AUDITORS' REPORT

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AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

To the Shareholders of
Corporación Financiera Alba and dependent companies

1. We have audited the consolidated annual financial statements of Corporación Financiera Alba, S.A. and dependent companies (the Group), comprising the consolidated balance sheet on December 31, 2005 and the consolidated profit and loss account, the statement of changes in consolidated net worth, the statement of consolidated cash flows and the notes to the consolidated annual financial statements for the year then ended, the preparation of which is the responsibility of the Directors of Corporación Financiera Alba, S.A.. Our responsibility is to express an opinion on the consolidated annual financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, requiring examination, by means of selective tests, of the documentation supporting the consolidated annual financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made. Our work has not included the examination of the annual financial statements for 2005 of certain dependent and associated companies (see Notes 2.4 and 2.5) whose assets and contribution to consolidated net profit for the year amounted to 1,078,932 and 119,709 thousand euros, respectively. The aforementioned financial statements of these dependent and associated companies have been examined by other auditors (see Notes 2.4 and 2.5 of the notes to the consolidated annual financial statements) and our opinion expressed in this report on the consolidated financial statements of Corporación Financiera Alba, S.A. and dependent companies is based, as regards these companies, solely on the reports of the other auditors.

2. The accompanying consolidated annual financial statements for 2005 are the first that the Group has prepared in accordance with International Financial Reporting Standards adopted by the European Union (EU-IFRS) that require, in general, that the financial statements present comparative information. In this respect, and as required by Spanish corporate law, for comparison purposes the Directors of the parent company present, in addition to the 2005 figures for each item in the consolidated balance sheet, consolidated profit and loss account, the statement of changes in consolidated net worth, the statement of consolidated cash flows and the notes to the consolidated annual financial statements, the figures for the previous year, obtained via the application of EU-IFRS prevailing at December 31, 2005. Consequently, the figures for the previous year differ from those included in the consolidated annual financial statements for 2004 prepared in accordance with accounting principles and standards prevailing in that year. Note 5 of the accompanying notes to the consolidated financial statements describes the differences resulting from the application of EU-IFRS to consolidated net worth at January 1 and December 31, 2004 and to consolidated profit for 2004 of the Group. Our opinion refers only to the 2005 consolidated annual financial statements. On April 1, 2005 other auditors issued their audit report on the 2004 consolidated annual financial statements, prepared in accordance with accounting principles and standards prevailing in that year, in which they expressed a favorable opinion.

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3. In our opinion, based on our audit and on the reports of other auditors (see Notes 2.4 and 2.5 of the notes to the consolidated annual financial statements), the accompanying consolidated annual financial statements for 2005 present, in all material respects, a true and fair view of the consolidated net worth and financial position of Corporación Financiera Alba, S.A. and dependent companies as of December 31, 2005 and of the consolidated results from their operations, of changes in their consolidated net worth and of their consolidated cash flows for the year then ended and contain the required information sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards adopted by the European Union applied on a consistent basis with those used to prepare the consolidated financial statements of the preceding year that have been included in the consolidated financial statements for 2005 for purposes of comparison.

4. The accompanying consolidated directors' report for 2005 contains the explanations the Directors of the parent company consider appropriate regarding the situation of Corporación Financiera Alba, S.A. and dependent companies, the evolution of their business and other matters, but is not an integral part of the consolidated annual financial statements. We have checked that the accounting information contained in the consolidated directors' report is consistent with that contained in the consolidated annual financial statements for 2005. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope and did not include a review of any information other than that drawn from the accounting records of the consolidated companies.

