disposals		31	31
Share of profit/(loss) of associates		(311,812)	(311,812)
Increase/(decrease) in fair value	(8,265)	(19,145)	(27,410)
Other direct segment operating expenses	(2,999)		(2,999)
Segment profit/(loss)	**2,185**	**(330,926)**	**(328,741)**
INCOME AND EXPENSES NOT ASSIGNED TO SEGMENTS			
Impairment			42,977
Staff costs			(11,706)
Other operating expenses			(4,511)
Depreciation and amortisation			(1,016)
Other gains/(losses)			2,224
Net finance income			1,960
Profit/(loss) before taxes and minority interests			**(298,813)**
Corporate income tax			345
Minority interests			(966)
Net profit/(loss) for the year			**(299,434)**
ASSETS AND LIABILITIES			
Segment assets	207,073	2,470,821	2,677,894
Unassigned assets			669,162
Total assets			**3,347,056**
Segment liabilities	1,948		1,948
Unassigned liabilities			580,404
Total liabilities			**582,352**

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

Segment information 2011

In thousands of euros	Property lease	Securities investment	Total Group
DIRECT SEGMENT INCOME AND EXPENSES			
Lease income and other items	15,476		15,476
Profit from disposals		185,283	185,283
Share of profit/(loss) of associates		241,865	241,865
Dividends received		533	533
Increase/(decrease) in fair value	(9,121)		(9,121)
Other direct segment operating expenses	(2,948)		(2,948)
Segment profit/(loss)	**3,407**	**427,681**	**431,088**
INCOME AND EXPENSES NOT ASSIGNED TO SEGMENTS			
Impairment			56,484
Staff costs			(9,572)
Other operating expenses			(4,591)
Depreciation and amortisation			(998)
Net finance income			(9,567)
Profit/(loss) before taxes and minority interests			**462,844**
Corporate income tax			(55,114)
Minority interests			(1,556)
Net profit/(loss) for the year			**406,174**
ASSETS AND LIABILITIES			
Segment assets	215,099	2,646,726	2,861,825
Unassigned assets			602,844
Total assets			**3,464,669**
Segment liabilities	2,019		2,019
Unassigned liabilities			599,655
Total liabilities			**601,674**

Alba operates entirely in Spain and so is considered a single geographical segment.

23. Other income and expenses

The following tables show the composition of the various items included under this heading in 2012 and 2011.

a) Staff costs

	2012	2011
Wages and salaries	9,761	7,633
Compensation	206	-
Employer's social security contributions	603	544
Alternative pension plan systems	791	1,081
Insurance premiums	232	225
Other employee welfare costs	113	89
Balance at 31 December	**11,706**	**9,572**

b) Finance income

	2012	2011
Dividends	-	533
Gain/(loss) on derivatives	(158)	(1,915)
Interest Rate	17,627	18,316
Management fee	2,000	2,106
Balance at 31 December	**19,469**	**19,040**

c) Change in the fair value of financial instruments

The change in valuation at year-end 2012 and 2011 of the two interest rate swaps entered into by the Company (Note 4.f) entails losses of 905 and 6,195 thousand euros, respectively.

This item also includes the symmetric, positive and negative change in fair value at 31 December 2012 and 2011 of the contracts entered into with Credit Agricole and Deutsche Bank (Note 17), according to the information provided by the financial institution itself, amounting to 72,885 thousand euros in 2012 and 58,609 thousand euros in 2011 for the contracts with Credit Agricole, and 15,928 thousand euros in 2012 for the contracts with Deutsche Bank.

