# Annual Report 2013

ALBA
GRUPO MARCH

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# Board of Directors and Management Team

## Board of Directors

**Chairmen**
Juan March Delgado
Carlos March Delgado

**Vice-Chairman**
Juan March de la Lastra

**Chief Executive Officer**
Santos Martínez-Conde Gutiérrez-Barquín

**Directors**
José Domingo de Ampuero y Osma
Nicholas Brookes
Ramón Carné Casas
Cristina Garmendia Mendizábal
Juan March Juan
Amparo Moraleda Martínez
Regino Moranchel Fernández
José Nieto de la Cierva

**Secretary and Director**
José Ramón del Caño Palop

## Audit Committee

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

## Nomination and Remuneration Committee

| | |
|---|---|
| Carlos March Delgado | Chairman |
| Cristina Garmendia Mendizábal | Member |
| Regino Moranchel Fernández | Member |
| José Ramón del Caño Palop | Secretary |

## Management Team

**Chief Executive Officer**
Santos Martínez-Conde Gutiérrez-Barquín

**Senior Managers**
José Ramón del Caño Palop
Javier Fernández Alonso
Ignacio Martínez Santos
Tomás Villanueva Iribas
Andrés Zunzunegui Ruano

**Department Heads**
Antonio Egido Valtueña
Diego Fernández Vidal
Félix Montes Falagán
José Ramón Pérez Ambrojo

**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.

Starting with a brief look at the macroeconomic situation, we believe that the turnaround in the international economy that began in the middle of 2012 was confirmed in 2013 and will be further consolidated this year, with a continued improvement in the key economic indicators, especially in Spain.

As we remarked in last year's report, the first half of 2012 was probably the worst period of the economic and financial crisis. Those months were marked by a severe lack of confidence in the solvency of the Euro zone's peripheral economies, casting doubts over the continuity of the single monetary unit. The Eurogroup agreement in July 2012 to bail out the Spanish banking system and the European Central Bank's clear public commitment to support the Euro helped to remove most of the uncertainty. This had an especially positive impact on Spain both for the equities market and, above all, for the risk premium on sovereign debt. In 2012, and after falling by 31.3% until July, the Ibex 35 recovered by 38.3% by the end of the year. The spread on Spanish bonds against the benchmark German bond rose from 317 points at the end of 2011 to a peak of 628 points in July, dropping back down to 389 points at the end of 2012. This positive trend continued in 2013, with the Ibex 35 gaining 21.4% in the year and the risk premium falling to 218 points at year end. Most of this strong performance occurred in the second half of the year (when the Ibex 35 gained 27.7%). Although this was mainly due to international investors' improving confidence and expectations of recovery regarding the Spanish economy, the positive impact of abundant liquidity in the capital markets was most certainly also a factor. This liquidity has been caused by the expansive monetary policies of the main central banks which, together with increasing uncertainties about economic growth in China and other emerging economies, has led to major flows of capital being redirected towards equity and corporate and sovereign debt markets in countries such as Spain, as investors seek additional returns in a climate in which interest rates are at their lowest ever.

In the Spanish context, although this flow of capital is welcome, it must not be allowed to mask a certain weakness of the economy. Despite improving expectations, in 2013 Spain's economic indicators were not positive in general: real GDP fell by 1.2% while unemployment rose to 26.4% of the active population and public debt remained high at 6.6% of GDP. Nevertheless, some clearly positive signals are arising such as the trade surplus achieved in the year, as a result of higher exports due to the greater competitiveness brought about by the reforms implemented in recent years. We could therefore state that the Spanish economy stabilised in 2013 and it might be the beginning of an incipient recovery.

Furthermore, although international organisations have improved their economic forecasts for Spain for 2014 and subsequent years, expected growth rates are still moderate. It is therefore important to keep up the pace of the reforms which Spain has begun to implement. We particularly believe it is important to cut the public deficit and reduce the public debt to GDP ratio. Although much of the deficit is attributable to sharply declining tax receipts as a result of the severe recession, we believe that the important reform now needed in Spain consists of restructuring the public sector and its operating costs.

The increase in public borrowings, which virtually doubled from 2008 to 2013, stands in sharp contrast to companies' and households' efforts to reduce their indebtedness since the 2008-2009 peak. Nevertheless, current debt levels in the private sector remain high, which does not benefit the recovery in consumption and investment and, thus, economic growth.

One positive change we are seeing in early 2014 is a gradual improvement in the availability of credit, thanks to more upbeat expectations, the aforementioned additional liquidity and financial institutions' improved general situation. This expansion of the credit will be very important for facilitating economic growth, especially private consumption, which has been very depressed in recent years.

Focusing on Alba, the Net Asset Value (NAV) increased 16.8% in 2013 to 3,230.6 million euros at the end of the year. This is mainly due to the good stock market performance of our listed investments, especially ACS, whose share price rose 31.4% in the year.

NAV per share at 31 December 2013, after deducting treasury shares, was 55.47 euros, up 16.8% compared to the end of the previous year.

The Alba share ended 2013 at 42.50 euros, up 20.4% over the year, in line with both the Eurostoxx 50 (17.9%) and, most particularly, the Ibex 35 (21.4%). The increase in the share price greater than the increase in NAV per share translated into a slight decrease in the discount at which the Alba share traded, from 25.6% at the close of 2012 to 23.4% at 31 December 2013. This discount has fallen for five years running and is substantially lower than the peak 53.5% discount at which the share was trading at the end of 2008.

2013 ended with consolidated net profits of 226.9 million euros, compared with net losses of 299.4 million euros the previous year. As regards per share results, Alba posted earnings per share of 3.90 euros in 2013, as against losses per share of 5.14 euros in 2012.

It should be noted that the losses reported in 2012 were mainly due to the extraordinary impairment to its investment in Iberdrola posted by ACS, and these losses were therefore non-recurring. Alba's 2013 profits, on the other hand, include gains on the sale of shares during the year which we will discuss later.

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 progress and performance of our equity investments during 2013.

Alba's investment and divestment activities in 2013 focused on the sale of assets totalling 423.3 million euros, including the following:

~ During the year Alba sold its entire 10.01% holding in Prosegur for 269.1 million euros, an average price of 4.36 euros per share. This operation generated pre-tax gains of 89.2 million euros and annual returns of 11.3% over 12 years.

~ Alba also sold shares representing 2.00% of the share capital of ACS for 146.2 million euros, in two separate operations in May and October, at 22.00 euros and 24.47 euros per share, respectively. These operations generated pre-tax gains of 33.7 million euros and annual returns of 14.3% over approximately 20 years. At 31 December 2013 Alba held 16.30% of this company's share capital and this investment represented 39.7% of total NAV at the year end.

Alba also made investments totalling 45.1 million euros in 2013, most of them through Deyá Capital SCR:

~ On 29 July Alba acquired for 15.0 million euros an additional 10.14% holding in the share capital of Mecalux, 3.55% directly and 6.59% through Deyá Capital SCR. Following this acquisition, Alba holds a total of 24.38% of Mexalux's share capital.

~ On 30 July, Deyá Capital SCR acquired 18.25% of Lazora Alojamientos, subsequently absorbed by Siresa Campus, for 14.9 million euros. Following the sale of a small amount of share capital and a capital increase by this company, Deyá Capital SCR's holding in Siresa Campus totalled 17.44%, with a net investment of 14.4 million euros.

~ Deyá Capital SCR also made additional contributions totalling 9.0 million euros to its investees Ros Roca, EnCampus and Ocibar in order to strengthen their financial position.

Operations concluded after the balance sheet date include the acquisition of shares representing 1.80% of the share capital of Ebro Foods for 45.1 million euros in the first quarter of 2014. Alba now holds 10.01% of the company's share capital. Alba has also sold 1.30% of ACS for 117.1 million euros, reducing its holding to 15.00%.

Looking to 2014, we have moderately positive expectations for our investees. They have all made their operations more efficient in recent years, have expanded internationally, keep moderate levels of indebtedness and have diversified their sources of financing. We believe they are therefore well positioned to seize opportunities for growth as the economy recovers. The success of their international expansion efforts in recent years is highlighted by the fact that in 2013 85.4% of the consolidated aggregate sales of our investees were generated outside Spain, compared with 51.1% just three years earlier. We believe that international activities will continue to gain in importance in all these companies over the next years.

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

The Annual Corporate Governance Report, which gives details of ownership structure and governance, risk control systems and monitoring of good governance recommendations and the Directors' Remuneration Report have both been approved and 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 2013 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 of you, our shareholders, for your confidence and support.

Yours sincerely,

Juan March Delgado
Carlos March Delgado

# Key Financial Data

## Financial Highlights

| In millions of euros unless otherwise indicated | **2013** | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Share capital at year-end | **58.3** | 58.3 | 58.3 | 59.3 |
| Shareholders' equity at year-end | **2,952** | 2,765 | 2,863 | 2,949 |
| Ordinary shares in issue (thousands), average for the year | **58,232** | 58,226 | 58,363 | 59,271 |
| Net profit | **227** | (299) | 406 | 419 |
| Dividends | **58** | 58 | 234 | 59 |
| Earnings/(Loss) per share (euros) | **3.90** | (5.14) | 6.96 | 7.08 |
| Dividend per share (euros) | **1.00** | 1.00 | 4.00 | 1.00 |

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

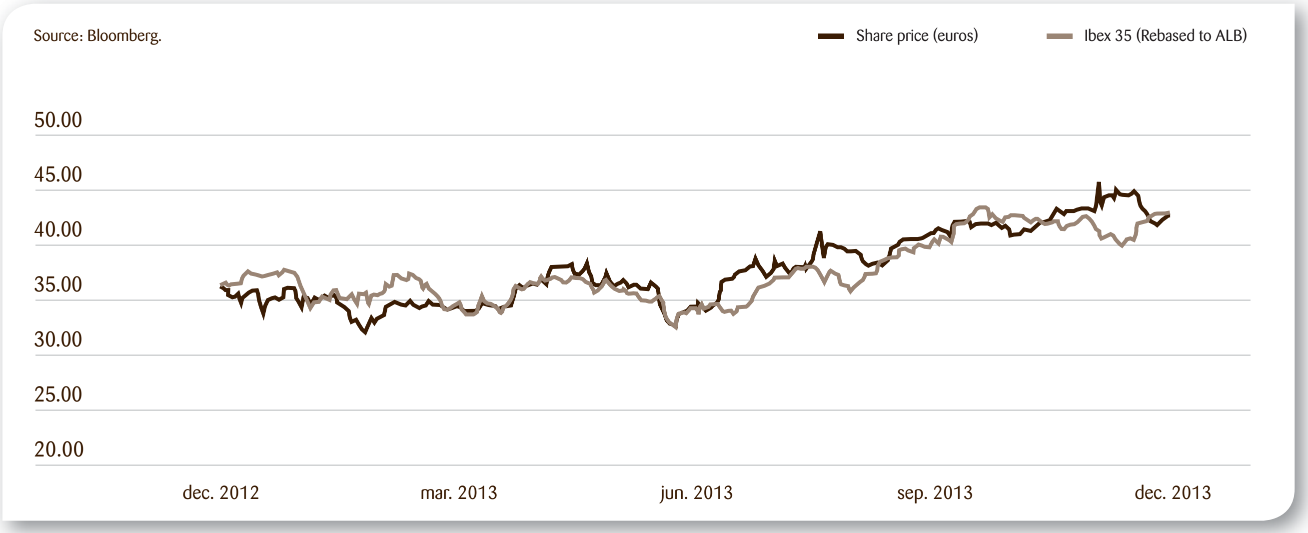
## Share Price Performance

| | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Closing share price (in euros per share) | | | | |
| High | **45.63** | 35.49 | 44.40 | 38.99 |
| Low | **32.13** | 22.10 | 27.43 | 29.28 |
| Close | **42.50** | 35.31 | 30.23 | 38.46 |
| Stock market capitalisation at 31/12 (million euros) | **2,478** | 2,059 | 1,762 | 2,282 |
| Volume traded | | | | |
| Number of securities (thousands) | **6,721** | 9,890 | 12,989 | 19,365 |
| In millions of euros | **261** | 299 | 505 | 675 |
| Daily average (millions of euros) | **1.0** | 1.2 | 2.0 | 2.6 |
| Dividend yield (on closing price for the year) | **2.4%** | 2.8% | 13.2% | 2.6% |
| P/E ratio (on closing price for the year) | **10.9 x** | neg. | 4.3 x | 5.4 x |

# Key Financial Data

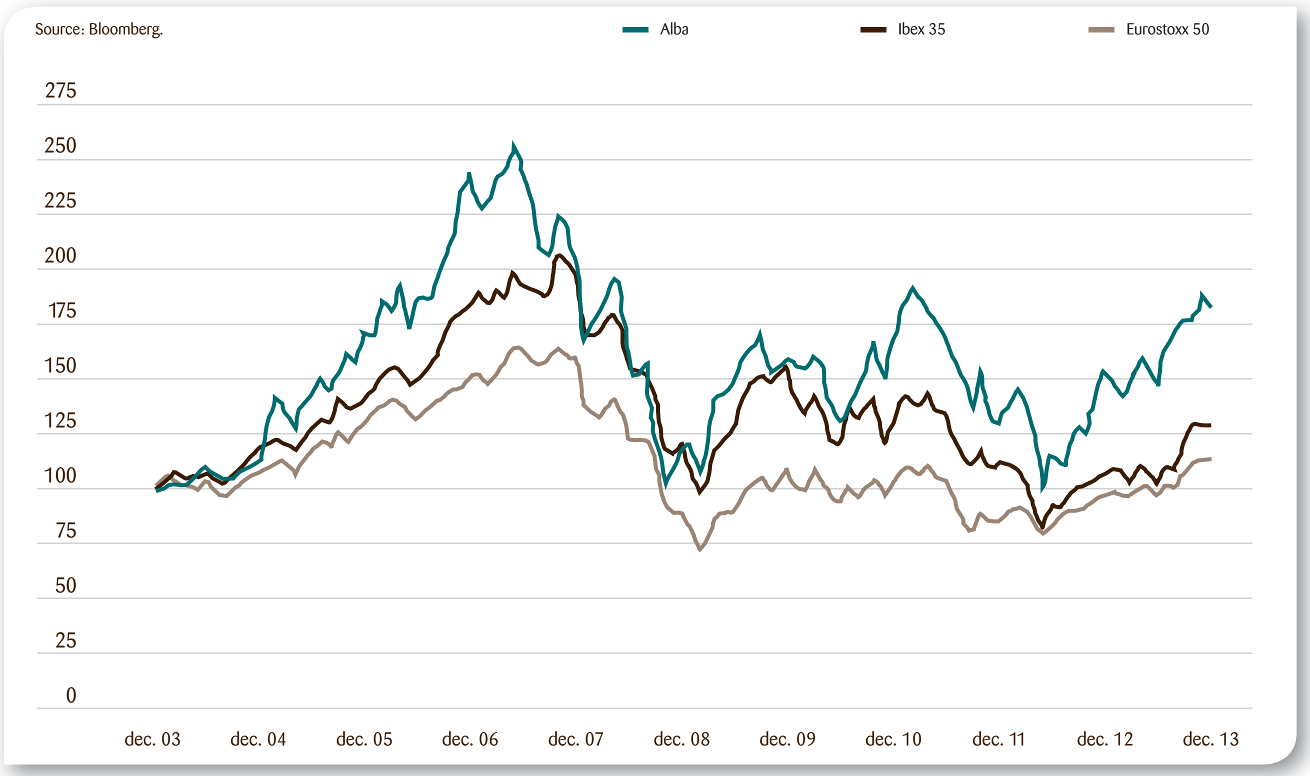
The Alba share gained 20.4% in 2013, performing slightly worse than the Ibex 35, which gained 21.4% over the year, but better than the Eurostoxx 50, which rose 17.9%.

## Alba share price performance in 2013



Alba's strong share price performance over the last ten years shows the significant value creation achieved by our company in the long term. From December 2003 to the end of 2013 the Alba share price increased by 83.0%, while the Ibex 35 and the Eurostoxx 50 rose 28.2% and 12.6%, 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 drop in 2011, caused mainly by the sovereign debt crisis in the euro zone. The recovery in the second half of 2012 followed the decisive action taken by the European Central Bank and the agreements reached by the Eurogroup in July of that year, 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



# Net Asset Value

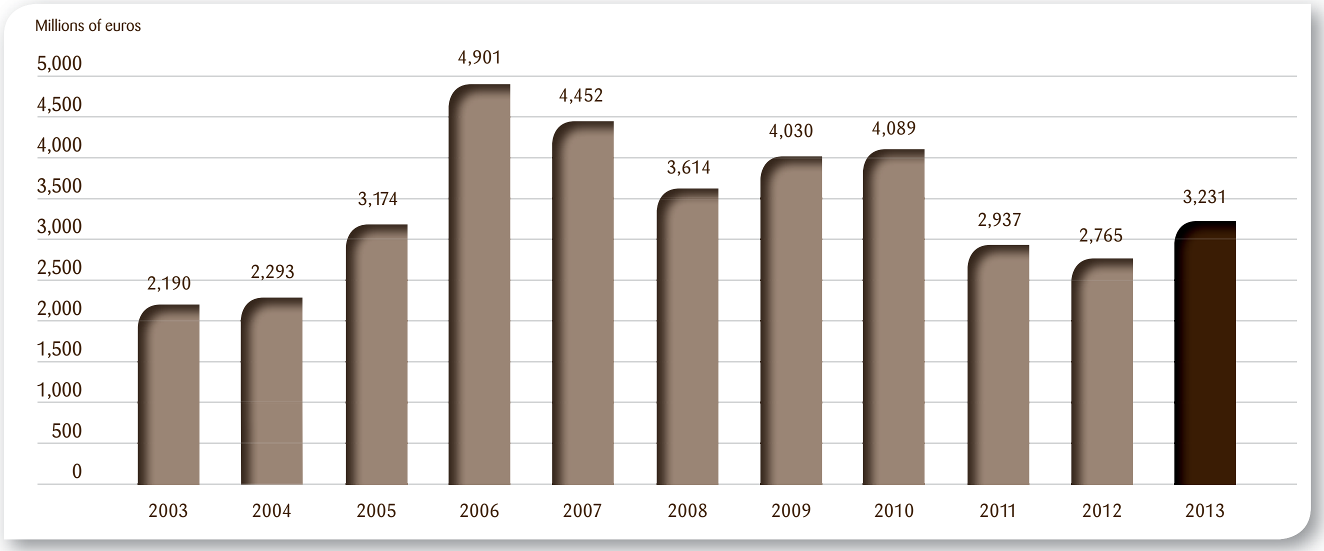
| In millions of euros unless otherwise indicated | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **Data at 31/12** | | | | |
| Gross Asset Value | **2,779** | 2,697 | 2,951 | 4,398 |
| Net Asset Value (*) | **3,231** | 2,765 | 2,937 | 4,089 |
| Net Asset Value in euros per share (*) | **55.47** | 47.49 | 50.44 | 69.63 |
| Share price in euros per share | **42.50** | 35.31 | 30.23 | 38.46 |
| Discount to Net Asset Value | **23.4%** | 25.6% | 40.1% | 44.8% |

(*) Before taxes.