INSTITUTO DE
CENSORES JURADOS
DE CUENTAS DE ESPAÑA

PARA INCORPORAR AL PROTOCOLO

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ERNST & YOUNG, S.L.
Register R.O.A.C. n° S0530

Francisco V. Fernández Romero

April 10, 2006

CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR 2005

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2005 AND 2004

ASSETS (in thousands of euros)	Notes	2005	2004
Real estate investments … … … … … … …	6	252,824	234,089
Tangible fixed assets … … … … … … … …	7	21,263	22,229
Intangible assets … … … … … … … … … …		116	44
Investments in affiliated companies … …	8	1,082,706	998,995
Financial assets held for sale … … … … …	9	788,846	168,944
Prepaid taxed … … … … … … … … … … …	19	0	25,175
Other financial assets … … … … … … … …	10	1,907	2,154
NON-CURRENT ASSETS… … … … … … …		2,147,662	1,451,630
Inventories … … … … … … … … … … … …		41	454
Customers and other receivables … … …	11	11,080	6,294
Current tax assets … … … … … … … … …		543	412
Financial assets held for trading… … … …	12	62,844	3,838
Cash and equivalents … … … … … … … …	13	7,058	5,730
CURRENT ASSETS … … … … … … … … …		81,566	16,728
TOTAL ASSETS … … … … … … …		**2,229,228**	**1,468,358**

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2005 AND 2004

SHAREHOLDERS' EQUITY AND LIABILITIES (in thousands of euros)	Notes	2005	2004
Share capital		66,460	66,800
Reservers for accumulated earnings		1,516,019	1,086,994
Treasury stock		(22,658)	(18,033)
Other reserves		567,623	58,447
Interim dividend		(3,936)	(3,961)
Net equity		2,123,508	1,190,247
Minority interests		2,118	1,824
TOTAL SHAREHOLDERS' EQUITY	14	2,125,626	1,192,071
Other liabilities	10	2,631	2,539
Provisions	15	21,265	22,575
NON-CURRENT LIABILITIES		23,896	25,114
Suppliers and other payables	16	24,337	21,368
Current tax liabilities		1,084	445
Debts with credit institutions	17	54,285	229,360
CURRENT LIABILITIES		79,706	251,173
TOTAL LIABILITIES		**2,229,228**	**1,468,358**

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(In thousands of euros)	Notes	2005	2004
Profit from the sale of non-current assets …	8 and 9	306,596	110,427
Share of affiliated companies' profits … … …	8	121,801	162,491
Financial revenue … … … … … … … … … …	23.b	29,307	6,516
Revenue from rentals, insurance premiums and others … … … … … … … … …	22	26,503	22,242
Changes in the fair value of real estate investments … … … … … … … … …	6	18,776	11,060
Profit from financial assets held for trading … … … … … … … … … … … …		5,401	32
Personnel costs … … … … … … … … … … …	23.a	(19,973)	(13,512)
Other operating costs … … … … … … … … …	22	(7,755)	(7,441)
Financial costs … … … … … … … … … … …		(4,408)	(8,826)
Amortisation and depreciation … … … … …		(1,147)	(1,203)
Asset impairment (net) … … … … … … … …		(1,111)	(5,107)
Cost of sales … … … … … … … … … … … …	22	(303)	(263)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING ACTIVITIES … … …		**473,687**	**276,416**
Corporate income tax expense … … … … …	19	(28,645)	(20,289)
PROFIT (LOSS) FROM CONTINUING ACTIVITIES … … …		**445,042**	**256,127**
Minority interests … … … … … … … … … …		(773)	(551)
PROFIT (LOSS) FROM THE PARENT COMPANY … … … …		**444,269**	**255,576**
Average number of outstanding shares during the year (excluding treasury stock)…		65,615,727	66,177,176
Basic and diluted earnings per share (euros/share) … … … … … … …		6.77	3.86

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY (Note 14)