24. Related parties

In 2012 the following transactions were carried out:

Description of the transaction	Amount	Related party
WITH SIGNIFICANT SHAREHOLDERS OF THE COMPANY		
Interest on loans	1,261	Banca March
Services	400	Banca March
Financing agreements and loans	119,354	Banca March (balance drawn at 31-12 Note 17)
Dividend	21,505	Banca March Group concerted action
WITH OTHER RELATED PARTIES		
Dividends and other distributions	101,727	ACS, Acerinox, Indra, Prosegur, Ebro and Clínica Baviera
Insurance premiums brokered	1,690	March JLT
Insurance premiums	287	March Vida
Operating lease contracts	301	Other
Collaboration agreements	300	Fundación Juan March

CONSOLIDATED FINANCIAL STATEMENTS

In 2011 the following transactions were carried out:

Description of the transaction	Amount	Related party
WITH SIGNIFICANT SHAREHOLDERS OF THE COMPANY		
Finance costs	330	Banca March
Management and collaboration contracts	400	Banca March
Financing agreements and loans	20	Banca March (balance drawn at 31-12 Note 17)
Guarantees and avals	1,971	Banca March
Dividends	165,443	Banca March Group concerted action
WITH OTHER RELATED PARTIES		
Dividends	167,010	ACS, Acerinox, Prosegur, Indra, Ebro Foods and Clínica Baviera
Repayment of share premium	6,043	Acerinox
Collaboration agreements	300	Fundación Juan March
Operating lease contracts	301	March Gestión de Fondos, S.G.I.I.C., S.A. March Gestión de Pensiones, S.G.F.P., S.A. and CIMSA
Insurance premiums brokered	1,879	March Unipsa
Insurance premiums	327	March Vida

25. Share option scheme

On 25 May 2011 the General Meeting of shareholders of Alba approved a share option scheme for executive directors and senior managers of the Company. The scheme has a duration of three years. The features of the scheme are as follows:

a) The Company has granted the beneficiaries options that will give the right to acquire shares of Corporación Financiera Alba, S.A. after a period of three years from the scheme approval date has elapsed.

b) The beneficiaries of this option scheme are the executive directors and senior managers of Corporación Financiera Alba, S.A.

c) The maximum number of shares to be delivered under this scheme will be 469,000.

d) The options are non-transferable except upon the death of the beneficiary.

e) The exercise price of each option will be 40.03 euros per share. At the beneficiary's discretion, options may also be settled wholly or partly by the Company paying the beneficiary the difference between the weighted average trading price of Corporación Financiera Alba, S.A. shares during the month immediately preceding the date on which the three-year period from the grant date expires and the option exercise price. It is expected that the beneficiaries will opt to receive cash, so at the end of each accounting period the Company will estimate the corresponding financial liability, where necessary.

f) The options were granted for nil consideration.

At 31 December 2012 and 2011 no liabilities were recorded in relation to this scheme.

26. Directors' and senior managers' remuneration

The Company and its subsidiaries have recorded the following remuneration earned by directors and senior managers of Corporación Financiera Alba, S.A.:

2012	No. of people	Salaries and other	Directors' remuneration: Alba	Directors' remuneration: Group companies	Alternative pension plan systems and insurance
Proprietary directors	4	-	342	54	30
Independent non-executive directors	4	-	173	-	-
Executive directors	6	2,641	240	200	790
Senior Management	4	1,420	-	48	246

2011	No. of people	Salaries and other	Directors' remuneration: Alba	Directors' remuneration: Group companies	Alternative pension plan systems and insurance
Proprietary directors	5	-	367	78	35
Independent non-executive directors	4	-	143	-	-
Executive directors	6	1,690	230	131	569
Senior Management	3	962	-	42	96

In 2012 and 2011 no advances or loans were extended to directors or senior managers.

CONSOLIDATED FINANCIAL STATEMENTS

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

The remuneration earned in 2012 by each director is as follows:

	Remuneration					
	Fixed	Variable	Alba Group companies	Total remuneration	Pension plan contribution	Insurance premiums
Brookes, Nicholas	-	-	46	46	-	-
Carné Casas, Ramón	435	-	40	475	-	-
Del Caño Palop, José Ramón	138	97	40	275	71	6
Fernández Barreiro, Isidro	-	-	104	104	-	17
March de la Lastra, Juan	156	244	40	440	149	7
March Delgado, Carlos	-	-	124	124	-	6
March Delgado, Juan	-	-	118	118	-	7
March Juan, Juan	46	-	40	86	16	1
Martínez-Conde Gutiérrez-Barquín, Santos	223	245	140	608	497	9
Moraleda Martínez, Amparo	-	-	31	31	-	-
Nieto de la Cierva, José	-	-	50	50	-	-
Ruiz-Gálvez-Priego, Eugenio	-	-	50	50	-	-
Serra Farré, José María	-	-	46	46	-	-
Vallbona Vadell, Pablo	250	807	140	1,197	-	34
Board Total	**1,248**	**1,393**	**1,009**	**3,650**	**733**	**87**

CONSOLIDATED FINANCIAL STATEMENTS

In compliance with Articles 229 and 230 of the Law on Corporations, any situation where a director holds an interest or a position in a company that engages in an analogous or complementary type of activity to that which is the corporate purpose of Alba are indicated below:

Director	Company	Activity	% ownership interest	Functions
Ramón Carné Casas	Artá Capital, S.G.E.C.R., S.A.U.	S.G.E.C.R.	-	Director
Ramón Carné Casas	Deyá Capital II, S.C.R., de Régimen Común, S.A.	S.C.R.	0.51%	Director
Ramón Carné Casas	Artá Partners, S.A.	Securities investment	9.00%	Director
Juan March de la Lastra	Artá Capital, S.G.E.C.R., S.A.U.	S.G.E.C.R.	-	Director
Juan March de la Lastra	Deyá Capital, S.C.R. de Régimen Simplificado, S.A.U.	S.C.R.	-	Director
Juan March Juan	Deyá Capital II, S.C.R., de Régimen Común, S.A.	S.C.R.	0.51%	-
Santos Martínez-Conde Gutiérrez-Barquín	Artá Capital, S.G.E.C.R., S.A.U.	S.G.E.C.R.	-	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Deyá Capital, S.C.R., de Régimen Simplificado, S.A.U.	S.C.R.	-	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Alba Participaciones, S.A.U.	Securities investment	-	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Artá Partners, S.A.	Securities investment	-	Chairman
José Ramón del Caño Palop	Deyá Capital II, S.C.R., de Régimen Común, S.A.	S.C.R.	-	Secretary and Director
José Ramón del Caño Palop	Artá Capital, S.G.E.C.R., S.A.U.	S.G.E.C.R.	-	Secretary and Director
José Ramón del Caño Palop	Artá Partners, S.A.	Securities investment	-	Secretary and Director
José Ramón del Caño Palop	Deyá Capital, S.C.R. de Régimen Simplificado, S.A.U.	S.C.R.	-	Secretary and Director

27. Auditors' remuneration

Fees payable to Ernst & Young totalled 105 thousand euros, of which 28 thousand were for other services, 20 thousand for internal auditing advice, and the rest for the auditing of the individual and consolidated annual accounts of Alba and subsidiaries for 2012. The fees paid in 2011 totalled 116 thousand euros, of which 50 thousand were for internal auditing services and the rest for the auditing of the individual and consolidated annual accounts of Alba and subsidiaries for 2011.

28. Statement of cash flows

The cash flow statement has been prepared in accordance with International Accounting Standard 7.

The statement is divided into three sections:

- 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 cash inflows and outflows relating to investments in long-term assets and acquisitions and disposals of equity instruments issued by other entities.
- Net cash flows from financing activities: this includes the cash flows used in the purchase of own shares, the inflows of cash from external sources of funding and the outflows of cash for repayment of external funding and payment of dividends.

29. Events after the balance sheet date

Subsequent to the reporting date, Alba Participaciones, S.A., a fully owned subsidiary, sold 1.94% of Prosegur, Compañía de Seguridad, S.A. for 54.1 million euros in several market transactions.

30. 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.

CONSOLIDATED MANAGEMENT REPORT

OF CORPORACIÓN FINANCIERA ALBA, S.A. AND SUBSIDIARIES FOR 2012

MANAGEMENT REPORT

1. Company business and financial position.

The consolidated financial statements at 31 December 2012 give a true and fair view of the Group's assets and liabilities and financial position and of the results of its operations, changes in equity and cash flows for the year then ended and have been authorised for issue by the directors of the Company.