# Key Financial Data

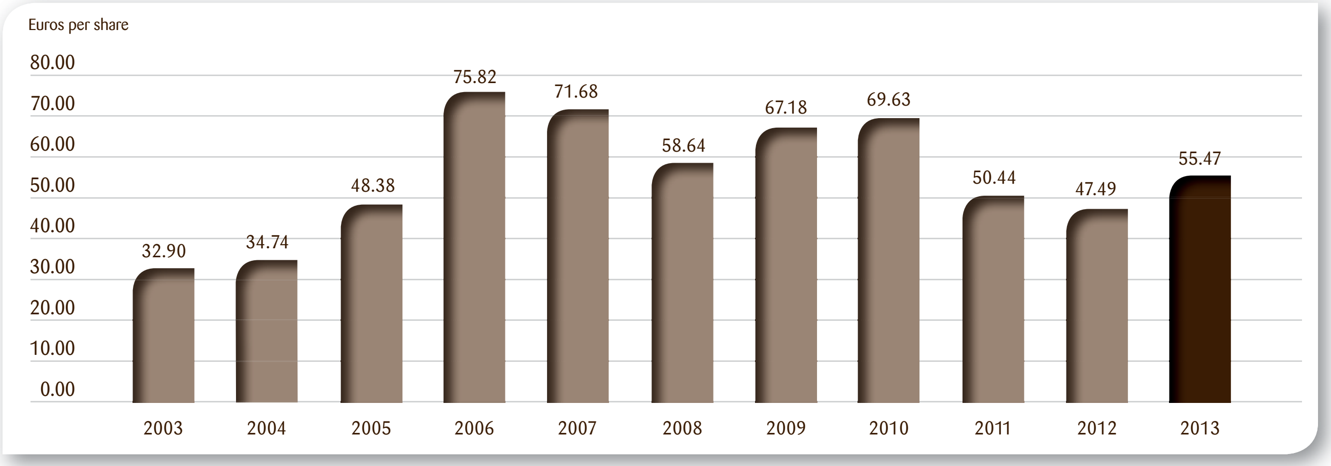
The changes in Net Asset Value since the end of 2003 can be seen in the chart below, which shows the sharp increase in 2005-2006 and the significant decline in 2011, partly due to the extraordinary dividend paid that year:

## Historical Net Asset Value before taxes (31 Dec.)




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

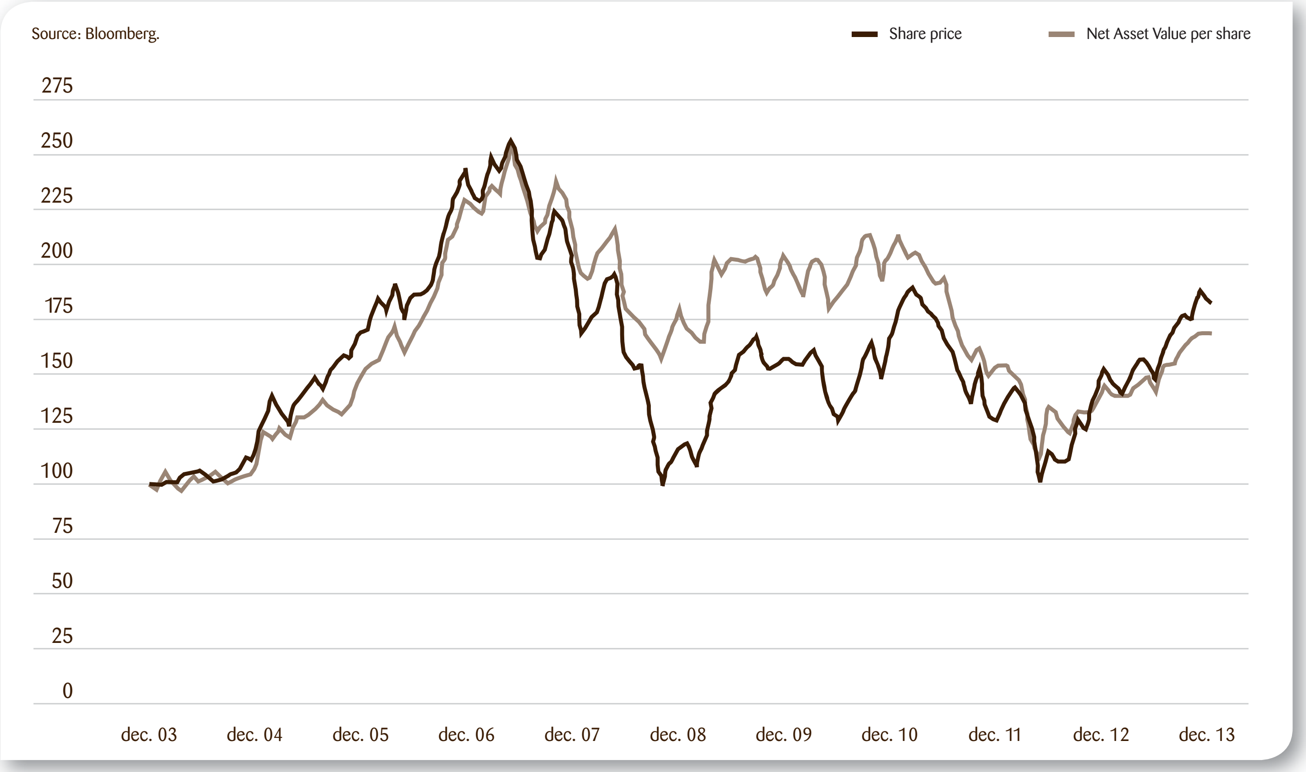
## Net Asset Value per share, before taxes (31 Dec.)



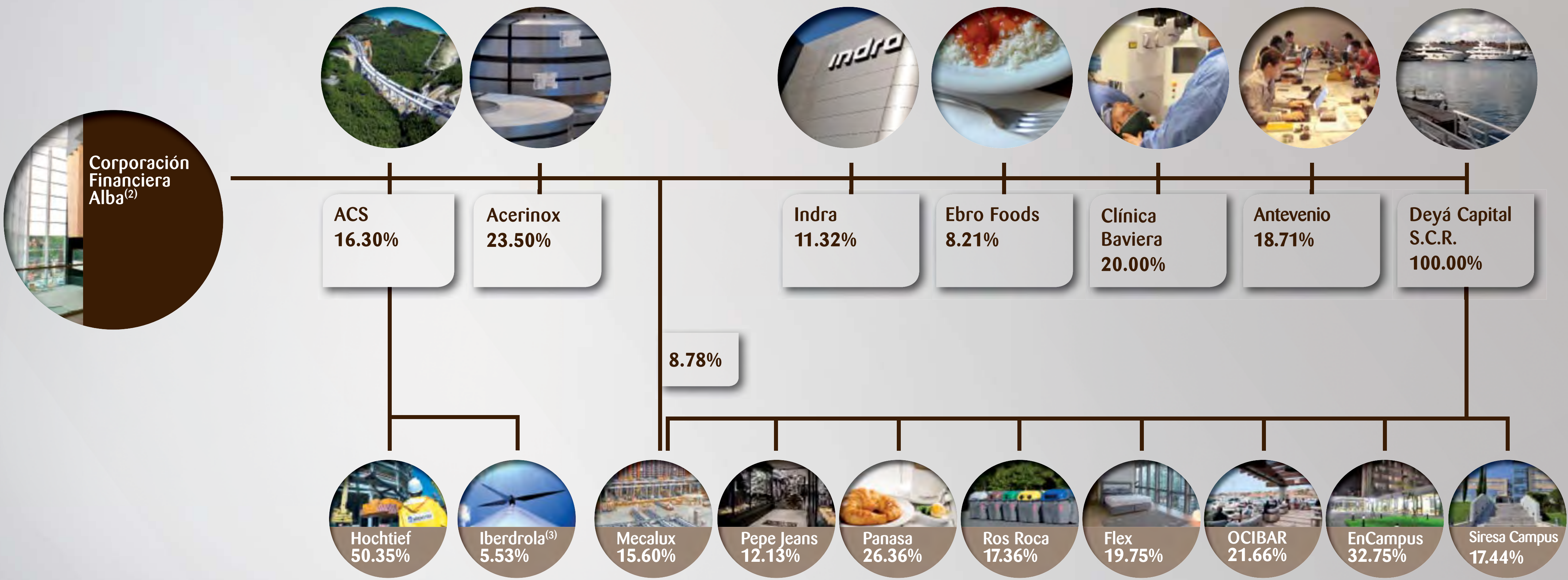

Over the last 10 years Alba's NAV per share increased by 68.6%, representing an annual compound growth of 5.4% and outperforming the 2.5% achieved by the Ibex 35. The growth in NAV per share is attributable to the value creation by our investees during the period, the good results of the investment and divestment decisions made and the positive effect for our shareholders of the purchases and subsequent cancellations of own shares.

The difference in the behaviour of the share price and the NAV 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. Having stood at 29.4% at the end of 2003, by the end of 2013 this discount had been reduced to 23.4%.

## NAV before taxes per share compared to share price



## Investment Portfolio




(1) Other investees: Artá Capital S.G.E.C.R., S.A.U. (85.01%) and Corporación Empresarial de Extremadura, S.A. (0.94%).

(2) Interests 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 interest held through derivatives.

# Key Financial Data

Portfolio value at 31 December 2013:

| Listed companies (2) | Shareholding | Market value (1) Millions of euros | Euros per share | Main stock exchange traded on |
|---|---|---|---|---|
| ACS | 16.30 | 1,283.7 | 25.02 | Madrid |
| Acerinox | 23.50 | 558.9 | 9.25 | Madrid |
| Indra | 11.32 | 225.9 | 12.16 | Madrid |
| Ebro Foods | 8.21 | 215.1 | 17.04 | Madrid |
| Clínica Baviera | 20.00 | 34.1 | 10.46 | Madrid |
| Antevenio | 18.71 | 2.7 | 3.45 | Alternext París |
| **Total market value** | | **2,320.4** | | |
| **Total book value** | | **2,015.3** | | |
| **Unrealised capital gains** | | **305.1** | | |
| **Unlisted companies** | | **243.7** | **Book value** | |
| **Buildings** | | **214.6** | **Independent appraisal** | |

(1) Prices at the closing price rate in December.
(2) Investments accounted for using the equity method.

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

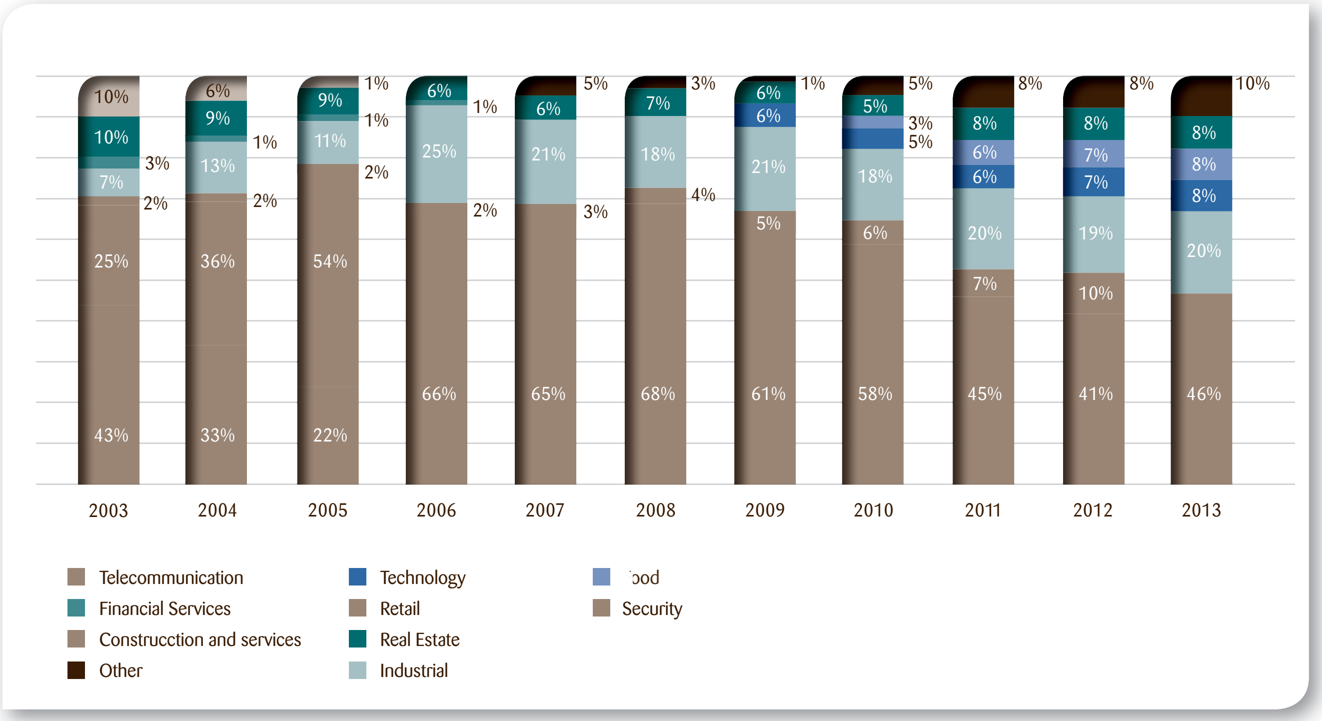
| | Shareholding (%) | | | |
|---|---|---|---|---|
| **Listed Companies** | 31-12-2013 | Change 2013 | 31-12-2012 | 31-12-2011 |
| ACS | 16.30 | (2.00) | 18.30 | 18.30 |
| Acerinox | 23.50 | (0.74) | 24.24 | 24.24 |
| Indra | 11.32 | - | 11.32 | 11.32 |
| Ebro Foods | 8.21 | - | 8.21 | 8.12 |
| Clínica Baviera | 20.00 | - | 20.00 | 20.00 |
| Antevenio | 18.71 | (1.83) | 20.54 | 20.54 |
| Prosegur | - | (10.01) | 10.01 | 10.01 |
| **Unlisted Companies** | | | | |
| Mecalux | 24.38 | 10.14 | 14.23 | 14.23 |
| Pepe Jeans | 12.13 | - | 12.13 | 12.28 |
| Panasa | 26.36 | - | 26.36 | 26.76 |
| Ros Roca | 17.36 | (1.68) | 19.04 | 19.04 |
| Flex | 19.75 | - | 19.75 | 19.75 |
| Ocibar | 21.66 | - | 21.66 | 21.66 |
| EnCampus | 32.75 | (3.18) | 35.93 | - |
| Siresa Campus | 17.44 | 17.44 | - | - |

During 2013 Alba sold its entire investment in Prosegur (10.01%) together with 2.00% of the share capital of ACS and 1.83% of Antevenio. The stake reductions in Acerinox and Ros Roca were due to capital increases carried out by both companies. The capital increase carried out by Acerinox involved the issue of new shares to those shareholders who chose this option under the approved scrip dividend. Alba also acquired an additional 10.14% of the share capital of Mecalux (6.59% indirectly via Deyá Capital and 3.55% directly), together with 17.44% of Siresa Campus. The holding in EnCampus was reduced by 3.18% as Alba opted to partially subscribe to its capital increase. The investments in Siresa Campus and EnCampus (vehicles for managing student residences in Spain) were both made via Deyá Capital.

## Industry Diversification

If the equity investments in listed and unlisted companies are combined with the rest of Alba's assets, all valued at market prices, the distribution of the Company's investments by industry, is as follows (in percentage):

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




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

The composition of Alba's portfolio has experimented a deep transformation in recent years as a result of the investments and divestments and the stock market performance of the investees. The Retail and Telecommunications sectors, for example, which at the end of 2003 consisted of Pryca–Carrefour and Airtel–Vodafone, respectively, and together accounted for 53% 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, 46% of the portfolio) and Industrial (Acerinox, 20%). In 2009 and 2010 two new sectors were added to the portfolio: Technology (Indra, 8%) and Food (Ebro Foods, 8%), respectively. The relative weight of Construction and Services (ACS) fell from a peak of 68% at the end of 2008 to 41% at the end of 2012, although ACS's strong performance in 2013 has resulted in the relative weight of this sector recovering to 46% at the end of 2013. It should be noted that the Security industry is no longer represented in Alba's portfolio following the divestment of Prosegur in 2013.

In 2013, "Others" includes the investments in Clínica Baviera and Antevenio and the investments made through Deyá Capital (Mecalux, Pepe Jeans, Panasa, Ros Roca, Flex, Ocibar, EnCampus and Siresa Campus).

# 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.

# Consolidated Balance Sheets
### before Profit Distribution

ASSETS

| In millions of euros | At 31 December 2013 | At 31 December 2012 | At 31 December 2011 |
|---|---|---|---|
| Investment property | **200.4** | 205.3 | 213.3 |
| Property, plant and equipment | **9.0** | 9.9 | 11.3 |
| **Tangible fixed assets, net** | **209.4** | 215.2 | 224.6 |
| Investments in associates | **2,015.3** | 2,262.0 | 2,439.8 |
| Non-current available-for-sale financial assets | **243.7** | 208.8 | 206.9 |
| Other investments | **187.9** | 188.5 | 146.0 |
| **Total investments** | **2,446.9** | 2,659.3 | 2,792.7 |
| **Total fixed assets** | **2,656.3** | 2,874.5 | 3,017.3 |
| **Other current assets** | **687.2** | 472.6 | 447.4 |
| **TOTAL ASSETS** | **3,343.5** | 3,347.1 | 3,464.7 |

## EQUITY AND LIABILITIES

| In millions of euros | At 31 December 2013 | At 31 December 2012 | At 31 December 2011 |
|---|---|---|---|
| Share capital | **58.3** | 58.3 | 58.3 |
| Reserves | **2,697.6** | 3,037.0 | 2,605.5 |
| Treasury shares | **(2.6)** | (2.8) | (3.0) |
| Interim dividend paid | **(29.1)** | (29.1) | (204.7) |
| Profit/(Loss) for the year | **226.9** | (299.4) | 406.2 |
| Minority interests | **0.4** | 0.7 | 0.7 |
| **Shareholders' equity** | **2,951.5** | **2,764.7** | **2,863.0** |
| **Other non-current liabilities** | **33.6** | **36.2** | **41.5** |
| Financial debt | **75.0** | 325.0 | 250.0 |
| Other non-current debt | **2.0** | 2.0 | 2.0 |
| **Non-current payables** | **77.0** | **327.0** | **252.0** |
| Financial debt | **272.3** | 203.7 | 294.6 |
| Other current debt | **9.1** | 15.5 | 13.6 |
| **Current payables** | **281.4** | **219.2** | **308.2** |
| **TOTAL EQUITY AND LIABILITIES** | **3,343.5** | **3,347.1** | **3,464.7** |

# Balance Sheet

The changes in Alba's key balance sheet items during 2013 are detailed below:

**Investment property**, consisting of leased properties, totalled 200.4 million euros, compared to 205.3 million in 2012. This decrease was due mainly to a 5.5 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 9.9 to 9.0 million euros, caused mainly by the depreciation charge for the year.

**Investments in associates** decreased by 246.7 million euros. This was largely a consequence of the sale of Alba's 10.01% stake in Prosegur (176.3 million euros) and the sale of 2% of ACS (112.4 million euros). Other significant changes include the positive contribution of associates of 150.6 million euros and the negative balance posted for associates' accrued dividends (123.8 million euros). In 2013 Prosegur was classified under **Financial assets at fair value through profit or loss**.

**Non-current available-for-sale financial assets** increased by 34.9 million euros, mainly due to the acquisition for 14.4 million euros of a 17.44% holding in Siresa Campus and the acquisition of additional shares in Mecalux increasing Alba's holding from 14.23% to 24.38%.

There was virtually no change under the heading **Other investments**.

**Other current assets** increased from 472.6 to 687.2 million euros. This amount includes 603.0 million euros of positive cash balances and 84.2 million in receivables, comprising mainly 2012 **Corporate income tax** pending receipt, 2013 **Corporate income tax** payments on account and **Accrued and unpaid dividends**.

**Share capital** at 31 December 2013 was 58.3 million euros, the same as at 31 December 2012.

**Reserves** were down by 339.4 million euros from 3,037.0 to 2,697.6 million euros, largely due to prior year losses, changes in the reserves of investees (basically purchases of own shares, valuation gains on financial instruments and exchange differences), and the distribution of dividends.

**Interim dividend** shows a balance of 29.1 million euros at the end of 2013, reflecting the ordinary interim dividend of 0.50 euros gross per share paid in October 2013 against 2013 earnings.

**Treasury shares** includes the cost of own shares held at 31 December 2013, amounting to 2.6 million euros and representing 0.11% of the Company's share capital (64,506 shares).

**Profit for the year** was 226.9 million euros, against a net loss of 299.4 million euros the previous year.

For all the reasons given above, **Shareholders' equity** at year-end stood at 2,951.5 million euros, up 6.8% on the previous year.

**Long-term payables** consist of financial debt of 75.0 million euros maturing in June 2015 and, to a lesser extent, guarantees received for leases.

**Short-term payables**, which includes bank loans and other payables, increased from 62.2 million euros to 281.4 million euros.

At 31 December 2013 total gross borrowings stood at 347.3 million euros. Considering the 603.0 million euros of cash and equivalents available at that date, as mentioned in relation to **Other current assets**, Alba's net cash position at the end of 2013 was 255.6 million euros compared with net debt of 144.2 million euros at the end of the previous year.