(In thousands of euros)	Share capital	Reserves for accumulated earnings	Treasury stock	Other reserves	Interim dividend	Net equity	Minority interests	Total net equity
BALANCE AT JANUARY 1, 2004 … … …	67,520	865,578	(21,115)	91,940	(4,001)	999,922	2,395	1,002,317
Increase (decrease) in fair value of financial assets held for sale … … … … … …	—	—	—	11,957	—	11,957	4	11,961
Profit (loss) for the year … … …	—	255,576	—	(38,250)	—	217,326	551	217,877
Interim dividend … … … … …	—	(4,001)	—	—	4,001	—	—	—
Dividends paid during the year … … … … …	—	(3,962)	—	—	(3,961)	(7,923)	(479)	
(8.402)Capital write-off … …	(720)	(15.586)	16.306	—	—	—	—	—
Purchase of treasury stock … …	—	—	(13,224)	—	—	(13,224)	—	(13,224)
Change in the scope of consolidation … … … … …	—	—	—	—	—	—	(647)	(647)
Changes in consolidated net equity of affiliated companies (note 8) … … … …	—	(10,611)	—	(7,200)	—	(17,811)	—	(17,811)
BALANCE AT DECEMBER 31, 2004 ……	66,800	1,086,994	(18,033)	58,447	(3,961)	1,190,247	1,824	1,192,071
Increase (decrease) in fair value of financial assets held for sale … … … …	—	—	—	545,327	—	545,327	44	545,371
Profit (loss) for the year … … …	—	444.269	—	(67,803)	—	376,466	773	377,239
Interim dividend … … … … …	—	(3,961)	—	—	3,961	—	—	—
Dividends paid during the year … … … … …	—	(3,945)	—	—	(3,936)	(7,881)	(523)	(8,404)
Capital write-offs … … … … …	(340)	(8,372)	8,712	—	—	—	—	—
Purchase of treasury stock … …	—	—	(13,337)	—	—	(13,337)	—	(13,337)
Changes in consolidated net equity of affiliated companies (note 8) … … … …	—	937	—	31,652	—	32,589	—	32,589
Others … … … … … … … …	—	97	—	—	—	97	—	97
BALANCE AT DECEMBER 31, 2005 ……	66,460	1,516,019	(22,658)	567,623	(3,936)	2,123,508	2,118	2,125,626

CONSOLIDATED CASH FLOW STATEMENT

(In thousands of euros)	31/12/05	31/12/04
OPERATING ACTIVITIES		
Profit for the year	445,042	256,127
Amortisation and depreciation	1,147	1,203
Impairment	1,091	5,107
Changes in the fair value of real estate investments	(18,776)	(11,060)
Share of affiliated companies' profits (loss) for the year	(121,801)	(162,491)
Profit (loss) from financial assets held for trading	(5,640)	(32)
Profit (loss) from sale of assets	(306,337)	(110,427)
Investment purchases	(310,647)	(242,042)
Investment sales	450,581	213,800
Real estate investment purchases	(559)	(232)
Real estate investment sales	2,602	870
Financial revenue	(29,307)	(6,516)
Financial expenses	4,408	8,826
Dividends received	57,390	43,647
Corporate income tax	28,645	20,289
NET CASH FROM OPERATING ACTIVITIES	**197,839**	**17,069**
INVESTMENT ACTIVITIES		
Purchases of treasury stock	(13,332)	(13,172)
Other items	5,063	1,902
NET CASH FROM INVESTMENT ACTIVITIES	**(8,269)**	**(11,270)**
FINANCING ACTIVITIES		
Dividend payments	(8,404)	(8,402)
Net interest	(4,763)	(3,886)
Debt with credit institutions	(175,075)	11,428
NET CASH FROM FINANCING ACTIVITIES	**(188,242)**	**(860)**
INCREASE (DECREASE) IN NET CASH	**1,328**	**4,939**
NET CASH AT 01/01 (Note 13)	5,730	791
NET CASH AT 31/12 (Note 13)	7,058	5,730

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2005

1. Activities

Corporación Financiera Alba, S.A. (Alba) is a holding company with controlling and influencing interests in a number of companies active in various industries, which are detailed below. Also included among its primary activities are the lease of real estate assets, insurance brokerage and the development of and participation in start-up businesses

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

2. Bases of Presentation of the Consolidated Annual Accounts

2.1. Accounting principles

Alba's consolidated annual accounts for 2005 and 2004 are presented in accordance with International Financial Reporting Standards (hereinafter IFRS) as adopted by the European Union in accordance with EC Regulation 1606/2002 of the European Parliament and Council.