The Alba Group's activity during 2012 consisted of:

- Management of a set of controlling and significant non-controlling interests in companies with activities in a variety of industries.
- Development of and investment in companies.
- Lease and sale of buildings.

2. 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.

3. Purchases and sales of treasury shares

The movements in treasury shares shown in equity on the accompanying balance sheet at 31 December 2012 are as follows:

	No. of shares	Percent of share capital	Average acquisition price (euros/share)	Thousands of euros
At 1 January 2011	600,908	1.01%	34.54	20,757
Acquisitions	502,964	0.85%	41.93	21,089
Depreciation and amortisation (General Meeting)	(1,030,000)	(1.74%)	37.74	(38,870)
At 31 December 2011	**73,872**	**0.13%**	**40.29**	**2,976**
Sales	(5,443)	(0.01%)	40.29	(219)
At 31 December 2012	**68,429**	**0.12%**	**40.29**	**2,757**

4. Research and development.

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

5. Significant post-balance sheet events.

Subsequent to the reporting date, Alba Participaciones, S.A., a fully owned subsidiary, sold 1.94% of Prosegur, Compañía de Seguridad, S.A. for 54.1 million euros in several market transactions.

6. Risk management and control policy

The Board of Directors of Corporación Financiera Alba, S.A. has formulated the following risk management and control policy for the Parent Company and its subsidiaries:

1. Types of risks the Company faces

Corporación Financiera Alba, S.A. engages in two types of business activity: (i) the holding of investments in listed and unlisted companies, and (ii) investment in buildings for lease as offices.

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

The risks with respect to investment properties are: loss of income if the buildings are unoccupied; changes in long-term interest rates; accidental damage; default; 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 cash flow interest rate risk mainly through bank borrowings. Alba's policy will be to have a mix of short and long-term, fixed and floating-rate financing, as appropriate to the financial situation at any given time.

1.2. Exchange rate risk

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

1.3. Market risk

Stock market risk affects the most important assets on the Company's balance sheet, namely the investments 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 arises basically from the possibility that the lessors of properties belonging to the Company will fail to meet their obligations under the lease agreements. However, it is the Group's policy to do business exclusively with financially strong entities.

In transactions with derivatives on listed shares, there is also counterparty risk. Such transactions are therefore entered into exclusively with highly solvent and reputable counterparties.

Credit risk also arises from the possibility that the credit institutions at which the company holds deposits of cash as a result of its liquidity management will fail to return the deposits.

1.5. Liquidity risk

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

2. Risk mitigation measures

The most important asset on the Company's consolidated balance sheet is the investment in investee companies. The Company oversees its investees by monitoring both their business activity and performance (for which purpose it is represented on their Boards of Directors and sometimes also on their Executive Committees, Audit Committees and Nomination and Remuneration committees) and their share price performance (in the case of those that are publicly traded).

To guard against the abovementioned risks affecting its investment properties, the Company deals exclusively with highly solvent tenants and always checks the customer's ability to pay before entering into any business relationship. 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 continuously monitors its lease receivables, so that the risk of arrears is never significant, and carries out annual appraisals to track changes in market value.

As regards the risk relating to the return of the term cash deposits held in credit institutions, this type of deposit is made exclusively in institutions that have obtained a certain minimum rating that is considered sufficient.

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 30). In the event of a discrepancy, the Spanish-language version prevails.

3. IT and internal audit systems

The Company has organizational resources to monitor and control risks and ensure legal compliance, notably a financial department, a legal department and a tax department. Each of these departments monitors risks and internal and external regulatory compliance 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 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.

In addition, the Board Regulations charge the Secretary with a duty to ensure that the Company acts, in form and substance, within the law and in accordance with its Articles of Association and that its internal procedures and rules of governance are respected.