# Consolidated Income Statement (1)

| In millions of euros | At 31 December 2013 | At 31 December 2012 | At 31 December 2011 |
|---|---|---|---|
| Share of profit/(Loss) of associates | **150.6** | (311.8) | 241.9 |
| Lease income and other items | **13.0** | 13.6 | 15.5 |
| Change in the fair value of investment property | **(5.5)** | (8.3) | (9.1) |
| Interest income | **21.6** | 19.5 | 19.0 |
| Other income and results | **-** | 2.2 | - |
| Recovery/(Impairment) of assets | **-** | 23.8 | 56.5 |
| Profit/(Loss) on assets | **120.7** | - | 185.3 |
| **Sum** | **300.4** | **(261.0)** | **509.1** |
| Operating expenses | **(20.3)** | (19.2) | (17.1) |
| Interest expenses | **(8.0)** | (17.5) | (28.1) |
| Amortisation and depreciation | **(0.9)** | (1.0) | (1.0) |
| Corporate income tax | **(43.3)** | 0.3 | (55.1) |
| Minority interests | **(1.0)** | (1.0) | (1.6) |
| **Sum** | **(73.5)** | **(38.4)** | **(102.9)** |
| **NET PROFIT** | **226.9** | **(299.4)** | **406.2** |
| **Net earnings per share (euros** | **3.90** | **(5.14)** | **6.96** |

(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.

## Income Statement

In 2013 Alba obtained a **Net profit** of 226.9 million euros, compared to a net loss of 299.4 million euros the previous year. The net result per share went from a loss per share of 5.14 euros in 2012 to earnings per share of 3.90 euros in 2013.

Profits of 150.6 million euros were posted under **Share of profit/(loss) of associates** compared with losses of 311.8 million euros the previous year. This major change is mainly due to ACS's improved results for the year compared with 2012, which included significant extraordinary losses in respect of its holding in Iberdrola. This improvement was partly offset by the removal of Prosegur from the scope of consolidation following its reclassification as a **Financial asset at fair value through profit or loss** from 1 January 2013.

**Lease income**, mainly from investment property, was 13.0 million euros, down 4.4% on the previous year. The occupancy rate at 31 December 2013 was 87.2%.

According to appraisals by independent experts, the value of Alba's investment property decreased by 5.5 million euros in 2013. This amount has been charged to **Change in the fair value of investment property**. For properties held for the full year, this represents a decrease of 2.7% in appraised value at the reporting date compared to the end of the previous year. At 31 December 2013 the fair value of investment properties was 200.4 million euros.

**Interest income** totalled 21.6 million euros, compared with 19.5 million euros the previous year. This item includes dividends received from Prosegur following the removal of this company from the scope of consolidation.

Income totalling 120.7 million euros is recognised under **Profit/(Loss) on assets**, of which an important part comprises pre-tax gains of 89.2 million euros from the sale of Alba's entire holding of 10.01% of the share capital of Prosegur. Alba also obtained pre-tax gains of 33.7 million euros from the sale of 2% of ACS, through two separate operations: 13.5 million euros from the sale of the first 1% at the end of May and the remaining 20.2 million euros from the sale of the second 1% in early October.

**Operating expenses** grew 5.8% to 20.3 million euros. At 31 December 2013 they represented 0.63% of NAV before taxes.

The decrease in **Finance costs** from 17.5 to 8.0 million euros was due to lower average borrowing during the year.

**Corporate income tax** amounted to 43.3 million euros in 2013, reflecting the tax impact of the aforementioned Profit/(Loss) on assets.

# Information about Equity Investments

# ACS

## 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.

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 leadership 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, like 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.

**www.grupoacs.com**

# ACS

## Key financial data

| In millions of euros unless otherwise indicated | 2013 | 2012 | 2011 |
|---|---|---|---|
| Sales | **38,373** | 38,396 | 28,472 |
| EBITDA | **3,002** | 3,088 | 2,318 |
| EBIT | **1,746** | 1,579 | 1,333 |
| Net profit | **702** | (1,928) | 962 |
| Net earnings per share (euros | **2.26** | (6.62) | 3.24 |
| Gross dividend paid per share (euros | **1.11** | 1.97 | 2.05 |
| Total assets | **39,771** | 41,563 | 47,988 |
| Net financial debt | **4,235** | 4,952 | 9,334 |
| Own funds (1) | **3,268** | 2,657 | 3,319 |
| Shareholders' equity | **5,489** | 5,712 | 6,191 |
| Net debt/EBITDA | **1.4 x** | 1.6 x | 4.0 x |

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

(1) Shareholders' equity less Revaluation adjustments. Does not include minority interests.

## 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 activities of ACS, through Dragados, and Hochtief and its subsidiaries, the most important of which are Leighton Holdings in Australia and Turner, Flatiron and EE Cruz in the United States and Canada.

  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. Hochtief also has an active presence in the development and operation of motorway concessions 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.

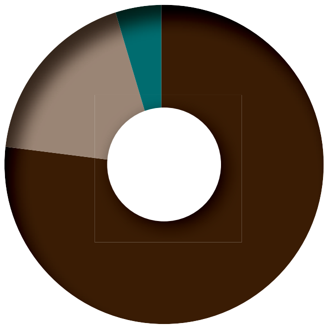
  - **Integrated Projects**, which includes turnkey projects for all kinds of industrial facilities (desalination plants, refineries, etc.) and power plants (combined cycle plants, wind and solar power projects, etc.).

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

- Lastly, the **Environment** area includes 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.

## ACS

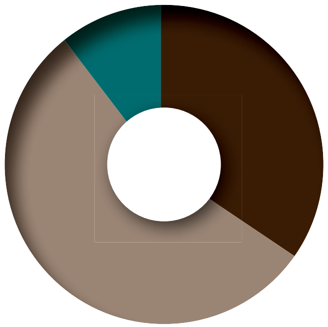
### Sales by activity



- Construction 77.0%
- Industrial Services 18.4%
- Environment 4.6%

**Total 2013: € 38,373 m**

### Recurring net profit by activity



- Construction 34.4%
- Industrial Services 55.2%
- Environment 10.4%

**Total 2013: € 580 m**

# ACS

## Review of the company's operations during 2013

ACS's consolidated sales in 2013 totalled 38,373 million euros, down 0.1% on the previous financial year, mainly as a result of the weakening of a number of currencies against the euro. At constant exchange rates, however, sales would have increased by 6.1%. Sales in Spain contracted by 12.2%, with declining revenues in all areas of the business. International sales, meanwhile, grew by 2.2%.

Thanks to the industry and geographical diversification strategy pursued in recent years, the Group has been able to compensate for the weakness of the construction sector in Spain with an increase in the relative weight of international businesses (86.3% of 2013 sales and 84.0% of the total backlog at year-end) and non-construction activities (65.6% of recurring net profit for the year).

EBITDA meanwhile shrank by 2.8% to 3,002 million euros. This was mainly due to falling operating margins in the Construction business as a result of the aforementioned exchange rate losses, the sale of the telecommunications business by Leighton and declining activity levels in Spain, where margins are better. EBIT, nevertheless, increased by 10.5% to 1,746 million euros thanks to lower depreciation and amortisation charges at Hochtief.

Net profit for 2013 was 702 million euros compared with losses of 1,928 million euros in the previous financial year following the restating of ACS's investment in Iberdrola. Recurring net profit, excluding extraordinary profit/(loss) and the contribution of investments in Abertis (sold in April 2012) and Iberdrola, was 580 million euros, 0.3% lower than in 2012 following a rise in the tax rate.

ACS's consolidated net debt fell by 717 million (14.5%) to 4,235 million euros at the end of the financial year.

The Group's total order backlog (63,419 million euros) was 15.0% lower than in 2012 due to the divestments completed in the year and the aforementioned weakness of certain currencies, especially the Australian and US dollars. On a like-for-like basis, if the scope of consolidation were unchanged and at constant exchange rates, the backlog would have fallen by 2.0%.

# ACS

## Key performance indicators by business segment

| In millions of euros | 2013 | 2012 | Var. 13/12 |
|---|---|---|---|
| **Construction** | | | |
| Turnover | **29,559** | 29,683 | (0.4%) |
| Recurring net profit | **261** | 249 | 4.9% |
| Order backlog (31 Dec.) | **47,563** | 58,227 | (18.3%) |
| **Industrial Services** | | | |
| Turnover | **7,067** | 7,050 | 0.2% |
| Recurring net profit | **418** | 416 | 0.5% |
| Order backlog (31 Dec.) | **7,413** | 7,161 | 3.5% |
| **Environment** | | | |
| Turnover | **1,781** | 1,691 | 5.3% |
| Recurring net profit | **79** | 72 | 8.9% |
| Order backlog (31 Dec.) | **8,443** | 9,201 | (8.2%) |
| Number of employees (31 Dec.) | **157,689** | 161,865 | (2.6%) |

Note: 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.

## ACS

The **Construction** business sales reached 29,559 million euros, 0.4% less than in 2012, held back by the weak performance of the Spanish business, which shrank by 23.1%, and by the adverse effect of exchange rates. Stripping out this impact, sales would have grown by 6.7%. The continuing decline of the Spanish Construction business means that international sales now represent 95.3% of the division's total sales.

Recurring net profit, excluding extraordinary profit/(loss), was 261 million euros, up 4.9% on the previous year.

The order backlog shrank by 18.3% to 47,563 as a result of the sale of assets and, once again, the strength of the euro against certain currencies. On a like-for-like basis, the backlog would have fallen by 2.7%, reflecting the weakness of the Spanish economy and falling orders in the Australian mining segment.

ACS's leading position in the construction and concessions industry was once more confirmed in the annual rankings published by a range of renowned specialist magazines. In 2013 Iridium, the concessions subsidiary of ACS, headed the list of the world's top infrastructure concession groups published by Public Works Financing Newsletter. Meanwhile, according to Engineering News Record, in 2013 ACS was the world's largest construction contractor operating in more than one geographical region, and the world's fourth largest overall, behind only four local Chinese companies.

**Industrial Services** performed in line with 2012: sales in 2013 were 7,067 million euros, up 0.2% on the previous year, while recurring net profit was up 0.5% on 2012 at 418 million euros.

International sales increased by 5.2%, boosted by new contracts in Latin America and South Africa, and accounted for 61.2% of total sales in 2013. This growth offset the 6.8% decline in domestic sales. By activity, sales growth was led by Integrated Projects, with revenues of 2,872 million euros (up 6.2% on 2012), while the other segments declined, mainly as a result of reduced public spending in Spain.

The backlog at year-end was 7,413 million euros, up 3.5% on the end of the previous year. This increase was due to strong growth outside Spain (10.2%), as a result of which the international order backlog came to account for 68.6% of the total.

**Environment** posted sales of 1,691 million euros in 2012, up 5.3% on the previous year thanks to its growing Waste Treatment activities (up 42.9%), the incorporation of the Chilean business from January 2013 and the coming on stream of plants outside Spain.

Recurring net profit was 79 million euros, an increase of 8.9% on 2012.

The order backlog fell by 8.2% in 2013 to 8,443 million euros at the end of the year. This was due to the domestic order backlog shrinking by 15.2%, especially in Urban Services, in response to municipal spending cuts.

As shown in the following table, in 2013 ACS made investments totalling 2,484 million euros and asset sales of 2,008 million euros.

# ACS

## Investments in 2013

| In millions of euros | Gross investment | Disposals | Net investment |
|---|---|---|---|
| Construction | 1,856 | (1,957) | (101) |
| Industrial Services | 401 | (14) | 388 |
| Environment | 198 | (25) | 173 |
| Corporation | 28 | (12) | 16 |
| **Total** | **2,484** | **(2,008)** | **476** |

The operational investments in the Construction area related basically to purchases of machinery for Leighton mining contracts (761 million euros net of operational divestments) and Iridium and Hochtief concession projects. They also include Hochtief's investment to increase its ownership interest in Leighton. In March 2014 Hochtief launched a partial takeover bid on Leighton in order to increase its ownership interest from 58.8% to the current 73.8%.

Most of the investments in Industrial Services went on the acquisition of minority interests in oil and gas projects in Mexico (136 million euros), the completion of renewable energy assets under construction (107 million euros), the Castor gas storage project (58 million euros) and transmission lines in Brazil (28 million euros).

The biggest area of investment for the Environment division was the 90 million euros spent on the construction of a treatment plant in Essex (United Kingdom).

# ACS

The key divestments relate to the Construction business and were carried out by Hochtief or its subsidiaries. These include the sale of the telecommunications business (Nextgen) by Leighton (470 million euros), the sale of its airport holdings (1,083 million euros) and the sale of the Services business (236 million euros).

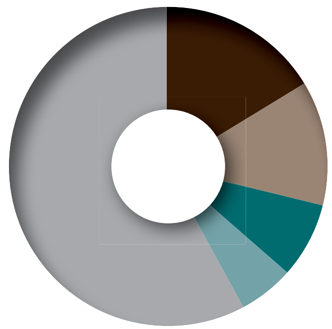
ACS also distributed 193 million euros to its shareholders in July 2013 through a single payment against 2012 profits. The amount of the dividend distributed corresponds to the purchase of free allotment rights from those shareholders who opted to receive the scrip dividend in cash, amounting to 55.1% of the total. As previously announced, ACS subsequently cancelled an equal number of treasury shares, so the scrip dividend implied no dilution for shareholders who decided to sell their rights.

ACS's net debt fell by 14.5% in 2013 to 4,235 million euros at the end of the year, 717 million euros less than at 31 December 2012. ACS made efforts to diversify its sources of funding during the year and reduced bank borrowings by 1,078 million euros, making greater use of the fixed income capital market. On 4 October 2013 ACS issued a 5-year bond, exchangeable for Iberdrola shares, for a total of 721 million euros. On 13 March 2014 ACS carried out a second bond issue, exchangeable for Iberdrola shares, for a total of 406 million euros.

## Shareholder structure

Alba is the biggest 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. At the end of the first quarter of 2014, Alba sold shares representing 1.3% of ACS's share capital, reducing its ownership interest to 15.00%.

### Shareholder structure of ACS at 31 December 2013



- Alba 16.3%
- Inv. Vesan 12.5%
- Imvernelin, Alcor and Others 7.6%
- Iberostar 5.6%
- Free-float 58.0%

Source: Corporate Governance Report for 2013.

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.

# ACS

## ACS share price performance

During 2013 the ACS share price rose 31.4% to 25.02 euros per share, compared to a rise of 21.4% in the Ibex 35.

## ACS share price performance since 31 December 2012

## ACS

### Historical stock market data

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Share price in euros per share (closing prices) | | | |
| High | **25.02** | 25.09 | 37.94 |
| Low | **16.76** | 10.84 | 21.75 |
| Close | **25.02** | 19.04 | 22.90 |
| Stock market capitalisation at 31/12 (million euros) | **7,873** | 5,991 | 7,206 |
| Dividend yield (gross, on closing price for the year) | **4.4%** | 10.3% | 9.0% |
| P/E ratio (on closing price for the year) | **11.1 x** | neg. | 7.1 x |

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

# Acerinox

## Company description

Acerinox is one of the main stainless steel producers worldwide.

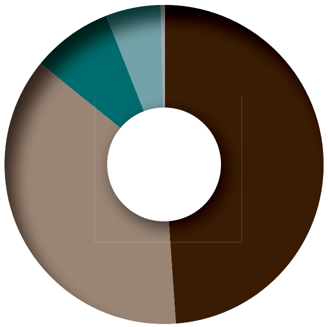
The company has four flat product plants (in Spain, the United States, South Africa and Malaysia); three long product plants (Roldán and Inoxfil in Spain and NAS Long Products in the United States); and an extensive sales network, with warehouses and service centres in more than 30 countries and sales in 80 countries on five continents.

In 2013 the company continued to invest in new stainless steel plant in Johor Bahru (Malaysia). This plant is currently in Phase II of its construction and expansion process. Production at this factory rose by 63% compared with 2012, the first year in which the plant was operational.

**www.acerinox.es**

## Acerinox

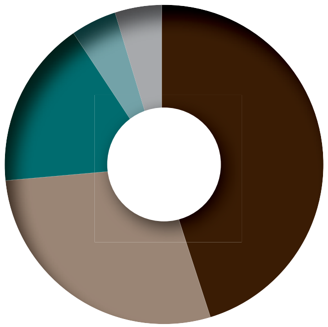
### Sales by region



- America 48.9%
- Europe 36.9%
- Asia 8.2%
- Africa 5.6%
- Pacific 0.4%

**Total 2013: € 3,966 m**

### Sales by company



- NAS 45.0%
- Acerinox Europa 28.6%
- Columbus 17.1%
- Bahru 4.6%
- Others 4.7%

**Total 2013: € 3,966 m**

# Acerinox

## Key operating data

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Annual output in thousands of tonnes** | | | |
| Crude steel | **2,225** | 2,189 | 2,021 |
| Hot-rolled products | **1,941** | 1,915 | 1,779 |
| Cold-rolled products | **1,499** | 1,418 | 1,270 |
| Long products (hot-rolled) | **223** | 222 | 195 |
| Number of employees | **6,983** | 7,252 | 7,358 |

## Key financial data

| In millions of euros unless otherwise indicated | 2013 | 2012 | 2011 |
|---|---|---|---|
| Sales | **3,966** | 4,555 | 4,672 |
| EBITDA | **228** | 198 | 341 |
| EBIT | **88** | 48 | 192 |
| Net profit | **22** | (18) | 74 |
| Net earnings per share (euros) | **0.09** | (0.07) | 0.30 |
| Gross dividend and share premium per share (euros) | **0.43** | 0.45 | 0.45 |
| Total assets | **3,991** | 4,216 | 4,071 |
| Net financial debt | **529** | 582 | 887 |
| Shareholders' equity | **1,553** | 1,713 | 1,881 |
| Net debt / EBITDA | **2.3 x** | 2.9 x | 2.6 x |

## Review of the company's operations during 2013

World stainless steel production grew by 6.8% in 2013. This was a faster rate of growth than in the previous year (5.4%) and higher than the historic average (5.9% per year since 1950).

As in earlier years, this growth was mainly driven by China, where production increased by 16.0% in the year. In 2013 China produced 49.4% of global stainless steel output, compared with just 3.7% in 2001. This strong growth in China explains the gradual shift in production towards Asia, where 72.5% of the world's stainless steel is now produced. This significant and constant increase in Chinese output has changed traditional stainless steel export flows from Europe, exacerbating the problem of overcapacity in this market. This, together with reduced demand due to the recession, had a downward impact on stainless steel prices and the returns of companies in the sector. Nevertheless, the growth in China's installed production capacity in the sector is likely to slow in the light of the huge investments made in recent years, political interest in focusing the economic model on private consumption and the low levels of returns and high indebtedness of many local producers.

## Acerinox

In other markets, production only declined in Europe/Africa (-3.2%), as a result of the unstable economic climate in the region and increasing imports. Production in the Americas, on the other hand, grew by 3.4% in 2013 (having fallen by 4.7% in 2012) while in Asia (excluding China) output was up by 0.3%, in line with the previous year.

Stainless steel prices, meanwhile, continued to be pushed down by the prolonged weakness of nickel prices, the main raw material. Nickel prices peaked at 18,600 dollars per tonne in February but then fell back to around 14,000 dollars per tonne from June to the end of the year, with the price in July of 13,160 dollars per tonne being the lowest recorded since 2009.

The sector in Europe is in the process of consolidating. The merger between Outokumpu and Inoxum was completed on 30 November 2013, following the purchase by ThyssenKrupp of the Terni plant in Italy, enabling Outokumpu to meet the European Commission's requirements for approving the merger. Acerinox expects that the completion of this process will help to stabilise the European market.

Despite this difficult climate, Acerinox was the only European manufacturer to post an operating profit in 2013, while its rivals reported losses even at operating level, thus demonstrating the company's competitive strength. Although the weak economic recovery makes us cautious, Acerinox is moderately optimistic about the prospects for 2014 as the order book has swelled in recent months and inventory levels are low, which could lead to price rises in the year.

In this market context, Acerinox continued to increase production levels. Crude steel output totalled 2.2 million tonnes, 1.6% more than in 2012, while hot-rolled production was 1.9 million tonnes, up 1.4%. Higher value added cold-rolled production grew 5.7% to 1.5 million tonnes. Long product output for the year was 223 thousand tonnes, 6.8% more than in 2012.