One of the Audit Committee's tasks is to ensure that 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, when required, by the company's finance director, who is responsible for internal control and who reports to the committee on this matter.

Lastly, the company has an Internal Audit Service as a tool for the proper performance of the functions entrusted to the Board of Directors and the Audit Committee in relation to risk control and management and the monitoring of internal information and control systems. In this sense, Internal Audit contributes to the improvement and, where applicable, the formal establishment of internal procedures and, through specific audits, supervises compliance with said procedures.

7. Annual Corporate Governance Report

Attached as Annex I.

ANNUAL CORPORATE GOVERNANCE REPORT

PUBLIC LISTED COMPANIES

To go to the Annual Corporate Governance Report, please click over this link

REPORT ON THE WORK OF THE AUDIT COMMITTEE IN 2012

REPORT ON THE WORK OF THE AUDIT COMMITTEE

I.- Introduction

This report on the functions and activities of the Audit Committee of Corporación Financiera Alba, S.A. has been prepared in accordance with the recommendations on good corporate governance of listed companies, in particular those contained in the Unified Code on Corporate Governance enacted by the National Securities Market Commission (CNMV) on 22 May 2006.

The Audit Committee, initially named the Audit and Compliance Committee, was created by the Board of Directors on 29 March 2000, following the recommendations of the "Olivencia Code".

Subsequently, Law 44/2002 of 22 November on Financial System Reform Measures made it mandatory for listed companies to have an Audit Committee and established certain requirements regarding the Committee's membership, powers and functioning.

In compliance with said Law, Corporación Financiera Alba, S.A. amended its Articles of Association and Board of Directors Regulations to specify the powers of the Committee and its rules of operation.

As a consequence of the passing of Law 12/2010 of 30 June amending the Law on Auditing, the Securities Market Law and the Law on Public Limited Companies, which has broadened the powers of the Audit Committee, the Board of Directors Regulations were amended to bring them into line with the new legal provisions in relation to Audit Committees. In addition, this amendment of the Board of Directors Regulations, which was passed on 30 September 2010, provided an opportunity to include in the Regulations the recommendations arising from the CNMV document relating to "Internal control of financial information in publicly traded companies" (June 2010).

II.- Functions of the Audit Committee

In article 22 of the Board of Directors Regulations of Corporación Financiera Alba, S.A., in accordance with the new wording of the Eighteenth Additional Provision of the Securities Market Law (enacted, as mentioned previously, by Law 12/2010 of 30 June), the Audit Committee is assigned the following functions, without prejudice to any others that the Board of Directors may assign to it:

1ª Report to the General Meeting on matters within its remit that are raised in the Meeting.

2ª Supervise the effectiveness of the Company's internal control, internal audit (if any) and risk management systems, and discuss with the auditors or audit firms any significant weaknesses of the internal control system detected during the audit.

3ª Oversee the preparation and presentation of the statutory financial information.

4ª Make proposals to the Board of Directors, for submission to the General Meeting, regarding the appointment of the auditors, in accordance with the laws and regulations applicable to the Company.

REPORT ON THE WORK OF THE AUDIT COMMITTEE

5ª Establish appropriate relations with the external auditors so as to receive information on matters liable to jeopardise the external auditors' independence, so that it may be examined by the Committee, and any other matters arising from the auditing of the Company's accounts, and make any other disclosures required under applicable legislation and auditing standards. In any case, the Committee must receive written confirmation from the auditors of their independence from the Company or directly or indirectly related parties, as well as information on any additional services of any kind provided to these entities by the auditors or persons or entities related to them, in accordance with the provisions of Law 19/1988 of 12 July on Auditing.

6ª Issue annually, prior to the issue of the auditors' report, a report expressing an opinion on the independence of the auditors. This report must also pronounce on the provision of the additional services referred to in the previous section.

III.- Membership

The Audit Committee is a Board committee and so is made up of directors of the Company. Its members are appointed by the Board of Directors and a majority of them must be non-executive directors. At least one must be independent and have knowledge and experience in the field of accounting or auditing, or both. The Chairman must be chosen from among these non-executive directors. According to the law and the Articles of Association, the Chairman must be replaced every four years and is elegible for re-election one year after leaving office.