In terms of financial performance, Acerinox's sales fell by 12.9% in the year to 3,966 million euros as a result of the weak prices discussed above. Nevertheless, EBITDA increased by 15.5% to 228 million euros and net profit was 22 million euros compared to a net loss of 18 million euros in 2012. A key part of these improved operating results was the 43 million euros saving in staff and operating costs as a result of implementing the company's Excellence Plan and other savings and improvement measures.

At 31 December 2013 Acerinox had shareholders' equity of 1,553 million euros and net debt of 529 million euros, 9.0% less than in 2012 and the lowest level recorded in the last 11 years. Net debt continued to decrease thanks to the sound management of working capital which decreased by 188 million euros in the year.

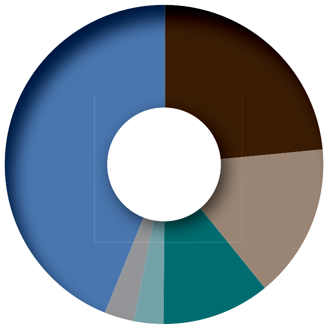
The company invested 126 million euros in 2013. The most important projects were the Johor Bahru plant in Malaysia (59 million euros) and investments to improve the efficiency of Acerinox's first plant in Campo de Gibraltar (40 million euros).

# Acerinox

## Shareholder structure

Alba remains the largest shareholder, with 23.50% of the company's share capital at 31 December 2013. 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 2013



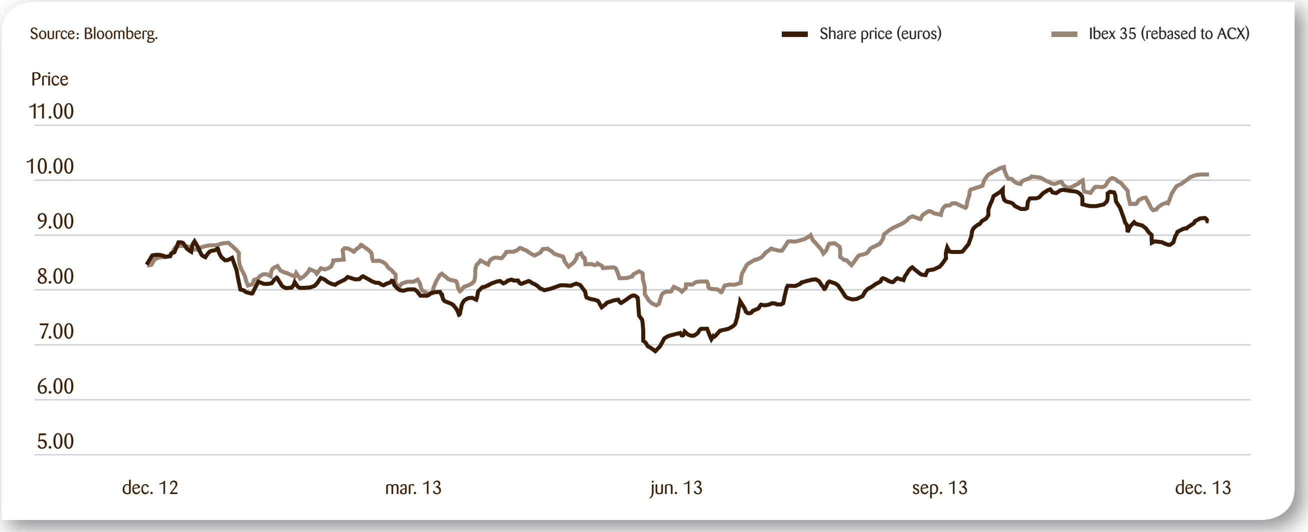

Source: Corporate Governance Report for 2013.

# Acerinox

## Acerinox share price performance

The company's share price rose 10.8% in 2013, ending the year at 9.25 euros per share, underperforming the Ibex 35 (+21.4%).

## Acerinox share price performance since 31 December 2012



# Acerinox

## Historical stock market data

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Share price in euros per share (closing prices) | | | |
| High | **9.90** | 11.30 | 14.08 |
| Low | **6.90** | 7.81 | 8.18 |
| Close | **9.25** | 8.35 | 9.91 |
| Stock market capitalisation at 31/12 (million euros) | **2,378** | 2,081 | 2,471 |
| Dividend yield and share premium (gross, on closing price for the year) | **4.7%** | 5.4% | 4.5% |
| P/E ratio (on closing price for the year) | **n.s.** | neg. | 33.0 x |

# Indra

## 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.

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 2013 accounted for 61.4% of the total, with a growing proportion coming from Latin America (28.5% of total sales). In 2010 international sales comprised scarcely 38.7% 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. The company divides its service offering in two main segments: Solutions and Services.

**www.indracompany.com**

## 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 technology, transaction and strategic consulting services.

- **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 | 2013 | 2012 | 2011 |
|---|---|---|---|
| Sales | **2,914** | 2,941 | 2,688 |
| Recurring EBITDA | **278** | 300 | 313 |
| EBIT | **198** | 217 | 268 |
| Net profit | **116** | 133 | 181 |
| Net earnings per share (euros) | **0.71** | 0.82 | 1.11 |
| Gross dividend paid per share (euros) | **0.34** | 0.68 | 0.68 |
| Total assets | **3,865** | 3,756 | 3,525 |
| Net financial debt | **622** | 633 | 514 |
| Shareholders' equity | **1,135** | 1,110 | 1,067 |
| Net debt / recurring EBITDA | **2.2 x** | 2.1 x | 1.6 x |

# Indra

## Review of the company's operations during 2013

In 2013 Indra posted sales of 2,914 million euros, down 0.9% on the previous year, mainly as a result of the weakness of the Spanish market, which contracted by 10.6% as domestic demand remained fragile, combined with the poor performance of various local currencies against the euro.

EBIT contracted 8.7% to 198 million euros, a figure which included restructuring expenses of 28 million euros. Excluding these extraordinary items from the 2013 results, recurring EBIT would have been 226 million euros, down 9.1% on the 249 million euros recorded in 2012.

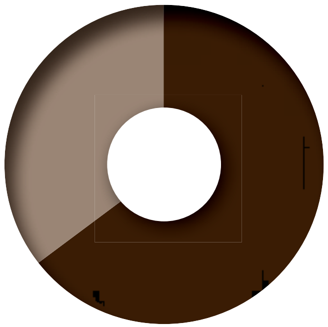
Consolidated net profit totalled 116 million euros in the year, down 12.7% on 2012.

These results were generated in an economic climate that remains difficult, especially in the domestic market where, as mentioned above, the company's performance worsened. To offset the weakness of the Spanish market, Indra has increased the resources dedicated to develop its Solutions products and consolidate and strengthen its activities in other regions. Nevertheless, improved prospects for new orders in certain vertical markets in Spain, such as Security and Defence, might signal a certain level of recovery. The company considers that although it is likely to perform slightly worse in 2014, the rate of decline will be significantly less marked than in previous years.

Order intake fell 5.1% in 2013 to 3,029 million euros (65.8% international) while the order book grew to 3,493 million euros at the end of the year, up 0.7% on December 2012. The book-to-bill ratio at year-end was 1.20 (1.18 at year-end 2012), giving good visibility on revenue for 2013.

# Indra

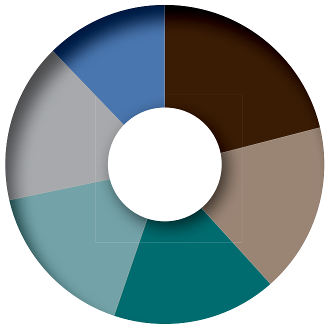
## Sales by segment



- Solutions 64.8%
- Services 35.2%

**Total 2013: € 2,914 m**

## Sales by vertical market



- Transport and Traffic 21.0%
- Public Admin. and Healthcare 17.3%
- Security and Defence 17.0%
- Energy and Industry 16.5%
- Financial services 16.1%
- Telecoms and Media 12.1%

**Total 2013: € 2,914 m**

## Indra

The **Solutions** segment accounts for the bulk of the company's revenue (64.8%), with sales of 1,888 million euros in 2013, slightly up (0.4%) on the previous year. This growth was possible thanks to favourable growth in the Security and Defence, Energy and Industry and Financial Services sectors, especially in Latin America, Europe and North America. Order intake fell by 4.0% in 2013, mainly because the order for the first phase of the high speed train project in Saudi Arabia was signed in 2012. There was, however, a significant surge in new orders in the fourth quarter of the year, up 40% on the same period in 2012, thanks to strong performance in all regions except Latin America. The book-to-bill ratio improved by 4.2% during 2013, increasing from 1.29 to 1.34. The contribution margin fell 5.2% to 314 million euros, due to a 1,0% decline in the margin on sales from 17.6% in 2012 to 16.6% in 2013.

Sales for the **Services** segment were down 3.0% to 1,026 million euros as a result of the divestment of the advanced digital document management business in Spain and Mexico, and because of the strong euro. The order book also shrank by 7.3% to 1,041 million euros and the book-to-bill ratio fell by 4.4% from 0.99 in 2012 to 0.94 this financial year. The contribution margin decreased by 9.8% to 123 million euros, hit by both lower sales and by a 0.9% reduction in the margin on sales which stood at 11.9% in 2013.

At the level of individual **vertical markets**, Security and Defence performed particularly well, with sales up 6.8% in the year, of which 80% were generated abroad. Sales were also up in 2013 in Energy and Industry and in Financial Services. However, sales fell in the Public Administration and Healthcare, Telecoms and Media and, above all, Transport and Traffic markets, all of which suffered from declining activity levels in Spain.

By **region**, sales were driven by Latin America and Europe and by North America, which reported double digit growth rates of 11.5% and 10.2%, respectively. Sales in Asia, the Middle East and Africa declined due to the particularly high sales reported in these regions in 2012, while the domestic market, as previously mentioned, shrank by 10.6%.

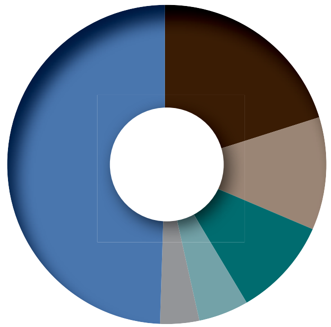
Indra's net debt at the end of the year stood at 622 million euros, down 1.7% on 2012. This level of net debt was equivalent to 2.2 times the year's recurring EBITDA. In October 2013 Indra carried out its first issue of convertible bonds in order to diversify its sources of financing and extend its average debt maturity schedule at a reasonable cost.

# Indra

## Shareholder structure

Alba's stake in Indra remained unchanged during 2013 at 11.32%. At 31 December 2013 Alba was Indra's second largest shareholder and had two representatives on the company's Board of Directors, Juan March de la Lastra and Santos Martínez-Conde Gutiérrez-Barquín.

### Shareholder structure of Indra at 31 December 2013




Source: Corporate Governance Report for 2013.

# Indra

## Indra share price performance

Indra's shares performed in line with the Ibex 35 (up 21.4%) in 2013, rising by 21.3% to 12.16 euros per share.

## Indra share price performance since 31 December 2012


# Indra

## Historical stock market data

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Share price in euros per share (closing prices) | | | |
| High | **12.64** | 11.00 | 15.80 |
| Low | **8.93** | 6.10 | 9.74 |
| Close | **12.16** | 10.02 | 9.84 |
| Stock market capitalisation at 31/12 (million euros) | **1,995** | 1,645 | 1,615 |
| Dividend yield (gross, on closing price for the year) | **2.8%** | 6.8% | 6.9% |
| P/E ratio (on closing price for the year) | **17.2 x** | 12.3 x | 8.8 x |

# Ebro Foods

## 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 global 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 (7.2% of sales in 2013).

The company has undergone a deep transformation in recent years, significantly expanding its activities in rice and pasta through acquisitions (especially in North America 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.

In 2012 the company focused on integrating two significant acquisitions made in the previous year: the rice business of Deoleo (formerly SOS) and the No Yolks and Wacky Mac healthy pasta brands in the United States and Canada.

In 2013, Ebro Foods continued to expand its pasta and rice business with the acquisition of Olivieri (the leading fresh pasta and sauces brand in Canada), Riso Scotti (an Italian rice production and processing group and brand leader in rice for risottos in Italy) and a rice factory in India.

**www.ebrofoods.es**

# Ebro Foods

## Key financial data

| In millions of euros unless otherwise indicated | 2013 | 2012 | 2011 |
|---|---|---|---|
| Sales | **1,957** | 1,981 | 1,737 |
| EBITDA | **282** | 299 | 274 |
| EBIT | **226** | 244 | 227 |
| Net profit | **133** | 159 | 152 |
| Net earnings per share (euros) | **0.86** | 1.05 | 0.99 |
| Gross dividend paid per share (euros) | **0.60** | 0.63 | 0.87 |
| Total assets | **2,773** | 2,732 | 2,711 |
| Net financial debt | **338** | 245 | 390 |
| Shareholders' equity | **1,728** | 1,693 | 1,588 |
| Net debt / EBITDA | **1.2 x** | 0.8 x | 1.4 x |

# Ebro Foods

## Review of the company's operations during 2013

Ebro Foods' sales fell by 1.2% in 2013 to 1,957 million euros as lower procurement costs were passed on to the final price in both the Rice and Pasta divisions.

EBITDA fell by 5.6% to 282 million euros, while EBIT was down 7.4% at 226 million euros. This was mainly due to the poor performance of the Rice division as a result of falling margins, the change in the scope of consolidation following the sale of Nomen and the negative impact of exchange rates.

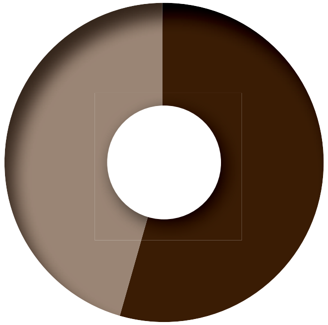
Net profit totalled 133 million euros, down 16.3% on 2012. The reduction in net profit compared to EBIT is mainly due to fewer positive extraordinary items in 2013 compared to the previous year when profits were boosted by the sale of Nomen and the reversal of provisions for legal claims related to Ebro Foods' former sugar and dairy businesses.

The company's net debt grew by 38.2% in 2013 to 338 million euros because of the acquisitions made in 2013, the higher working capital due to an increase in rice procurement and the dividends paid in the year. These levels remain conservative, however (1.2 times EBITDA for the year) and are 13.3% lower than in 2011.

The Group's return on capital employed (ROCE) stood at 17.7%, showing the efficient management of the company's results and assets.

## *Ebro Foods*

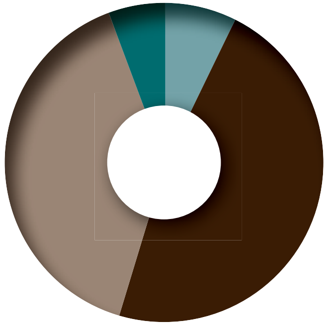
### Sales by activity



- Rice 54.4%
- Pasta 45.6%

**Total 2013: € 1,957 m**

### Sales by region



- Spain 7.2%
- Other European countries 47.5%
- North America 39.6%
- Others 5.7%

**Total 2013: € 1,957 m**

# Ebro Foods

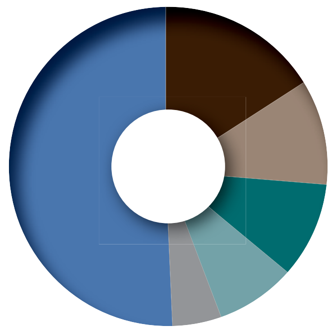
By business area, sales in the **Rice** division fell by 1.4% to 1,090 million euros as lower raw material costs were passed on to the final price, as previously mentioned. EBITDA fell 14.5% to 137 million euros, while net profit was down 17.7% at 110 million. A number of factors led to these lower operating profits in 2013: a third year of drought in Texas pushed up ARI and Riviana's procurement costs, contraband rice entering Morocco affected the returns of the local subsidiary, the impact of exchange rates, the sale of Nomen and, to a lesser extent, higher advertising costs. Consequently, the Rice division's return on capital employed in 2013 was 16.3%, two percentage points below the 18.3% recorded the previous year.

Like the Rice division, the sales of the **Pasta** division were also affected by lower sale prices as a result of lower raw material procurement costs. Although volumes increased, revenues fell by 0.6% to 915 million euros. In spite of this, EBITDA rose by 5.3% to 153 million euros, thanks to a margins improvement from 16.7% from 14.8% in 2012, offsetting higher advertising costs and the negative impact of exchange rates. EBIT grew by 5.8%, in line with EBITDA, to 126 million euros. ROCE rose by over two percentage points to 25.7%.

## Shareholder structure

Alba's stake in Ebro Foods remained constant in 2013 at 8.21% of its share capital. Alba increased this investment to 10.01% in early 2014. 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 2013



- Instituto Hispánico del Arroz 15.9%
- Alimentos y Aceites 10.4%
- DAMM 9.7%
- Alba 8.2%
- Empresas Comerciales e Industriales Valencianas 5.1%
- Free-float 50.7%

Source: Corporate Governance Report for 2013.

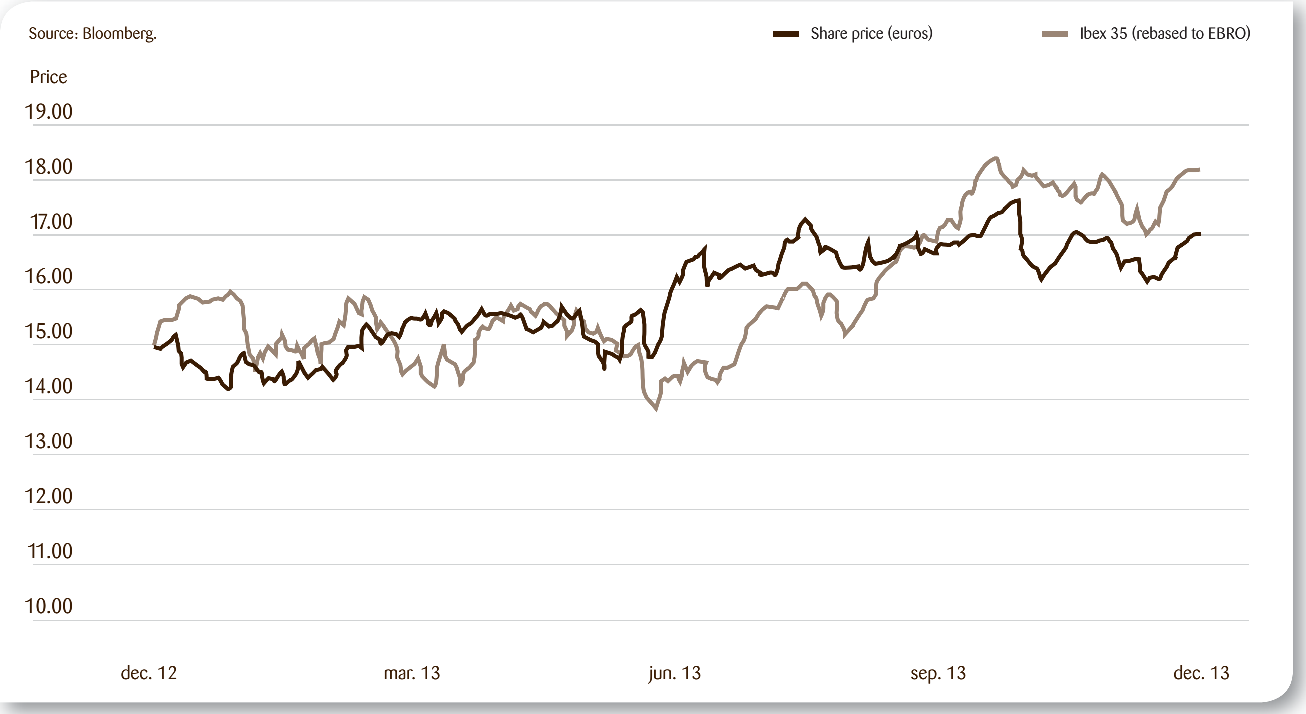
Note: "Instituto Hispánico del Arroz" is an investment vehicle belonging to the Hernández family. "Alimentos y Aceites" is an investment vehicle belonging to Sociedad Estatal de Participaciones Industriales (SEPI). "Empresas Comerciales e Industriales Valencianas" is an investment vehicle belonging to Juan Luis Gómez-Trenor Fus.

# Ebro Foods

## Ebro Foods share price performance

During 2013 the market price of the Ebro Foods share rose 13.6% to 17.04 euros per share, while the Ibex 35 gained 21.4%.

## Ebro Foods share price performance since 31 December 2012



# Ebro Foods

## Historical stock market data

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Share price in euros per share (closing prices) | | | |
| High | **17.67** | 15.37 | 17.20 |
| Low | **14.25** | 12.40 | 12.39 |
| Close | **17.04** | 15.00 | 14.35 |
| Stock market capitalisation at 31/12 (million euros) | **2,621** | 2,308 | 2,208 |
| Dividend yield (gross, on closing price for the year) | **3.5%** | 4.2% | 6.1% |
| P/E ratio (on closing price for the year) | **19.7 x** | 14.3 x | 14.4 x |

# Clínica Baviera

## 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 2013 Clínica Baviera had 68 eye care clinics and counselling centres, of which 47 were in Spain, 18 in Germany and Austria and three in Italy.

In May 2013, Clínica Baviera sold its entire Aesthetics business (Clínica Londres) in order to focus on the ophthalmological division and its expansion especially in central and northern Europe.


**www.clinicabaviera.com**

# Clínica Baviera

## Key financial data

| In millions of euros unless otherwise indicated | 2013 | 2012 | 2011 |
|---|---|---|---|
| Sales | **80** | 78 | 94 |
| EBITDA | **12** | 12 | 14 |
| EBIT | **7** | 7 | 8 |
| Net profit | **5** | (1) | 5 |
| Net earnings per share (euros) | **0.30** | (0.04) | 0.33 |
| Gross dividend paid per share (euros) | **0.08** | 0.27 | 0.26 |
| Total assets | **48** | 52 | 58 |
| Net financial debt / (cash) | **(1)** | 7 | 5 |
| Shareholders' equity | **25** | 21 | 24 |
| Net debt / EBITDA | **(0.1 x)** | 1.8 x | 0.4 x |

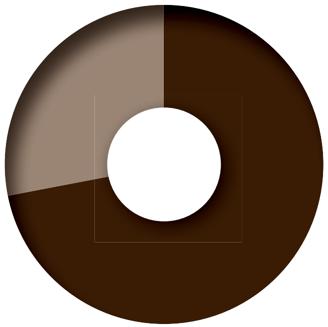
Note: The financial information for Clínica Londres is reported under Discontinued activities in 2012 and 2013.
The Dutch business was fully consolidated for all of 2012 and 9 months of 2013.

# Clínica Baviera

## Review of the company's operations during 2013

Revenues grew by 2.7% to 80 million euros thanks to the strong performance of the international business, where sales increased by 10.1% to 22 million euros, 28.0% of the total. The domestic business performed in line with the previous year, with sales of 58 million euros in the year, despite the difficult economic climate in Spain which particularly hit consumption in recent years. It is important to highlight that there was some recovery in demand for ophthalmological services in Spain in the last few months of 2013 and early 2014.

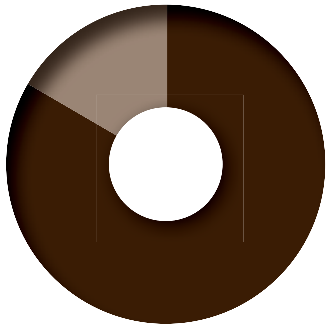
### Sales by region



- Spain 72.0%
- International 28.0%

**Total 2013: € 80 m**

### EBITDA by region



- Spain 83.4%
- International 16.6%

**Total 2013: € 12 m**

# Clínica Baviera

EBITDA increased by 6.0% to 12 million euros thanks to the growth in the domestic market (+7.5%). This growth was reflected in improved margins, up from 16.8% in 2012 to 18.0% in 2013 as a result of the cost control programme implemented by the company in recent years. The international business's EBITDA, meanwhile, fell slightly (by 0.6%) due to worsening margins in Germany following a number of regulatory changes that pushed up the cost of consumables together with greater marketing efforts at the beginning of the year.

Consolidated net profit for the year was 5 million euros, compared with losses of 1 million euros in 2012 as a result of the losses reported by Clínica Londres, including both operating losses and the goodwill impairment associated with this business, and by the ophthalmological clinics in the Netherlands. Both businesses were sold in 2013. In order to focus on the ophthalmological division and its expansion especially in central and northern Europe. Clínica Baviera announced, on 10 May 2013, the sale of 100% of Clínica Londres for 4 million euros (debt and cash free). On 1 October 2013 the company sold its two remaining clinics in the Netherlands in order to focus its investment effort on Germany and Italy, where there is a better potential for returns.

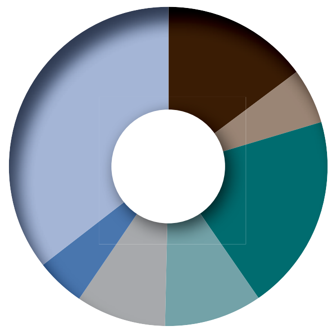
The company invested 4 million euros in 2013, principally in the maintenance and replacement of existing equipment and centres.

At 31 December 2013, Clínica Baviera had net cash of 1 million euros, compared with net debt of 7 million euros at the end of the previous year. This significant change in the Company's financial position is due to the aforementioned divestments and to the business higher organic cash generation.

## Shareholder structure

In 2013 Alba maintained its 20.0% stake 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 2013



- Investments Ballo Holding 14.8%
- Inversiones Telesan 5.6%
- Alba 20.0%
- Grupo Zriser 10.0%
- Inversiones Dario 3 9.2%
- Southamerican Farming 5.0%
- Free-float 35.4%

Source: Corporate Governance Report for 2013.

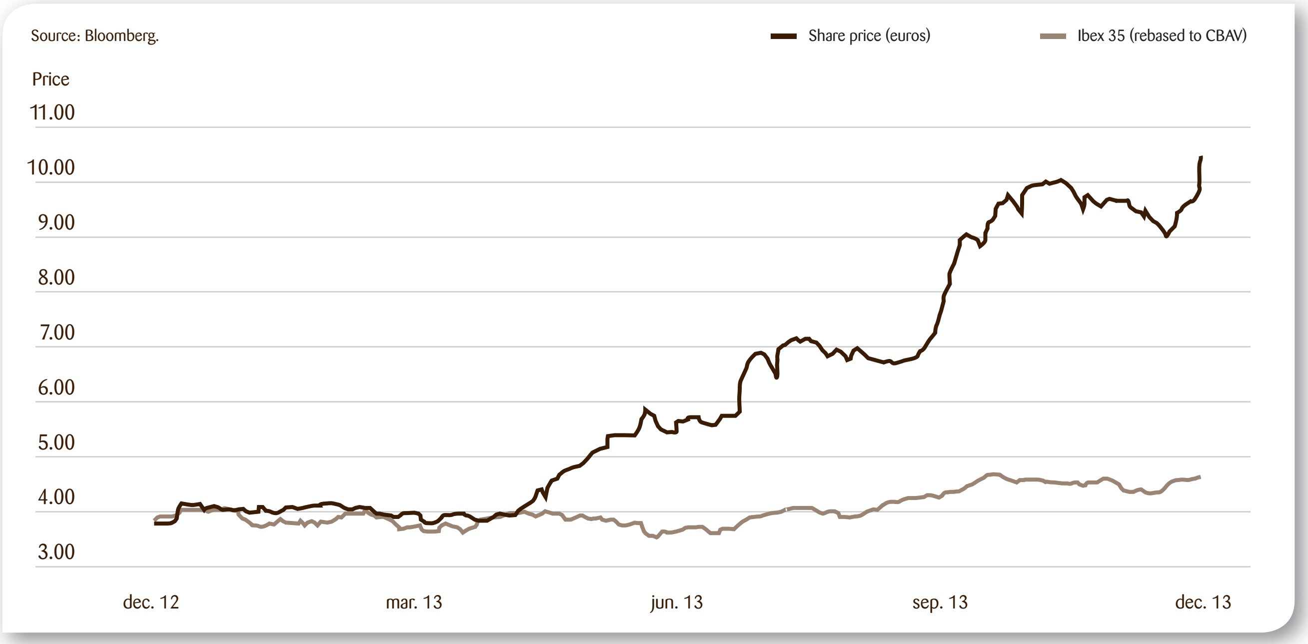
Note: "Investments Ballo Holding" is an investment vehicle belonging to Julio Baviera. "Inversiones Telesan" is an investment vehicle belonging to Eduardo Baviera. "Inversiones Darío 3" is an investment vehicle belonging to Fernando Llovet. Grupo Zriser is a portfolio company belonging to various members of the Serratosa family.

# Clínica Baviera

## Clínica Baviera share price performance

The share performed very well in 2013, gaining 174.5% to close at 10.46 euros per share, buoyed by the upbeat Spanish market, investors' positive reaction to its improved results and to the divestments made, and by the company's exposure to a possible recovery in consumption in Spain. By comparison, the Ibex 35 gained 21.4%.

## Clínica Baviera share price performance since 31 December 2012



# Clínica Baviera

## Historical stock market data

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Share price in euros per share (closing prices) | | | |
| High | **10.46** | 6.99 | 8.62 |
| Low | **3.71** | 3.70 | 6.29 |
| Close | **10.46** | 3.81 | 6.50 |
| Stock market capitalisation at 31/12 (million euros) | **171** | 62 | 106 |
| Dividend yield (gross, on closing price for the year) | **0.8%** | 3.9% | 4.0% |
| P/E ratio (on closing price for the year) | **34.8 x** | neg. | 19.7 x |

# Antevenio

## 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 present in Spain as well as in other European countries, mainly Italy and France, and Latin America.

In 2013, sales decreased 17.6% to 21 million euros, while net profit reduced from 0.3 million euros in 2012 to losses of 5 million euros in 2013, as a result of an impairment charge to the goodwill of some businesses.

At 31 December 2013 the Antevenio share price was 3.45 euros, with a market capitalisation of 15 million euros.

Alba was Antevenio's second largest shareholder at the end of 2013, with a 18.71% stake.

www.antevenio.com

# Mecalux

## Company description

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 industry-leading technology.

Mecalux has a broad international presence, with sales in more than 70 countries and over 70% of its activities generated outside Spain. 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 2013 Alba had an interest of 24.38% in the share capital of Mecalux, 8.78% held directly and 15.60% through Deyá Capital SCR.

www.mecalux.es

# Pepe Jeans


## Company description

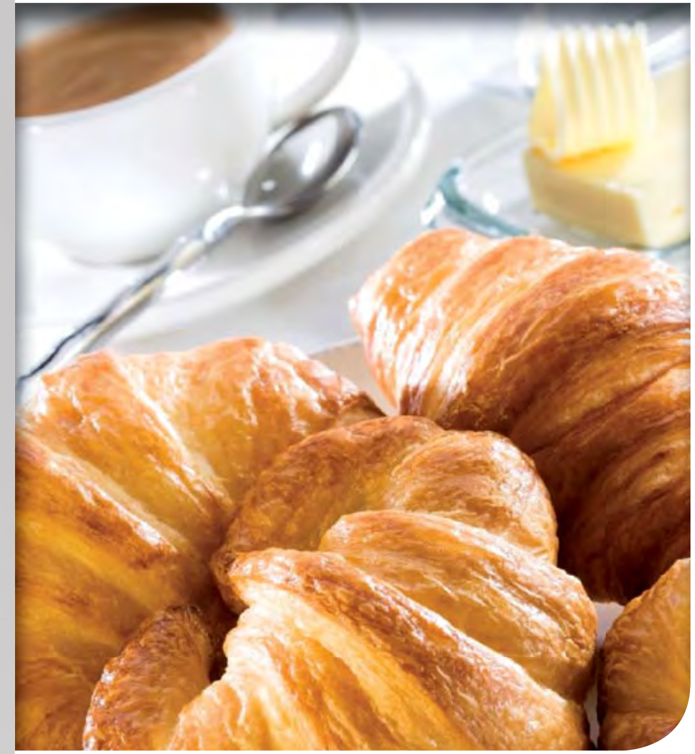
Pepe Jeans designs and distributes apparel and other fashion items, being Pepe Jeans London and Hackett the group's flagship brands. The company was founded in London in 1973. In addition, Pepe Jeans is the exclusive agent for Tommy Hilfiger and Calvin Klein in the Iberian peninsula.

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 2013 Alba's interest in Pepe Jeans, through Deyá Capital, was 12.13%.

**www.pepejeans.com**

# Panasa



## Company description

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 positioning 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 2013 Alba's interest in Panasa, through Deyá Capital, was 26.36%.

www.berlys.es

# Ros Roca Environment

## Company description

Founded in 1953, Ros Roca is specialised in the manufacture of urban waste collection vehicles and equipment 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 urban waste collection and cleaning equipment (truck-mounted compactor collectors, road cleaning machinery and sewer cleaning equipment), Ros Roca develops pneumatic waste collection systems, thereby covering the entire waste collection and treatment cycle.

Headquartered in Tárrega, Lérida, with over 75% of its activities located outside Spain, Ros Roca, has clear international ambitions and has other major subsidiaries and production centres in the United Kingdom, France, Germany, Brazil, Mexico, Chile and Malaysia.

At 31 December 2013 Alba's interest in Ros Roca, through Deyá Capital, was 17.36%.


**www.rosrocaenvironment.com**

# Flex

## Company description

Flex is one of the leading European companies in sleep systems, with a strong international presence. 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, Kluft, 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 the United States, Chile, Brazil and Cuba. More than 90% of the Group's activity takes place outside Spain. It has production plants in Spain, Portugal, the United Kingdom, the United States, Brazil, Chile and Cuba.

In addition, the Group has a network of more than 110 stores under the Noctalia, Plumax and And So To Bed (the UK and the Middle East) brands.

At 31 December 2013 Alba's interest in Flex, through Deyá Capital, was 19.75%.

www.flex.es

# Ocibar

## Company description

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 and the commercial area.

At 31 December 2013 Alba's interest in Ocibar, through Deyá Capital, was 21.66%, making Alba the second largest shareholder.

**www.ocibar.com**

EnCampus

# EnCampus

## Company description

EnCampus acquires, develops and manages university and college residences with the aim of creating the largest portfolio of student accommodation in Spain.

Since its incorporation in 2012, the company has invested in Siresa, Spain's leading student accommodation company with over 6,500 places in 25 residences in the country's major cities. EnCampus has also developed a portfolio of new projects with 1,075 places to date, through the acquisition and development of new residences in Madrid, Barcelona and Valencia.

At 31 December 2013 Alba's interest in EnCampus, through Deyá Capital, was 32.75%.

www.resa.es

# Real Estate Investments

# Real Estate Investments

At the end of 2013 Alba had more than 82,000 square metres of leasable area and 1,100 parking spaces, 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 2013 valued the properties at 200.4 million euros, down 2.4% compared to the previous year. Despite the decline in value during the year, the valuation amount exceeds the carrying amount of the investment by 97.0 million euros.

The main office rental market ratios in 2013 and 2012, obtained from market studies carried out by the main specialised consulting firms, are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Madrid** | **Barcelona** | Madrid | Barcelona |
| NEW OFFICE RENTALS | **+33.0%** | **-3.0%** | -18.3% | -23.9% |
| Average rent | **-4.9%** | **-6.3%** | -9.7% | -6.1% |
| Vacancy rate at 31.12.2012 | **14.1%** | **15.0%** | 12.5% | 14.2% |
| Area of highest occupancy | **6.8%** | **4.4%** | 5.5% | 4.4% |
| Area of lowest occupancy | **21.4%** | **32.3%** | 18.1% | 30.1% |

Alba obtained results in line with the industry average. The occupancy rate at year-end 2013 was 87.2%, 2.5% higher than at the end of 2012.

Rental income amounted to 12.9 million euros, down 4.4% on 2012. The direct costs of the property business increased 6.7% to 3.2 million euros.

The gross yield, calculated using the year-end valuation, was up from 6.2% in 2012 to 6.3% in 2013. During the year, investments totalling 0.5 million euros were made in improvements to the buildings' structure and facilities.

# Auditors' Report

Building a better working world

Ernst & Young, S.L.
Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid

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 2013, la cuenta de pérdidas y ganancias consolidada, el estado consolidado del resultado global, 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 2013 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 2013, 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 2013 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 2013. 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.

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

Año 2014 Nº 01/14/00076

COPIA GRATUITA

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

4 de abril de 2014

José Luis Perelli Alonso

AUDITORS' REPORT ON THE
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 2013 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 2013 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 2013 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 2013 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 2013. 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 2013*

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

# Consolidated Balance Sheets

### at 31 december 2013 and 2012

**ASSETS**

| In thousands of euros | Notes | 31/12/2013 | 31/12/2012 |
|---|---|---|---|
| Investment property | 5 | 200,420 | 205,350 |
| Property, plant and equipment | 6 | 8,993 | 9,853 |
| Intangible assets | | 36 | 62 |
| Investments in associates | 7 | 2,015,281 | 2,262,019 |
| Financial assets at fair value through profit or loss | 8 | 243,684 | 208,802 |
| Other financial assets | 9 | 146,799 | 145,635 |
| Deferred tax assets | 20 | 41,083 | 42,816 |
| **NON-CURRENT ASSETS** | | **2,656,296** | **2,874,537** |
| Trade and other receivables | 10 | 84,237 | 88,098 |
| Cash and cash equivalents | 12 | 602,960 | 384,421 |
| **CURRENT ASSETS** | | **687,197** | **472,519** |
| **TOTAL ASSETS** | | **3.,343,493** | **3,347,056** |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

## EQUITY AND LIABILITIES

| In thousands of euros | Notes | **31/12/2013** | 31/12/2012 |
|---|---|---|---|
| Share capital | 13 | 58,300 | 58,300 |
| Retained earnings | | 3,083,496 | 3,024,256 |
| Treasury shares | 13 | (2,599) | (2,757) |
| Other reserves | 13 | (158,961) | (286,668) |
| Interim dividend | 3 | (29,116) | (29,113) |
| **SHAREHOLDERS' EQUITY** | | **2,951,120** | **2,764,018** |
| Minority interests | | 426 | 686 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **2,951,546** | **2,764,704** |
| Bank borrowings | 17 | 75,000 | 325,000 |
| Other financial liabilities | 9 | 2,027 | 1,948 |
| Provisions | 15 | 421 | 35 |
| Deferred tax liabilities | 20 | 33,217 | 36,232 |
| **NON-CURRENT LIABILITIES** | | **110,665** | **363,215** |
| Trade and other payables | 16 | 8,968 | 15,483 |
| Bank borrowings | 17 | 272,314 | 203,654 |
| **CURRENT LIABILITIES** | | **281,282** | **219,137** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,343,493** | **3,347,056** |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

# Consolidated Income Statements

## for the years ended 31 december 2013 and 2012

| In thousands of euros | Notes | 31/12/2013 | 31/12/2012 |
|---|---|---|---|
| Share of the profit/(loss) of associates | 7 | 150,618 | (311,812) |
| Lease income | 23 | 12,861 | 13,449 |
| Other income | | 126 | 121 |
| Change in the fair value of investment properties | 5 | (5,476) | (8,265) |
| Profit/(loss) on disposal of financial assets and other assets | 7 y 11 | 120,729 | 31 |
| Impairment of assets | 6, 7 y 9 | 3 | 23,832 |
| Staff costs | 24.a | (12,759) | (11,706) |
| Other operating expenses | 23 | (7,578) | (7,510) |
| Other income/(expenses) | | - | 2,103 |
| Depreciation and amortisation | | (943) | (1,016) |
| **OPERATING PROFIT/(LOSS)** | | **257,581** | **(300,773)** |
| Finance income | 24.b | 21,636 | 19,469 |
| Finance costs and exchange differences | | (6,704) | (16,604) |
| Change in fair value of financial instruments | 8 y 24.c | (1,351) | (905) |
| **NET FINANCIAL INCOME/(EXPENSE)** | | **13,581** | **1,960** |
| **PROFIT/(LOSS) BEFORE TAX FROM CONTINUING ACTIVITIES** | | **271,162** | **(298,813)** |
| Corporate income tax expense | 20 | (43.266) | 345 |
| **PROFIT/(LOSS) FROM CONTINUING ACTIVITIES** | | **227,896** | **(298,468)** |
| **CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR** | | **227,896** | **(298,468)** |
| Profit/(loss) attributable to minority interests | | 979 | 966 |
| **CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP** | | **226,917** | **(299,434)** |
| Average number of shares outstanding during the year (excluding treasury shares) | 13 | 58,231,571 | 58,226,128 |
| Basic and diluted earnings per share (euros/share) | | 3.90 | (5.14) |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