The directors who sat on the Audit Committee during 2012 are as follows: Eugenio Ruiz-Gálvez Priego as chairman and Isidro Fernández Barreiro and José Nieto de la Cierva as members, with José Ramón del Caño Palop acting as secretary. The Chairman is an independent non-executive director, while Isidro Fernández Barreiro and José Nieto de la Cierva are proprietary directors.

IV.- Functioning and activity

The internal functioning of the Committee is governed by the provisions of article 47 of the Articles of Association and articles 29 to 34 of the Board of Directors Regulations, which regulate everything concerning Committee sessions, the calling of meetings, quorums, adoption of resolutions, minutes, relations with the Board and with the senior management of the Company, and authority to request information about any aspect of the Company and to seek the advice of outside professionals.

During 2012 the Audit Committee held five meetings, in which it worked within the functions mentioned above, in the areas listed below, for which it had access to all the necessary information and documentation:

- Review of periodic financial information for submission to the CNMV.
- External audit of the annual accounts.
- Risk identification and internal control system.
- Legal and regulatory compliance.

REPORT ON THE WORK OF THE AUDIT COMMITTEE

a) Review of periodic financial information

In relation to periodic financial information, the Audit Committee analysed, prior to submission, the quarterly and half-yearly financial reports that are sent to the CNMV and that are published, as well as the complementary information leaflets that are published, in accordance with the requirements established by Royal Decree 1362/2007 of 19 October and CNMV Circular 1/2008 of 30 January.

The Financial Director of the Company, who is responsible for the preparation of the information, collaborates in the abovementioned analysis in order to explain to the Committee the accounting process followed in preparing said financial information and the decisions and criteria adopted.

The Committee gave its approval to the abovementioned reports, following acceptance of certain suggestions it had made.

One meeting was devoted to examining the annual accounts, prior to authorisation by the Board of Directors.

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

As regards the external audit, it should be mentioned that the auditors attended the meetings of the Audit Committee at which the financial information at year-end 2011 and the annual accounts for that year were examined. The external auditors reported in detail on their audit work, the most important issues arising from their work and the criteria they used. In particular, the annual accounts received an unqualified audit report, without any material risks having been detected in the Company and the Company's internal control having been considered adequate. In performing their functions, the external auditors had the collaboration of the Company's managers. At the same time, the planning of the audit work for 2012 was presented.

Pursuant to Additional Provision 18 of Law 24/1988 on the Securities Market (in the wording introduced by Law 12/2010), the Audit Committee received from the auditors written confirmation of their independence from the Company or parties related to it and issued a report expressing its opinion on the independence of the auditors.

Also, to meet the legal requirement for rotation of the lead engagement partner, during 2012 there was a change in the partner of the auditing firm heading the team that audits Corporación Financiera Alba.

Within this area, it should also be noted that the current auditor was appointed in 2004 and that the last renewal was agreed for financial years 2011, 2012 and 2013.

c) Risk identification and internal control system

As regards the risk identification and internal control system, it should be emphasised that the Finance Directorate is responsible for internal control within the Company, which has certain operational rules that establish the criteria for internal control. These rules concern, among other matters: Accounting and Reporting, Investments and Divestments, Short-term Investments; Property and Receivables Management; Payables; and Relations with the CNMV.

The Audit Committee has authority in this matter and assesses whether the Company has the necessary organisation, personnel and processes to identify and control its main operational, financial and legal risks, and is empowered to investigate any aspect of the risk identification and internal control system that it considers appropriate. In this respect, it is worth noting that in 2004 and 2008 the external auditors were asked to carry out a thorough examination of the Company's internal control system. From these examinations it emerged that, in the external auditors' opinion, the Company had a satisfactory internal control system, despite a number of recommendations for improvement, which have been implemented.