# Consolidated Statements of Comprehensive Income

***for the years ended 31 december 2013 and 2012***

| In thousands of euros | Note | 2013 | 2012 |
|---|---|---|---|
| **CONSOLIDATED PROFIT/(LOSS) PER INCOME STATEMENT** | | **227,896** | **(298,468)** |
| INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY | | | |
| Arising from valuation of financial instruments | | 18,454 | 259,135 |
| Arising from investments in associates | 7 | 18,454 | 259,135 |
| Other adjustments | | (3) | (46) |
| **TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY** | | **18,451** | **259,089** |
| **TOTAL COMPREHENSIVE INCOME** | | **246,347** | **(39,379)** |
| Attributable to the parent | | 245,368 | (40,345) |
| Attributable to minority interests | | 979 | 966 |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

# Statement of changes in Consolidated Shareholders' Equity

## for the years ended 31 december 2013 and 2012

| 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 2012** | **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** |
| Changes in consolidated net assets of associates (Note 7) | - | (109,253) | - | 127,707 | - | 18,454 | - | 18,454 |
| Other | - | (3) | - | - | - | (3) | - | (3) |
| Profit/(loss) for the year | - | 226,917 | - | - | - | 226,917 | 979 | 227,896 |
| Total income and expenses for the year | - | 117,661 | - | 127,707 | - | 245,368 | 979 | 246,347 |
| Interim dividend for the previous year (Note 3) | - | (29,113) | - | - | 29,113 | - | - | - |
| Dividends paid during the year (Note 3) | - | (29,116) | - | - | (29,116) | (58,232) | (921) | (59,153) |
| Increases/(decreases) due to business combination | - | - | - | - | - | - | (318) | (318) |
| Purchase of own shares (Note 13) | - | - | 158 | - | - | 158 | - | 158 |
| Other changes | - | (192) | - | - | - | (192) | - | (192) |
| **BALANCE AT 31 DECEMBER 2013** | **58,300** | **3,083,496** | **(2,599)** | **(158,961)** | **(29,116)** | **2,951,120** | **426** | **2,951,546** |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

# Consolidated Cash Flow Statements

***for the years ended 31 december 2013 and 2012. (Note 29)***

| In thousands of euros | Notes | 2013 | 2012 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Profit/(loss) for the year | | 226,917 | (299,434) |
| Adjustments to profit/(loss) | | | |
| Depreciation and amortisation | | 943 | 1,016 |
| Changes in the fair value of investment properties | 5 | 5,476 | 8,265 |
| Share of the profit/(loss) of associates | 7 | (150,618) | 311,812 |
| Profit/(loss) on assets | | (120,729) | - |
| Finance income | 24.b | (21,636) | (19,469) |
| Finance costs | | 6,704 | 16,604 |
| Change in fair value of financial instruments | 24.c | 1,351 | (23,832) |
| Corporate income tax paid | 20 | 43,266 | (345) |
| Other cash flows from operating activities | | | |
| Dividends received | | 106,026 | 160,623 |
| Trade and other payables | | (6,515) | - |
| Payments on account of corporate income tax | | (18,696) | (24,055) |
| Interest received | | 21,636 | 19,469 |
| Interest paid | | (6,704) | (16,604) |
| Other items | | (6,913) | 1,782 |
| **NET CASH FROM OPERATING ACTIVITIES** | | **80,508** | **135,832** |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

# Consolidated Cash Flow Statements

***for the years ended 31 december 2013 and 2012. (Note 29)***

| In thousands of euros | Notes | 2013 | 2012 |
|---|---|---|---|
| INVESTING ACTIVITIES | | | |
| Purchases of equity investments | 7 y 8 | (45,076) | - |
| Sales of equity investments | 7 | 423,276 | - |
| Purchases of investment properties | 5 | (546) | (295) |
| Purchases of equity investments | 6 | (51) | (240) |
| Purchases/sales of financial assets | | - | (1,889) |
| **NET CASH FROM INVESTING ACTIVITIES** | | **377,603** | **(2,424)** |
| FINANCING ACTIVITIES | | | |
| Dividends paid | 3 | (58,232) | (58,226) |
| Proceeds from bank borrowings | 17 | 59,814 | 278,654 |
| Repayment of bank borrowings | 17 | (241,154) | (294,606) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **(239,572)** | **(74,178)** |
| **INCREASE/(DECREASE) IN NET CASH** | | **218,539** | **59,230** |
| Cash and cash equivalents at 01/01 (note 12) | | 384,421 | 325,191 |
| Cash and cash equivalents at 31/12 (note 12) | | 602,960 | 384,421 |

# Notes to the Consolidated Financial Statements

***for the year ended 31 december 2013***

## 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 2013 were prepared and authorised for issue by the Board of directors at its meeting held on 26 March 2014 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 2013 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 2013 are the same as those used in preparing the consolidated financial statements for the year ended 31 December 2012, except for the following changes, which are applicable to financial years starting on or after 1 January 2013:

- IFRS 13 Fair value measurement

IFRS 13 provides a single IFRS framework for measuring fair value. There are no changes to the rules on which items are subject to fair value measurement, but IFRS 13 provides guidance on how to measure fair value in accordance with IFRS.

Fair value is defined under IFRS 13 as the exit price of an item. Based on the guidelines set out in IFRS 13, the Group has revised its policies on measuring fair value, with particular focus on the variables relating to non-performance risk used to measure the fair value of its liabilities. IFRS also requires additional disclosures. The application of IFRS 13 has not had a material impact on the fair value measurements performed by the Group. Any required disclosures are included in the Notes on those assets and liabilities which are measured using fair values. The fair value hierarchy applied is detailed in Note 18.

- Amendment to IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 introduce the classification of items to be presented in the statement of other comprehensive income. This statement must present line items grouped between those items that will or will not be reclassified to profit and loss in subsequent periods. This amendment only affects the presentation of financial information and has no impact on the Group's activities or financial position.

- IAS 19 Employee benefits (revised in 2011)

The Group has applied IAS 19 (revised in 2011) retrospectively in the current financial year, as established in the transition guidelines provided by the revised standard.

The changes introduced by IAS 19 (revised in 2011) include changes in the accounting for defined benefit plans. The main changes include:

- Past service cost is expensed at the earlier of the date when a plan amendment or curtailment occurs and the date when any restructuring or termination benefits are recognised. Non-consolidated past service costs may not therefore be deferred and recognised over the period in which the service is obtained.
- The interest expense and the expected return on plan assets used in the previous version of IAS 19 have been replaced by net interest on the net defined benefit liability or asset, determined using the discount rate at the beginning of the period.

IAS 19 (revised in 2011) also requires additional disclosures, which are included in Note 4.m.

IAS 19 (revised in 2011) has been applied retrospectively, with the following permitted exceptions:

- The carrying amount of other assets has not been adjusted for changes to the cost of the defined benefit plan prior to 1 January 2012.
- No sensitivity analysis is provided for the defined benefit plan for the year ended 31 December 2012, presented for comparative purposes.

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 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.
- Revised IAS 28 "Investments in associates and joint ventures": applicable to financial years starting on or after 1 January 2014.
- Amendment to IAS 32 "Offsetting financial assets and financial liabilities": applicable to financial years starting on or after 1 January 2014.
- Amendment to IFRS 10, IFRS 11 and IFRS 12 "Transition guidance": applicable to financial years starting on or after 1 January 2014.

Alba intends to adopt these standards, amendments and interpretations 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.

- 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 12 and IAS 27 "Investment entities": applicable to financial years starting on or after 1 January 2014 for the IASB.

- Amendment to IFRS 36 "Financial Instruments": applicable to financial years starting on or after 1 January 2014 for the IASB.

- Amendment to IAS 39 "Novation of derivatives and continuation of hedge accounting": applicable to financial years starting on or after 1 January 2014 for the IASB.

- IFRIC 21 "Levies": applicable to financial years starting on or after 1 January 2014 for the IASB.

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.

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

### 2.2. Use of judgements 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 (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.

The information for 31 December 2013 and 2012 is shown below:

| Subsidiary | Activity | Years | % ownership interest | Net carrying amount before consolidation | Shareholders' equity before undistributed profit | Profit/(loss) for the year |
|---|---|---|---|---|---|---|
| **Alba Participaciones, S.A.U** | Securities investment | 2013 | 100.00 | 117,633 | 2,777,249 | 236,697 |
| Castelló, 77, 5ª planta 28006-Madrid | | 2012 | 100.00 | 117,633 | 2,501,676 | 110,475 |
| **Artá Capital, Sociedad Gestora de Entidades de Capital Riesgo, S.A.U.** | Venture capital management company | 2013 | 85.00 | 1,673 | 2,462 | 3,783 |
| Pza. Marqués de Salamanca, 10 28006-Madrid | | 2012 | 75.01 | 1,673 | 1,722 | 3,868 |
| **Artá Partners, S.A.** | Securities investment | 2013 | 85.00 | 1,786 | 2,054 | 3,702 |
| Castelló, 77, 5ª planta 28006-Madrid | | 2012 | 75.01 | 1,275 | 1,699 | 3,156 |
| **Balboa Participaciones, S.A.U.** | Securities investment | 2013 | 100.00 | 35,228 | 35,228 | (13,384) |
| Castelló, 77, 5ª planta 28006-Madrid | | 2012 | 100.00 | 21,118 | 28,922 | (7,804) |
| **Deyá Capital, S.C.R. de Régimen Simplificado, S.A.U** | Private equity company | 2013 | 100.00 | 220,843 | 220,843 | (4,152) |
| Pza. Marqués de Salamanca, 10 28006-Madrid | | 2012 | 100.00 | 187,909 | 192,049 | (4,140) |

In 2012 the company Artá Partners, S.A. was formed, in which Balboa Participaciones, S.A.U. had an 85.00% stake at 31 December 2013 and 75.01% at 31 December 2012.

Ernst & Young, S.L. (EY) is the auditor of all these companies.

### 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 2013 and 2012 is shown below:

| | | | % ownership interest | |
|---|---|---|---|---|
| Associate / Auditor | Registered address | Activity | At 31/12/2013 | At 31/12/2012 |
| Acerinox, S.A.<br>KPMG Auditores | Santiago de Compostela, 100 (Madrid) | Manufacture and sale of stainless steel products | 23.50 | 24.24 |
| ACS, Actividades de Construcción y Servicios, S.A<br>Deloitte | Avda. de Pío XII, 102 (Madrid) | Construction and services | 16.30 | 18.30 |
| Antevenio, S.A.<br>BDO Audiberia | Marqués de Riscal, 11 (Madrid) | Internet advertising | 18.71 | 20.54 |
| Clínica Baviera, S.A.<br>Ernst & Young | Paseo de la Castellana, 20 (Madrid) | Ophthalmic and cosmetic medical services | 20.00 | 20.00 |
| Ebro Foods, S.A.<br>Deloitte | Paseo de la Castellana, 20 (Madrid) | Food | 8.21 | 8.21 |
| Indra Sistemas, S.A.<br>KPMG Auditores | Avda. de Bruselas, 35 (Alcobendas - Madrid) | New technologies | 11.32 | 11.32 |
| Prosegur, Compañía de Seguridad, S.A.<br>KPMG Auditores | Pajaritos, 24 (Madrid) | Security, cash transport and alarms | - | 10.01 |

During 2013 Alba sold its entire investment in Prosegur, Compañía de Seguridad, S.A. Its also reduced its percentage holdings in ACS, Actividades de Construcción y Servicios, S.A. following the sale of 2% of the company's share capital, in Acerinox, S.A. following a capital increase to pay a script dividend which Alba received in cash, and in Antevenio, S.A. following the sale of 1.83% of the company's share capital.

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

## 3. Allocation of profit

The proposed allocation of profit for 2013 which the Board of Directors will submit to the General Meeting for approval and the allocation of profit for 2012 approved by the General Meeting are as follows:

| | **2013** | 2012 |
|---|---|---|
| PROFIT TO BE ALLOCATED | | |
| Profit for the year attributable to the parent | 82,144 | 28,417 |
| Retained earnings | 104,620 | 134,432 |
| **TOTAL** | **186,764** | **162,849** |
| ALLOCATION | | |
| To retained earnings | 128,530 | 104,620 |
| To dividends | 58,234 | 58,229 |
| **TOTAL** | **186,764** | **162,849** |

The dividends paid by the Parent Company in 2013 and 2012 were as follows:

| | No. of shares with dividend rights | Euro/Share | Thousands of Euros |
|---|---|---|---|
| **2013** | | | |
| Interim dividend for 2013 | 58,231,571 | 0.500 | 29,116 |
| Final dividend for 2012 | 58,231,571 | 0.500 | 29,116 |
| **2012** | | | |
| Interim dividend for 2012 | 58,226,128 | 0.500 | 29,113 |
| Final dividend for 2011 | 58,226,128 | 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 Law on Corporations 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.

### a.1) Leases

An agreement is considered to be, or to contain, a lease in accordance with the economic basis established on the date it begins. The agreement is studied to ascertain if it will be fulfilled through the use of a specific asst or assets or if it gives the right to use the asset or assets, even though this right is not specifically stated in the agreement.

Leases where the Group maintains substantially all the risks and rewards inherent in the ownership of the leased asset are classified as operating leases. Lease payments are taken to income in the period in which they are obtained.

### b) Property, plant and equipment (Note 6)

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.

In 2013 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% | 2.0% | 2.0% |
| Discount rate | 8.1% | 8.6% | 8.5% |
| Capital structure | 75% capital and 25% debt | 90% capital and 10% debt | 85% capital and 15% debt |
| Equity ratio | 9.7% | 9.1% | 9.2% |
| Cost of debt after tax | 3.6% | 4.6% | 4.9% |
| Estimated fair value (euros/share) | 11.62 | 12.51 | 15.20 |

In 2013 Alba performed the following sensitivity analysis:

| | Acerinox, S.A. | Clínica Baviera, S.A. | Indra Sistemas, S.A. |
|---|---|---|---|
| Weighted average cost of capital (WACC) | | | |
| 2013 fair value rate | 8.1% | 8.6% | 8.5% |
| Rate that gives book value | 8.5% | 9.3% | 8.6% |
| Perpetual growth | | | |
| 2013 fair value rate | 2.5% | 2.0% | 2.0% |
| Rate that gives book value | 2.0% | 1.2% | 1.9% |
| EBITDA margin used for the terminal value | | | |
| 2013 fair value margin | 8.6% | 20.0% | 12.1% |
| Margin that gives book value | 8.1% | 17.9% | 12.0% |
| Change in sales during the projection period and terminal value to give book value | -7.1% | -12.8% | -0.9% |
| Change in EBITDA margin during the projection period and terminal value to give book value | -0.5% | -2.1% | -0.1% |

In 2012 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% | 2.5% | 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 |
| Equity ratio | 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 |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

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% | - |

### 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) Calculation of fair value (Notes 5, 8 and 18)

Alba measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at their fair value at the balance sheet date. The fair values of financial assets measured at amortised cost are disclosed in Note 18. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the assumption that the sale of the asset or transfer of the liability will take place:

- On the principal market for the asset or liability, or

- In the absence of a principal market, on the most advantageous market for the trading of these assets or liabilities.

The principal or most advantageous market must be one which is accessible to Alba.

The fair value of an asset or liability is calculated using the assumptions that market participants would use when pricing that asset or liability, assuming that these market participants will act on their own economic interest.

The measurement of the fair value of a non-financial asset takes into consideration the capacity of the market participants to generate economic benefits from the better or greater use of said asset or from its sale to another market participant who could make better or greater use of it.

To calculate fair value, Alba uses appropriate measurement techniques and sufficient available information, maximising the use of relevant observable inputs and minimising the use of non-observable inputs.

All the assets and liabilities whose fair value is calculated or disclosed in the financial statements are classified in accordance with the fair value hierarchy described below, based on the lowest level input that is significant to the entire measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - measurement techniques for which the lowest level input used, which is significant for the calculation, is directly or indirectly observable.

- Level 3 - measurement techniques for which the lowest level input used, which is significant for the calculation, is not observable.

At the balance sheet date Alba reviews the classifications of assets and liabilities which are recognised in the financial statements on an ongoing basis in order to ascertain if any movements have taken place between the different hierarchy levels (based on the lowest level input that is significant to the entire measurement).

Alba determines the policies and procedures applied to recurring fair value valuations, such as for investment properties and unlisted available-for-sale financial assets.

Internal and external valuers are used to measure the fair value of significant assets, such as investment properties, available-for-sale financial assets and contingent considerations.

The financial department presents the results of the valuations to the Audit Committee and to Alba's external auditors.

For the purposes of the required disclosures of fair value, the Group classifies its assets and liabilities in accordance with their type, characteristics, risks and level in the fair value hierarchy, as described above.

### f) 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 at their 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, Alba carries out impairment tests. Based on the results of these tests, Alba 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.

### g) 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.

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

### i) 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.

### j) 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.

### k) 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.

### l) Corporate income tax (Note 20)

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.

### m) Alternative pension plan systems

Alba operates two defined benefit pension plans which have been outsourced to an insurance company. Contributions to the plans must therefore be made to a separately managed fund.

The cost of providing the benefits covered by these defined benefit plans is determined using the projected credit unit method (an actuarial method for calculating the plan obligations based on the employee's length of service and pensionable salary taking into account pay rises up to the retirement date).

Remeasurements, comprising actuarial gains and losses, the impact of the limit on plan assets (excluding net interest - not applicable to Alba) and the returns earned on plan assets (excluding net interest), are taken directly to income in the financial year, with a corresponding debtor or creditor balance in equity recorded under retained earnings. Remeasurements are not reclassified in previous years' statements of financial position.

Past service cost is expensed at the earlier of:

- The date when a plan amendment or curtailment occurs, or
- The date when any restructuring or termination benefits are recognised.

Net interest is calculated applying the discount rate to the net defined benefit obligation (asset). Alba records changes in defined benefit pension plans under "Other operating expenses", "Other income/(expenses)" and "Staff costs" in the consolidated income statement in accordance with their nature:

- The cost of services includes current service costs, gains and losses arising from changes and non-routine settlements.
- Gains and losses on the calculation of "Net interest"

The main assumptions used in 2013 and 2012 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 | 1.25% |
| Salary growth | 2.00% |
| Rate of increase in social security bases | 1.50% |
| Discount rate for obligations and assets affecting the payment of commitments | 3.25% |
| Retirement age | 65 |

The changes in obligations to defined contribution plans and the fair value of associated assets in 2013 and 2012 were as follows:

| | | Cost of obligations taken to income | | | | | |
|---|---|---|---|---|---|---|---|
| | 01/01/13 | Cost of services | Net interest (expense)/income | Subtotal taken to income | Pension obligations settled (paid) | Actuarial gains/(losses) | 31/12/13 |
| Obligations to defined contribution pension plans | (18,194) | (815) | (618) | (1,433) | 420 | (1,944) | (21,151) |
| Fair value of plan assets | 19,229 | 651 | 782 | 1,433 | (420) | 1,040 | 21,282 |
| Net (obligations) / rights in defined contribution pension plans | 1,035 | | | - | - | | 131 |

| | | Cost of obligations taken to income | | | | | |
|---|---|---|---|---|---|---|---|
| | 01/01/12 | Cost of services | Net interest (expense)/income | Subtotal taken to income | Pension obligations settled (paid) | Actuarial gains/(losses) | 31/12/12 |
| Obligations to defined contribution pension plans | (18,615) | (1,354) | (739) | (2,093) | 2,911 | (397) | (18,194) |
| Fair value of plan assets | 20,435 | 1,289 | 804 | 2,093 | (2,911) | (388) | 19,229 |
| Net (obligations) / rights in defined contribution pension plans | 1,820 | | | - | - | | 1,035 |

The expected contribution to the defined benefit plans in 2014 amounts to 1,105 thousand euros.