In 2011, following the recommendations of the CNMV document titled "Internal control of financial information in publicly traded companies" (June 2010), the Audit Committee proposed, and the Board of Directors agreed, that an Internal Audit service be established as a tool for more effectively performing the functions entrusted to the Board of Directors and the Audit Committee in relation to risk control and management and the monitoring of internal information and control systems. A person was appointed to take charge of this service and it was decided that an audit firm would be engaged to perform the Internal Audit functions. These functions have been performed by the firm Ernst & Young.

In consequence of the above, steps were taken during 2011 to implement the Internal Audit service. This entailed preparing a Statute for the service and drawing up a Company Risk Map and a Plan of Activities. All these documents were examined and guided by the Audit Committee.

In 2012, within its plan of activities, Internal Audit updated some internal procedures and performed several internal audits, focusing on the procedures considered most important. The Audit Committee has monitored these activities and the Board has been informed of them and of the result of the internal audits.

In conclusion, it can be affirmed that during 2012 no material incident was detected in relation to the Company's risk identification and internal control.

d) Legal and regulatory compliance

In what follows, compliance with legal obligations and internal regulations is given a more detailed treatment than previous points because under article 26.c) of the Board of Directors Regulations the Audit Committee is required to submit a report in this respect.

First, it must be stated that the Company has the necessary organisation 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 and in accordance with its Articles of Association and that its internal procedures and rules of governance are respected.

One of the Audit Committee's tasks is to ensure that 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

REPORT ON THE WORK OF THE AUDIT COMMITTEE

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 who reports to the Committee on this matter.

As regards the existence of internal procedures, as mentioned in the previous section the Company has in place certain operational rules that establish internal control criteria, which, as indicated, were improved as a result of the establishment of the Internal Audit service.

In 2011 a Code of Ethics and Conduct and the Crime Prevention and Anti-fraud Policy were approved and the Internal Rules of Conduct in matters relating to the Securities Market were updated. These documents provide for control and monitoring bodies; and the Code of Ethics and Conduct establishes a confidential channel for reporting violations, broadening the scope of the channel that existed previously so as to encompass any action that is considered illegal or contrary to the provisions of the Code. During 2012 these internal rules were observed and no irregularities were detected in this respect.

In view of the above, the Committee considers that the Company has the necessary organisation and an adequate framework of rules to ensure compliance with applicable internal and external regulations.

Within this area of action, the Audit Committee also examined the draft Annual Corporate Governance Report, the draft of the Report complementary to the Annual Corporate Governance Report (which replaced the report provided for in the former article 116 bis of the Securities Market Law), both of which were subsequently approved by the Board of Directors, and the Control Body Report provided for in the Internal Code of Conduct on the actions taken in compliance with said Code (all in relation to 2011).