In 2013 Alba performed the following sensitivity analysis:

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| Sensitivity | +0.5% | -0.50% | +0.5% | -0.50% |
| Impact on (obligations) / rights in defined contribution pension plans | -8.89% | 10.24% | 3.32% | -3.27% |

The contributions to the two plans are recognised in the accompanying income statement and a breakdown is given in Note 24.a.

#### n) Equity-instrument-based payments (Note 26)

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.

#### o) 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 2013 and 2012 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:

| | **2013** | 2012 |
|---|---|---|
| Madrid | 164,140 | 167,520 |
| Barcelona | 31,825 | 32,820 |
| Palma de Mallorca | 2,700 | 3,050 |
| Rest | 1,755 | 1,960 |
| **TOTAL** | **200,420** | **205,350** |

The movements in investment property are as follows:

The additions in 2013 and 2012 relate to improvements that were made.

| | |
|---|---|
| Balance at 1-1-12 | 213,320 |
| Additions | 295 |
| Change in fair value | (8,265) |
| Balance at 31-12-12 | 205,350 |
| Additions | 546 |
| Change in fair value | (5,476) |
| **Balance at 31-12-13** | **200,420** |

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

| | 2013 | 2012 |
|---|---|---|
| Floor area above ground level (square metres) | 82,267 | 82,267 |
| Leased floor area (square metres) | 71,749 | 69,984 |
| Leased area as % total floor area | 87.2% | 85.1% |

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 2013 and 2012 is as follows:

| | 2013 | 2012 |
|---|---|---|
| Up to one year | 11,831 | 11,960 |
| Between 1 and 5 years | 15,306 | 18,030 |
| Over 5 years | 3,115 | 3,806 |
| **TOTAL** | **30,252** | **33,796** |

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 1-1-12** | **19,300** | **2,892** | **22,192** |
| Additions | - | 240 | 240 |
| Disposals | - | (96) | (96) |
| **Balance at 31-12-12** | **19,300** | **3,036** | **22,336** |
| Additions | - | 51 | 51 |
| Disposals | - | (57) | **(57)** |
| **Balance at 31-12-13** | **19,300** | **3,030** | **22,330** |
| ACCUMULATED DEPRECIATION: | | | |
| **Balance at 1-1-12** | **(8,437)** | **(2,425)** | **(10,862)** |
| Additions | (774) | (211) | (985) |
| Disposals | - | 96 | 96 |
| **Balance at 31-12-12** | **(9,211)** | **(2,540)** | **(11,751)** |
| Additions | (774) | (140) | (914) |
| Disposals | - | 57 | 57 |
| **Balance at 31-12-13** | **(9,985)** | **(2,623)** | **(12,608)** |
| PROVISIONS: | | | |
| **Balance at 1-1-12** | - | - | - |
| Additions | (732) | - | (732) |
| **Balance at 31-12-12** | **(732)** | - | **(732)** |
| Decreases | 3 | - | 3 |
| **Balance at 31-12-13** | **(729)** | **-** | **(729)** |
| Net PPE at 31-12-12 | 9,357 | 496 | 9,853 |
| Net PPE at 31-12-13 | 8,586 | 407 | 8,993 |

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

## 7. Investments in associates

The changes in this item in 2013 are as follows:

| Company | Consolidated value at 01-01-13 | Profit/(loss) of investees | Accrued dividends | Acquisitions/ (disposals) | Changes in consolidated net assets of associates | Consolidated value at 31-12-13 | Quoted market value at 31-12-13 |
|---|---|---|---|---|---|---|---|
| Acerinox, S.A. | 670,920 | 5,231 | (26,169) | (3,081) | (25,190) | 621,711 | 558,870 |
| ACS, Actividades de Construcción y Servicios, S.A. | 911,949 | 121,542 | (83,433) | (112,378) | 48,238 | 885,918 | 1,283,675 |
| Antevenio, S.A. | 3,408 | (1,142) | - | (276) | - | 1,990 | 2,715 |
| Clínica Baviera, S.A. | 36,685 | 978 | (325) | | 67 | 37,405 | 34,118 |
| Ebro Foods, S.A. | 188,252 | 10,893 | (7.575) | | (2,184) | 189,386 | 215,068 |
| Indra Sistemas, S.A. | 274,550 | 13,116 | (6,318) | | (2,477) | 278,871 | 225,927 |
| Prosegur, Compañía de Seguridad, S.A. | 176,255 | - | - | (176,255) | - | - | - |
| **TOTAL** | **2,262,019** | **150,618** | **(123,820)** | **(291,990)** | **18,454** | **2,015,281** | **2,320,373** |

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 |
| **TOTAL** | **2,439,819** | **(311,812)** | **(101,727)** | **(4,252)** | **(19,145)** | **259,136** | **2,262,019** | **2,267,744** |

The changes in the net assets of ACS, Actividades de Construcción y Servicios, S.A. in 2013 and 2012 were 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 amounts recognised under "Profit/(Loss) on disposal of financial assets and other assets" in the accompanying consolidated income statement for 2013 include the sale of 10.01% of the share capital of Prosegur, Compañía de Seguridad, S.A. for 269,125 thousand euros, generating gains of 89,210 thousand euros; of 2% of ACS, Actividades de Construcción y Servicios, S.A. for 146,224 thousand euros generating a gain of 33,655 thousand euros; of 0.7% of Acerinox, S.A. for 7,091 thousand euros, generating a loss of 2,124 thousand euros; and of 1.8% of Antevenio, S.A. for 261 thousand euros generating a loss of 9 thousand euros.

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). 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.** | | | | | | |
| 2013 | 1,790,904 | 2,200,066 | 1,447,136 | 990,609 | 3,966,278 | 22,068 |
| 2012 | 1,907,464 | 2,308,170 | 1,324,504 | 1,178,117 | 4,554,688 | (21,781) |
| **ACS, Actividades de Construcción y Servicios, S.A.** | | | | | | |
| 2013 | 25,380,643 | 14,390,514 | 22,958,794 | 11,323,455 | 38,372,521 | 701,541 |
| 2012 | 26,390,629 | 15,172,747 | 24,934,868 | 10,917,000 | 38,396,178 | (1,927,933) |
| **Ebro Foods, S.A.** | | | | | | |
| 2013 | 841,113 | 1,931,567 | 532,386 | 512,031 | 1,956,647 | 132,759 |
| 2012 | 890,154 | 1,841,658 | 556,281 | 482,294 | 1,981,130 | 158,592 |
| **Indra Sistemas, S.A.** | | | | | | |
| 2013 | 2,574,357 | 1,290,514 | 1.692,883 | 1,037,326 | 2,914,073 | 115,822 |
| 2012 | 2,431,284 | 1,324,659 | 1,945,912 | 700,415 | 2,940,980 | 132,658 |
| **Clínica Baviera, S.A.** | | | | | | |
| 2013 | 16,683 | 31,544 | 14,467 | 8,415 | 79,976 | 4,887 |
| 2012 | 12,597 | 39,071 | 16,695 | 14,117 | 77,901 | (88) |

**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 2013 the Group notified:

  ACS, Actividades de Construcción y Servicios, S.A. that the Company had sold an equity interest of...........2.00%

  ACS, Actividades de Construcción y Servicios, S.A. that the Company had sold an equity interest of..........10.01%

- In 2012 the Group notified:

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

## 8. Financial assets at fair value through profit or loss

The composition of this item at 31 December 2013 and 2012 is detailed below:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| Long-term unlisted | % ownership interest | Fair value | % ownership interest | Fair value |
| Mecalux, S.A. | 24.38 | 93,988 | 1.23 | 78,983 |
| Pepe Jeans, S.L. | 12.13 | 37,963 | 12.13 | 37,963 |
| Grupo Empresarial Panasa, S.L. | 26.36 | 32,630 | 26.36 | 32,630 |
| Ros Roca Environment, S.L. | 17.36 | 33,523 | 19.04 | 31,013 |
| Grupo Empresarial Flex, S.A. | 19.75 | 18,478 | 19.75 | 18,478 |
| Siresa Campus, S.A. | 17.44 | 14,422 | - | - |
| Ocibar, S.A. | 21.66 | 7,430 | 21.66 | 7,430 |
| EnCampus residencias de estudiantes, S.A. | 32.75 | 4,833 | 35.93 | 1,888 |
| C. E. Extremadura, S.A. | 2.55 | 417 | 2.55 | 417 |
| **TOTAL** | | **243,684** | | **208,802** |

In 2013 the interests in EnCampus Residencias de Estudiantes, S.A. and in Lazora Alojamientos, S.A. were recognised at their acquisition cost on the understanding that this was the best estimate of their fair value, the former company having been recently constituted and the latter being a recent acquisition. The fair value of the rest of the investments was calculated using the discounted cash flow method. Given that the differences in the valuation ranges obtained when determining the fair value in 2013 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 the 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 Environmet, 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 | 9.1% | 9.5% | 7.8% | 9.2% | 10.7% |

In 2012 the interest in EnCampus Residencias de Estudiantes, S.A. 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 was 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 were not significant, the previous year's value was maintained. In the case of Ocibar, S.A., the fair value was calculated using the 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 Environmet, 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 | 9.1% | 8.4% | 7.7% | 9.3% | 11.2% |

## 9. Other non-current financial assets and liabilities

The composition of these items at 31 December 2013 and 2012 is as follows:

| | **2013** | 2012 |
|---|---|---|
| OTHER NON-CURRENT FINANCIAL ASSETS | | |
| Loans to third parties | 145,032 | 143,894 |
| Guarantees received from customers | 1,754 | 1,723 |
| Other investments | 13 | 18 |
| **Balance at 31 December** | **146,799** | **145,635** |
| OTHER NON-CURRENT FINANCIAL LIABILITIES | | |
| Guarantees given to public bodies | 2,027 | 1,948 |

Loans to third parties mainly 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 2013 and 2012 the obligor continued to meet the contractually established schedule of payments (for interest). In 2012 we considered 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. For this reason the impairment charge in the amount of 43,709 thousand euros in 2012, 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 2013 and 2012 is detailed below:

| | 2013 | 2012 |
|---|---|---|
| Accrued and unpaid dividends | 22,882 | 2,738 |
| Corporate income tax withheld and interim payments | 59,291 | 81,424 |
| Sundry receivables | 1,978 | 3,749 |
| Prepaid expenses | 48 | 144 |
| Trade receivables | 38 | 43 |
| **Balance at 31 December** | **84,237** | **88,098** |

## 11. Financial assets held for trading

These are listed shares, which by the end of 2012 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 profit of 31 thousand euros in 2012.

## 12. Cash and cash equivalents

The composition of this item at 31 December 2013 and 2012 is detailed below:

| | 2013 | 2012 |
|---|---|---|
| Cash and banks | 309,725 | 91 |
| Deposits and short-term investments | 293,235 | 384,330 |
| **Balance at 31 December** | **602,960** | **384,421** |

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

## 13. Shareholders' equity

At 31 December 2013 and 2012, 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.

At the end of the period, Banca March, S.A. and its shareholders jointly controlled (Concerted Action) 69.65% 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 4.53% stake.

The breakdown of "Other reserves" is as follows:

| | **2013** | 2012 |
|---|---|---|
| Due to changes in the consolidated net assets of associates | | |
| Treasury shares | (10,736) | (117,768) |
| Translation differences | (77,624) | (13,319) |
| Arising from valuation of financial instruments | 4,142 | (2,706) |
| Change in scope of consolidation and other changes | (74,743) | (152,875) |
| **TOTAL** | **(158,961)** | **(286,668)** |

The above amount, apart from that corresponding to treasury shares, may be reclassified to the income statement. It has therefore been decided not to modify the structure of the consolidated statement of comprehensive income.

Movements in treasury shares in 2013 and 2012 were as follows:

| | No. of shares | Percentage of share capital | Average acquisition price (euros/share) | Thousands of euros |
|---|---|---|---|---|
| **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** |
| Sales | (3,923) | (0.01%) | 40.29 | (158) |
| **At 31 December 2013** | **64,506** | **0.11%** | **40.29** | **2,599** |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

Basic earnings per share are calculated dividing the profit/(loss) for the year attributable to the ordinary shareholders of the parent company by the average number of shares outstanding in the financial year.

Diluted earnings per share are calculated dividing the profit/(loss) for the year attributable to the ordinary shareholders of the Parent Company by the average number of shares outstanding in the financial year, adjusted by the average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares. As there are no financial instruments of this nature, the basic earnings per share and diluted earnings per share are the same.

No transactions involving ordinary shares or potentially ordinary shares took place between the balance sheet date and the date on which these financial statements were prepared.

| | 2013 | 2012 |
|---|---|---|
| **Profit/(loss) attributable to the ordinary shareholders of the parent** | | |
| Continuing activities | 226,917 | (299,434) |
| Discontinued activities | - | - |
| **Profit/(loss) attributable to the ordinary shareholders of the parent for calculation of basic earnings** | 226,917 | (299,434) |
| Attributable to holders of financial instruments convertible into ordinary shares | - | - |
| **Profit/(loss) attributable to the ordinary shareholders of the parent adjusted for dilution effect** | 226,917 | (299,434) |

| | 2013 | 2012 |
|---|---|---|
| **Average number of ordinary shares for calculation of basic earnings per share (*)** | 58,231,571 | 58,226,128 |
| Dilution effect | - | - |
| **Average number of ordinary shares adjusted for dilution effect (*)** | 58,231,571 | 58,226,128 |

(*) The average number of shares takes into accounted the weighted effect of changes in treasury shares in the financial year.

## 14. Capital management policy

Alba manages its capital 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, Alba also seeks to maximise the return to shareholders by maintaining an appropriate balance of equity and debt.

Alba's gearing ratio at year-end 2013 and 2012 was as follows:

| | **2013** | 2012 |
|---|---|---|
| Bank borrowing | 347,314 | 528,654 |
| Cash and cash equivalents | (602,960) | (384,421) |
| **TOTAL NET DEBT** | **(255,646)** | **144,233** |
| Shareholders' equity | 2,951,120 | 2,764,018 |
| Shareholders' equity + net debt | 2,695,474 | 2,908,251 |
| **GEARING RATIO** | - | **4.96%** |

## 15. Provisions

The movements in provisions during 2013 and 2012 were as follows:

| | 2013 | 2012 |
|---|---|---|
| **Balance at 1 January** | **35** | **2.755** |
| Recoveries | 421 | (2.686) |
| Uses | (35) | (34) |
| **Balance at 31 December** | **421** | **35** |

## 16. Trade and other payables

The composition of this item at 31 December 2013 and 2012 is detailed below:

| | 2013 | 2012 |
|---|---|---|
| **Trade payables** | 5,012 | 833 |
| Accrued wages and salaries | 3,131 | 1,417 |
| Current tax liabilities (note 20) | 492 | 1,382 |
| Accruals and deferred income | 333 | 615 |
| Other financial liabilities | - | 11,236 |
| **Balance at 31 December** | **8,968** | **15,483** |

In 2012 "Other financial liabilities" included two swaps to hedge the interest rate risk of a loan. These swaps, which were settled in 2013, were measured at fair value, with changes in fair value being recognised in profit or loss (Note 24.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 2013 and 2012 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 outstanding at 31/12/2013** | | Payments and balances outstanding at 31/12/2012 | |
|---|---|---|---|---|
| Within the maximum legal period | 14,093 | 100.00% | 8,070 | 100.0% |
| Rest | - | - | - | - |
| **TOTAL PAYMENTS FOR THE FINANCIAL YEAR** | **14,093** | **100.00%** | **8,070** | **100.0%** |
| 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, named 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 was secured in 2013 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 2,520,364 shares of Ebro Foods, S.A. The transaction was secured by the pledge of the same shares in 2012, with the exception of 8,000,000 shares of Prosegur, Compañía de Seguridad, S.A., which were replaced by the Ebro Foods, S.A. shares. At 31 December 2013 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 212,500,000 euros (250,000,000 at 31 December 2012), maturing in 2014. This transaction was secured by the same pledge in 2013 and 2012, 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 2013 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 2013 and 2012 sensitivity analysis 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 2013 and 2012, 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 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

| | **2013** | | 2012 | |
|---|---|---|---|---|
| Interest rate change | Loan FV (euros) | 0% Difference | Loan FV (euros) | 0% Difference |
| 1.00% | -212,044,055.48 | -488,825.63 | -248,322,405.02 | 1,677,646.32 |
| 0.50% | -212,277,841.64 | -255,039.46 | -246,883,841.88 | 709,307.11 |
| 0.00% | -212,532,881.10 | 0.00 | -250,000,051.33 | 0.00 |
| -0.50% | - | - | | |
| -1.00% | - | - | | |

Similarly, the sensitivity of the two interest rate swaps to interest rate risk was calculated at 31 December 2012, 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 | |
|---|---|---|
| Interest rate change | Swap FV (euros) | 0% Difference |
| 1.00% | -4,947,355.16 | 1,919,476.80 |
| 0.50% | -5,768,189.01 | 1,098,642.95 |
| 0.00% | -6,866,831.96 | 0.00 |
| -0.50% | - | - |
| -1.00% | - | - |

Lastly, we report the interest rate sensitivity analysis at 31 December 2012 of the above transactions taken together, using the same assumptions as before (a positive "0% difference" signifies a profit):

Fair Value Sensitivity

| | 2012 | |
|---|---|---|
| Interest rate change | Joint FV (euros) | 0% Difference |
| 1.00% | -253,269,760.18 | 3,597,123.12 |
| 0.50% | -255,058,933.23 | 1,807,950.06 |
| 0.00% | -256,866,883.29 | 0.00 |
| -0.50% | - | - |
| -1.00% | - | - |

The result of the sensitivity analysis performed in 2013 and 2012 of the products entered into with Deutsche Bank is as follows:

Fair Value Sensitivity Deutsche Bank

| | 2013 | | 2012 | |
|---|---|---|---|---|
| Interest rate change | Loan FV (euros) | 0% Difference | Loan FV (euros) | 0% Difference |
| 1.00% | -74,888,381.09 | 206,102.24 | -74,371,953.46 | 703,958.50 |
| 0.50% | -74,995,455.66 | 99,027.67 | -74,783,009.76 | 292,902.19 |
| 0.00% | -75,094,483.34 | 0.00 | -75,075,911.95 | 0.00 |

Current:

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

| | At 31/12/2013 | | At 31/12/2012 | |
|---|---|---|---|---|
| Bank | Maturity | Balance drawn | Maturity | Balance drawn |
| CREDIT LINES | | | | |
| Banca March | 18/06/14 | 59,814 | 18/06/13 | 59,357 |
| Banca March | | - | 26/09/13 | 59,996 |
| Banco Cooperativo | | - | 15/07/13 | 10,392 |
| Banesto | | - | 08/05/13 | 73,909 |
| | | **59,814** | | **203,654** |
| CURRENT BORROWINGS | | | | |
| Credit Agricole | 20/06/14 | 212,500 | - | - |
| | **SUBTOTAL** | **272,314** | **SUBTOTAL** | **203,654** |
| NON-CURRENT BORROWINGS | | | | |
| Deutsche Bank | 12/06/15 | 75,000 | 12/06/15 | 75,000 |
| Credit Agricole | | - | 20/06/14 | 250,000 |
| | **SUBTOTAL** | **75,000** | **SUBTOTAL** | **325,000** |
| | **TOTAL** | **347,314** | **TOTAL** | **528,654** |
| Limit on credit lines granted | | 270,000 | | 205,500 |

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

## 18. Measurement at fair value

The assets and liabilities measured at fair value and their fair value measurement hierarchy at 31 December 2013 are as follows:

| | Measurement at fair value | | | |
|---|---|---|---|---|
| | Total | Listed price in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **ASSETS CARRIED AT FAIR VALUE** | | | | |
| Investment properties (Note 5) | 200,420 | - | - | 200,420 |
| Financial assets at fair value through profit or loss (Note 8) | 243,684 | - | - | 243,684 |
| **ASSETS WITH KNOWN FAIR VALUES** | | | | |
| Investments in associates (Note 7) (1) | 2,320,373 | 2,320,373 | - | - |
| Other financial assets (Note 9) | 146,779 | - | - | 146,779 |
| Trade and other receivables (Note 10) | 84,237 | - | - | 84,237 |
| Cash and cash equivalents (Note 12) | 602,960 | - | - | 602,960 |

(1) This value is not used to measure the asset if there is evidence of impairment

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

| | | Measurement at fair value | | |
|---|---|---|---|---|
| | Total | Listed price in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **LIABILITIES CARRIED AT FAIR VALUE** | | | | |
| Long-term bank borrowings (Note 17) | 75,000 | - | 75,000 | - |
| **LIABILITIES WITH KNOWN FAIR VALUES** | | | | |
| Short-term bank borrowings (note 17) | 272,314 | - | 272,314 | - |

No asset or liability moved from Level 1 to Level 2 during the 2013 financial year.

The assets and liabilities measured at fair value at 31 December 2012 are as follows:

| | Measurement at fair value | | | |
|---|---|---|---|---|
| | Total | Listed price in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **ASSETS CARRIED AT FAIR VALUE** | | | | |
| Investment properties (Note 5) | 205,350 | - | - | 205,350 |
| Financial assets at fair value through profit or loss (Note 8) | 208,802 | - | - | 208,802 |
| **ASSETS WITH KNOWN FAIR VALUES** | | | | |
| Investments in associates (Note 7) (1) | 2,267,744 | 2,267,744 | - | - |
| Other financial assets (Note 9) | 145,635 | - | - | 145,635 |
| Trade and other receivables (Note 10) | 88.,098 | - | - | 88,098 |
| Cash and cash equivalents (Note 12) | 384,421 | - | - | 384,421 |

(1) This value is not used to measure the asset if there is evidence of impairment

| | | Measurement at fair value | | |
|---|---|---|---|---|
| | Total | Listed price in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **LIABILITIES CARRIED AT FAIR VALUE** | | | | |
| Long-term bank borrowings (Note 17) | 325,000 | - | 325,000 | - |
| **LIABILITIES WITH KNOWN FAIR VALUES** | | | | |
| Short-term bank borrowings (note 17) | 203,654 | - | 203,654 | - |

## 19. 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 protect 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 organisational resources to monitor and control risks and ensure legal compliance through a financial, a legal and a tax department. Each of these departments monitors risks and internal and external regulatory compliance in their 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 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. An SICFR (System of Internal Controls over Financial Reporting) Manual was prepared during the financial year and forms part of the Group's system of risk management and control.

## 20. 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., Arta Capital, S.G.E.C.R., S.A. and Arta Partners, S.A. are taxed as a corporate group.

The tax expense for the financial years ended 31 December 2013 and 2012 breaks down as follows

Consolidated income statement

| | 2013 | 2012 |
|---|---|---|
| **Corporate income tax for the year:** | | |
| Corporate income tax expense for the year | 41,646 | 4.369 |
| Adjustment to corporate income tax expense for prior years | 338 | (1,150) |
| **Deferred tax:** | | |
| In respect of timing differences and the reversal thereof | 1,282 | (3,564) |
| Income tax expense recorded in the income statement | 43,266 | (345) |
| Consolidated statement of comprehensive income | - | - |
| Deferred tax in respect of items debited or credited directly to equity in the financial year | - | - |

The reconciliation between the corporate income tax expense and the tax liability calculated applying the tax rate applicable to Alba to the accounting profit/(loss) for the financial years ended 31 December 2013 and 2012 is as follows:

| | **2013** | 2012 |
|---|---|---|
| Accounting profit/(loss) before taxes from continuing operations | 271,162 | (298,813) |
| Profit/(loss) before taxes from discontinued operations | - | - |
| Accounting profit/(loss) before taxes | 271,162 | (298,813) |
| Differences arising on consolidation | 6,989 | 387,507 |
| Permanent differences | 6,779 | 527 |
| Tax payable at 30% | 85,479 | 26,766 |
| Adjustments for current tax liabilities in prior years | 1,127 | (1,150) |
| Application of previously unrecognised tax losses | - | - |
| Non-deductible expenses: | | |
| Impairment of goodwill | - | - |
| Change in contingent consideration for acquisition | - | - |
| Other non-deductible expenses | - | - |
| Tax payable at 30% | 338 | (345) |
| Deductions | (42,551) | (26,766) |
| Tax expenses recorded in the consolidated income statement | 43,266 | (345) |
| Income tax attributable to discontinued operations | - | - |

The main consolidation differences correspond to associates' share of the profit/(loss), to dividends received by associates and to the difference in the cost of associates.

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

| | 31/12/2013 | Additions/ (Derecognitions) | 31/12/2012 | Additions/ (Derecognitions) | 01/01/2012 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Due to non-deductible impairment | 14.119 | (2.211) | 16.330 | (5.158) | 21.488 |
| Tax credits from loss carryforwards and deductions pending application | 15.912 | (42) | 15.954 | 4.347 | 11.607 |
| For retirement plan and other expenses | 5.638 | 115 | 5.523 | (318) | 5.841 |
| From valuation adjustments against equity | 5.414 | 405 | 5.009 | - | 5.009 |
| Total deferred tax assets | 41.083 | | 42.816 | | 43.945 |
| **Deferred tax liabilities** | | | | | |
| Due to capital gains on investments | 33.217 | (3.015) | 36.232 | (2.435) | 38.667 |
| Total deferred tax liabilities | 33.217 | | 36.232 | | 38.667 |

The profits of the companies taxed as a corporate tax group which the Group has opted to reinvest and whose expiry date has not yet been reached 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 |
|---|---|---|---|---|
| 2013 | 132,605 | 269,125 | - | - |
| 2011 | 287,396 | 535,160 | 2011, 2012 and 2013 | 2018 |
| 2008 | 686 | 15,758 | 2008 | 2013 |

At 31 December 2013 and 2012 the consolidated tax group had no unused tax losses. The unused deductions are as follows:

| | **2013** | 2012 |
|---|---|---|
| 2023 | 15,912 | - |
| 2022 | - | 4,512 |
| 2021 | - | 11,442 |
| **TOTAL** | **15,912** | **15,954** |

Tax inspections of the years 2007, 2008 and 2009 were completed in 2013 and the returns for those periods were found to be almost entirely correct. 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.

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

| | 2013 | 2012 |
|---|---|---|
| For personal income tax | 333 | 860 |
| For VAT | 98 | 83 |
| For social security contributions | 61 | 63 |
| For corporate income tax | - | 376 |
| **TOTAL** | **492** | **1.382** |

## 21. Guarantees issued to third parties and other contingent assets and liabilities

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, was appealed. The Supreme Court ruled against the appeal on 13 June 2013.

## 22. Workforce

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

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| Executive Directors and Senior Managers | 11 | - | 11 | 9 | - | 9 |
| Department heads | 10 | - | 10 | 10 | - | 10 |
| Administrative staff and others | 14 | 18 | 32 | 18 | 17 | 35 |
| **TOTAL** | **35** | **18** | **53** | **37** | **17** | **54** |

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

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| Executive Directors and Senior Managers | 11 | - | 11 | 9 | - | 9 |
| Department heads | 10 | - | 10 | 10 | - | 10 |
| Administrative staff and others | 14 | 18 | 32 | 16 | 17 | 33 |
| **TOTAL** | **35** | **18** | **53** | **35** | **17** | **52** |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

## 23. 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 2013 and 2012.

There were no transactions between segments.

Segment information 2013

| In thousands of euros | Property lease | Investments in securities | Total Group |
|---|---|---|---|
| DIRECT SEGMENT INCOME AND EXPENSES | | | |
| Lease income and other items | 12,861 | | 12,861 |
| Profit from disposals | | 120,729 | 120,729 |
| Share of profit/(loss) of associates | | 150,618 | 150,618 |
| Increase/(decrease in fair value) | (5,476) | - | (5,476) |
| Other direct segment operating profits | (3,236) | | (3,236) |
| **Segment profit/(loss)** | **4,149** | **271,347** | **275,496** |
| INCOME AND EXPENSES NOT ASSIGNED TO SEGMENTS | | | |
| Impairment | | | - |
| Staff costs | | | (12,759) |
| Other operating expenses | | | (4,342) |
| Depreciation and amortisation | | | (943) |
| Other gains/(losses) | | | 129 |
| Net finance income | | | 13,581 |
| **Profit/(loss) before taxes and minority interests** | | | **271,162** |
| Corporate income tax | | | (43,266) |
| Minority interests | | | (979) |
| **Net profit/(loss) for the year** | | | **226,917** |
| ASSETS AND LIABILITIES | | | |
| Segment assets | 202,175 | 2,258,965 | 2,461,140 |
| Unassigned assets | | | 882,353 |
| **Total assets** | | | **3,343,493** |
| Segment liabilities | 2,027 | | 2,027 |
| Unassigned liabilities | | | 389,920 |
| **Total liabilities** | | | **391,947** |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

Segment information 2012

| In thousands of euros | Property lease | Investments in securities | 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 profits | (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** |

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

## 24. Other income and expenses

The following tables show the composition of the various items included under this heading in 2013 and 2012.

### a) Staff costs

| | **2013** | 2012 |
|---|---|---|
| Wages and salaries | 10,482 | 9,761 |
| Compensation | 5 | 206 |
| Employer's social security contributions | 648 | 603 |
| Alternative pension plan systems | 1,296 | 791 |
| Insurance premiums | 229 | 232 |
| Other employee welfare costs | 99 | 113 |
| **Balance at 31 December** | **12,759** | **11,706** |

### b) Finance income

| | 2013 | 2012 |
|---|---|---|
| Dividends | 2,212 | - |
| Gain/(loss) on derivatives | 578 | (158) |
| Interest | 16,805 | 17,627 |
| Management fee | 2,041 | 2,000 |
| **Balance at 31 December** | **21,636** | **19,469** |

### c) Change in the fair value of financial instruments

The change in valuation at year-end 2012 of the two interest rate swaps entered into by the Company (Note 4.g) entailed losses of 905 euros.

This item also includes the symmetric, positive and negative change in fair value at 31 December 2013 and 2012 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 32,360 thousand euros in 2013 and 72,885 thousand euros in 2012 for the contracts with Credit Agricole, and 37,691 thousand euros in 2013 and 15,928 thousand euros in 2012 for the contracts with Deutsche Bank.

## 25. Related parties

In 2013 the following transactions were carried out:

| Description of the transaction | Amount | Related party |
|---|---|---|
| WITH SIGNIFICANT SHAREHOLDERS OF THE COMPANY | | |
| Interest on loans | 1,623 | Banca March |
| Services | 326 | Banca March |
| Financing agreements and loans | 120,000 | Banca March (balance drawn at 31-12 Note 17) |
| Deferred taxation | 60,000 | Banca March |
| Dividend | 19,764 | Banca March Group concerted action |
| WITH OTHER RELATED PARTIES | | |
| Dividends and other distributions | 123,820 | ACS, Acerinox, Indra, Prosegur, Ebro and Clínica Baviera |
| Insurance premiums brokered | 1,733 | March JLT |
| Insurance premiums | 252 | March Vida |
| Operating lease contracts | 301 | Other |
| Cooperation agreements | 300 | Fundación Juan March |

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 |
| Cooperation agreements | 300 | Fundación Juan March |

## 26. 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 2013 a liability of 1,276 thousand euros was recognised in respect of this scheme (no liability was recognised at 31 December 2012).

## 27. Directors' and senior managers' remuneration

The Company and its subsidiaries have recorded the following remuneration earned by the members of the Board of Directors (numbering 13 at 31 December 2013) and by the senior managers of Corporación Financiera Alba, S.A.:

| | | | Directors' remuneration | | Alternative pension plan systems and insurance |
|---|---|---|---|---|---|
| **2013** | No. of people | Salaries and other | Alba | Group companies | |
| Proprietary directors | 4 | - | 304 | - | 32 |
| Independent non-executive directors | 7 | - | 226 | - | - |
| Executive directors | 5 | 1,631 | 200 | 100 | 908 |
| Senior management | 4 | 1,357 | - | 48 | (62) |

| | | | Directors' remuneration | | Alternative pension plan systems and insurance |
|---|---|---|---|---|---|
| 2012 | No. of people | Salaries and other | Alba | Group companies | |
| 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 |

In 2013 and 2012 no advances or loans were extended to directors or senior managers.

The remuneration earned in 2013 and 2012 by each director is as follows:

| | Remuneration | | | | | |
|---|---|---|---|---|---|---|
| 2013 | Fixed | Variable | Alba Group companies | Total remuneration | Pension plan contribution | Insurance premiums |
| Ampuero Osma, José Domingo | - | - | 30 | 30 | - | - |
| Brookes, Nicholas | - | - | 56 | 56 | - | - |
| Carné Casas, Ramón | 449 | - | 40 | 489 | - | - |
| Del Caño Palop, José Ramón | 165 | 85 | 40 | 290 | 138 | 7 |
| Fernández Barreiro, Isidro | - | - | 12 | 12 | - | 18 |
| Garmendia Mendizábal, Cristina | | | 12 | 12 | | |
| March de la Lastra, Juan | 176 | 244 | 40 | 460 | 455 | 7 |
| March Delgado, Carlos | - | - | 118 | 118 | - | 6 |
| March Delgado, Juan | - | - | 124 | 124 | - | 8 |
| March Juan, Juan | 48 | 45 | 40 | 133 | 36 | - |
| Martínez-Conde Gutiérrez-Barquín, Santos | 239 | 180 | 140 | 559 | 255 | 10 |
| Morachel Fernández, Regino | - | - | 32 | 32 | - | - |
| Moraleda Martínez, Amparo | - | - | 50 | 50 | - | - |
| Nieto de la Cierva, José | - | - | 50 | 50 | - | - |
| Ruiz-Gálvez Priego, Eugenio | - | - | 12 | 12 | - | - |
| Serra Farré, José María | - | - | 34 | 34 | - | - |
| **TOTAL CONSEJO** | **1,077** | **554** | **830** | **2,461** | **884** | **56** |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

| | Remuneration | | | | | |
|---|---|---|---|---|---|---|
| 2012 | 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 |
| **TOTAL CONSEJO** | **1,248** | **1,393** | **1,009** | **3,650** | **733** | **87** |

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:

| Party | Company | Line of business | % ownership interest | Functions |
|---|---|---|---|---|
| Ramón Carné Casas | Artá Capital, S.G.E.C.R., S.A.U. | Venture capital management | - | Chairman |
| Ramón Carné Casas | Deyá Capital II, S.C.R., de Régimen Común, S.A. | Private equity company | 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. | Venture capital management | - | Director |
| Juan March de la Lastra | Deyá Capital, S.C.R. de Régimen Simplificado, S.A.U. | Private equity company | - | Director |
| Juan March Juan | Artá Capital, S.G.E.C.R., S.A.U. | Venture capital management | - | Vice Chairman |
| Santos Martínez-Conde Gutiérrez-Barquín | Artá Capital, S.G.E.C.R., S.A.U. | Venture capital management | - | Chairman |
| Santos Martínez-Conde Gutiérrez-Barquín | Deyá Capital, S.C.R., de Régimen Simplificado, S.A.U. | Private equity company | - | 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. | Private equity company | - | Secretary and director |
| José Ramón del Caño Palop | Artá Capital, S.G.E.C.R., S.A.U. | Venture capital management | - | 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. | Private equity company | - | Secretary and director |

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

## 28. Auditors' remuneration

Fees payable to Ernst & Young in 2013 totalled 82 thousand euros, of which 1 thousand were for other services, 23 thousand for internal auditing advice, and the rest for the auditing of the individual and consolidated annual accounts of Alba and subsidiaries for 2013. The fees paid in 2012 totalled 105 thousand euros, of which 28 thousand were for other services, 20 thousand for internal auditing services and the rest for the auditing of the individual and consolidated annual accounts of Alba and subsidiaries for 2012.

## 29. 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.

## 30. Events after the balance sheet date

Subsequent to the reporting date, Alba Participaciones, S.A., a fully owned subsidiary, acquired 1.80% of Ebro Foods, S.A. for 45.1 million euros in several market transactions, increasing its total holding to 10.01%.

## 31. Explanation added for translation to English

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

# Management Report

*of Corporación Financiera Alba, S.A. and Subsidiaries for 2013*

## 1. Company business and financial position

The consolidated financial statements at 31 December 2013 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 2013 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 2013 are
as follows:

| | No. of shares | Percentage of share capital | Average acquisition price (euros/share) | Thousands of euros |
|---|---|---|---|---|
| **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** |
| Sales | (3,923) | (0.01%) | 40.29 | (158) |
| **At 31 December 2013** | **64,506** | **0.11%** | **40.29** | **2,599** |

## 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, acquired 1.80% of Ebro Foods, S.A. for 45.1 million euros in several market transactions, increasing its total holding to 10.01%.

## 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 protect 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 organisational resources to monitor and control risks and ensure legal compliance through a financial, a legal and a tax department. Each of these departments monitors risks and internal and external regulatory compliance in their 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 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. An SICFR (System of Internal Controls over Financial Reporting) Manual was prepared during the financial year and forms part of the Group's system of risk management and control.

## 7. Annual Corporate Governance Report

Attached as Annex I.

# Corporate Governance Report

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

# Audit Committee Report

## 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:

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

2. Supervise the effectiveness of the Company's internal control, internal audit service, 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.

3. Oversee the process of preparation and presentation of the statutory financial statements.

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

5. 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.

6. Annually and prior to the issuance of the auditors' report, issuing a report expressing an opinion on the independence of the auditors or audit firms. 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 eligible for re-election one year after leaving office.

The directors who sat on the Audit Committee during 2013 are as follows: Amparo Moraleda Martínez as chairman and Nicholas Brookes and José Nieto de la Cierva as members, with José Ramón del Caño Palop acting as secretary. The Chairman and Nicholas Brookes are independent non-executive directors, while José Nieto de la Cierva is a proprietary director.

## 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 2013 the Audit Committee held six 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.

**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 2012 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 2013 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.

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 Department 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 2013, within its plan of activities, Internal Audit updated some internal procedures and performed several internal audits, focusing on the procedures considered most important. An SICFR (System of Internal Controls over Financial Reporting) Manual was also prepared during the year, and an assessment of the risk universe was performed, on the basis of which the Risk Map was revised (at inherent and residual level and the degree of effectiveness of internal control). 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 2013 no material incident was detected in relation to the Company's risk identification and internal control.

d) Legal and regulatory compliance

Compliance with legal obligations and internal regulations is given a more detailed treatment than previous points as, 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 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, as well as an SICFR (System of Internal Controls over Financial Reporting) Manual.

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 (the latter being further updated in 2013 to incorporate CNMV criteria on discretionary treasury share transactions). 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 2013 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 report prepared by the control body provided for in the Internal Code of Conduct on the actions taken in compliance with said Code (all in relation to 2012).

Again within this same area of regulatory compliance, 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 was updated during the financial year, and found it to be 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, 27 February 2014

# Directors' Remuneration Report

To go to the Directors' Remuneration Report, please click over this link

# Proposed Resolutions

# Proposed Resolutions

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

1.- To approve the individual and consolidated financial statements for the financial year ended 31 December 2013.

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.- To determine the number of Directors, and appointment, re-election and ratification of Directors.

- To fix the number of the Company's Directors at 14.
- To re-elect Juan March Delgado and Santos Martínez-Conde Gutiérrez-Barquín as Directors of the Company.
- To ratify the appointment of Cristina Garmendia Mendizábal as a Director of the Company.
- To appoint Eugenio Ruiz-Gálvez Priego to be a Director of the company.

5.- To approve, in a consultative capacity, the Directors' Remuneration Report for 2013.

6.- To renew for three years the service agreement with the external auditor of the Company and its consolidated Group (Ernst & Young S.L.).

7.- To authorise the Board of Directors to increase the Company's share capital up to the amount and within the maximum period established in article 297.1.b) of the current Law on Corporations, including eliminating the preemptive subscription right, as allowed under articles 308 and 506 of said Law.

8.- To delegate powers to issue fixed income securities including instruments which are convertible and/or exchangeable for shares, up to a nominal value of 500,000,000 euros, eliminating the preemptive subscription right, as allowed in article 511 of the Law on Corporations.

9.- 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.

10.- To approve an options scheme under which Executive Directors and certain employees as determined by the Board of Directors may receive options on shares in the Company with the aim of incorporating them into the shareholder structure and make them more directly involved in the process of creating value for the shareholders of Corporación Financiera Alba, S.A.

11.- To authorise the Board to implement the resolutions adopted by the Meeting.

12.- To approve the minutes of the General Meeting.

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