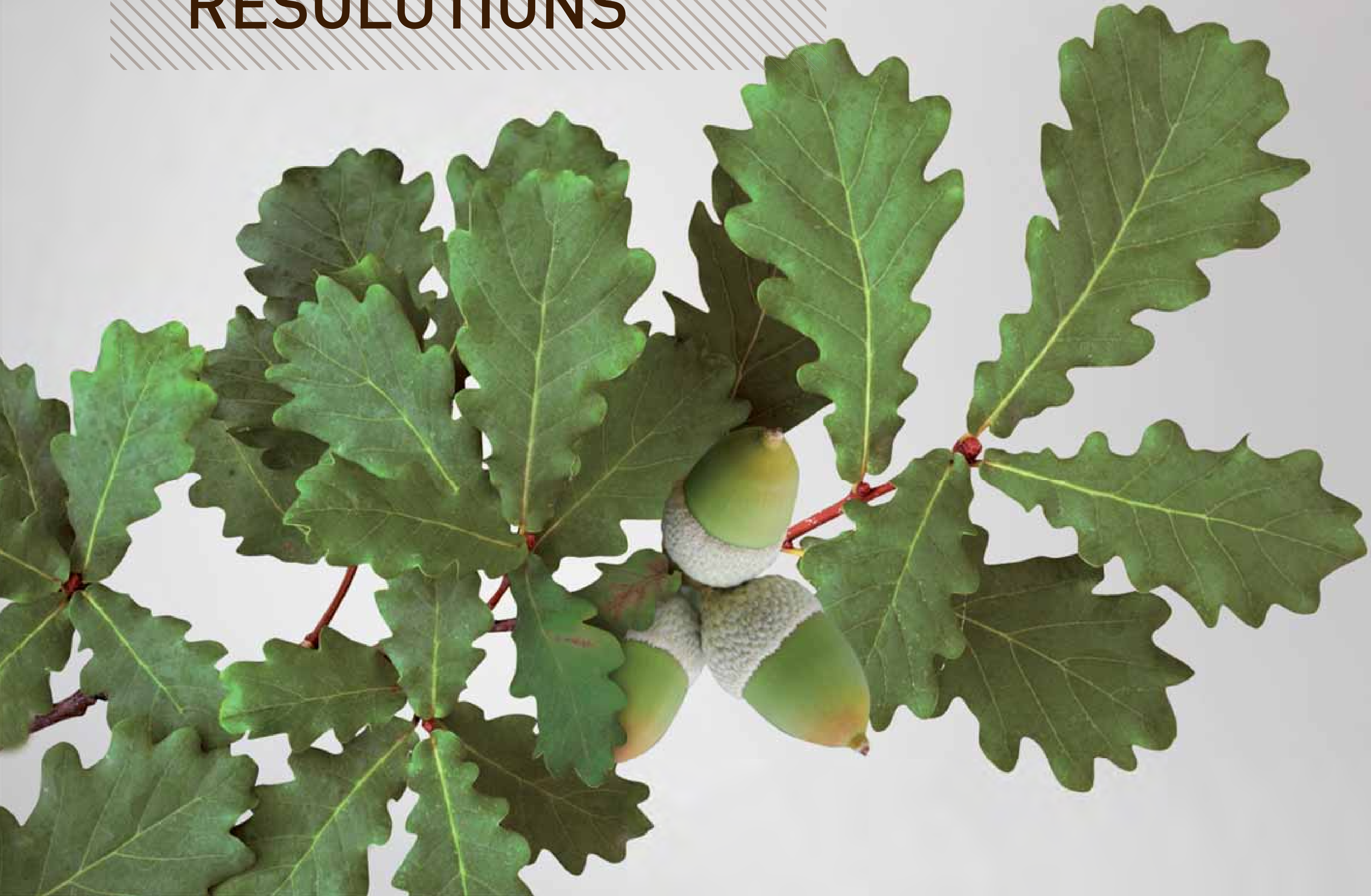
Again within this same area of regulatory compliance, the transactions with Directors, significant shareholders, their representatives or persons related to them, or with investees ("related party transactions") were examined and a favourable report was issued, as all the necessary conditions were met.

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

In view of all the above, the Committee considers that the Company's compliance with corporate governance regulations is satisfactory, all currently applicable regulatory requirements and recommendations being met.

Madrid, 26 February 2013

PROPOSED RESOLUTIONS



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 31 December 2012.

2. To approve the work of the Board of Directors during the year.

3. To approve the proposed allocation of profit and payment of dividends.

4. Appointment, re-election and ratification of Directors.

    - To appoint José Domingo de Ampuero y Osma to be a Director of the company.

    - To appoint Regino Moranchel Fernández to be a Director of the company.

    - To re-elect José Ramón del Caño Palop as a Director of the Company.

5. To approve, in a consultative capacity, the Directors' Remuneration Report for 2012.

6. To authorise the purchase of own shares, subject to the limits and requirements of the Law on Corporations, and the use of shares purchased under this and previous authorisations to implement Executive Director, senior management and employee remuneration schemes entailing the allotment of shares or stock options; and to authorise the Directors to reduce share capital, as appropriate.

7. To authorise the Board to implement the resolutions adopted by the Meeting.

8. To approve the minutes of the General Meeting.

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