These consolidated annual accounts have been prepared on the basis of the accounting records of the companies comprising the group in the format established by IFRS prevailing at December 31, 2005 to present fairly the equity, consolidated financial situation and consolidated results of Alba at December 31, 2005, changes in the consolidated net equity and the consolidated cash flows for the year then ended.

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

Directors of the company present, for purposes of comparison, in addition to the 2005 figures for each item in these consolidated annual accounts, the first to have been prepared in accordance with IFRS, the figures for the previous year, which have been adjusted to reflect the accounting changes included in the aforementioned standards, and accordingly the information contained in these notes referring to 2004 is presented exclusively for purposes of comparison with the information for 2005 and does not represent the consolidated annual accounts of Alba for 2004.

As required by IFRS 1, note 5 contains a detailed explanation of how the transition to International Financial Reporting Standards has affected the consolidated net equity, the consolidated financial situation and the consolidated results of Alba presented in previous years.

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

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

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

- Impairment losses and the useful lives of tangible assets (notes 4.b and 7).

- The valuation of consolidation goodwill to calculate the existence of impairment losses thereon. (notes 4.c and 8).

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

2.3. Responsibility for the information

Mr. Isidro Fernández Barreiro, managing director and Mr. Ignacio Martínez Santos, head of finance at Corporación Financiera Alba, S.A., have certified that the accompanying consolidated annual accounts for the year ended December 31, 2005, presented to the Board of Directors of this company for acceptance of their preparation are complete and provide a true and fair view of the net asset situation of the consolidated group and that in accordance with the applicable commercial and accounting legislation they include information from the accounting statements of all the companies included in the scope of consolidation.

The Board of Directors, at its meeting on March 30, 2006, prepared these annual accounts with a view to their verification by the Auditors and subsequent approval by the General Meeting.

2.4. Subsidiaries

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

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

Information for 2005 and the variation with respect to 2004 is shown below:

Subsidiary	Activity	Percentage shareholding At 31-12-05	Percentage shareholding Variation in 2005	Net cost in books prior to consolidation (thousands of euros)
Alba Participaciones, S.A.… … … Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	100.00	—	635,752
Alba Inmobiliaria, S.A.… … … … Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	—	(100.00)	—
Inversiones Artá, S.A. … … … … Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	—	(100.00)	—
Inversiones Finalba, S.A. … … … Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	—	(100.00)	—
Fianteira, S.A. … … … … … … Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	—	(100.00)	—
Unipsa Correduría de Seguros, S.A. Lagasca, 88 28001 Madrid	Insurance brokerage (Auditor PriceWaterHouseCooper)	82.57	—	10,922

In 2005 a merger by absorption operation was carried out as a result of which Inversiones Artá, S.A., Alba Inmobiliaria, S.A., Fianteira, S.A. and Inversiones Finalba, S.A. were absorbed by Alba Participaciones, S.A. (formerly Fondarte, S.A.). Corporación Financiera Alba, S.A. has a 100% direct or indirect stake in all these companies. This merger will rationalize the companies' activities, simplify the securities portfolio and lead to savings in administrative, control and financial costs.

2.5. Affiliated companies

Affiliated companies are those over which Alba has a significant influence although with a shareholding of no more than 20%. In order to ascertain the existence of significant influence, the Company takes into account, among other factors, representation on the Board of Directors, participation in policy making and the size and permanence of the shareholding.

Information for 2005 and the variation with respect to 2004 is shown below:

			Percentage shareholding	
Affiliated company	Registered address	Activity	At 31-12-05	Variation in 2005
Acerinox, S.A. … … … … … … … … … … …	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of flat stainless steel products	11.18	0.78
ACS, Actividades de Construcción y Servicios, S.A. … … … …	Avda. de Pío XII, 102 (Madrid)	Construction and services	17.93	2.39
March Gestión de Fondos, S.G.I.I.C., S.A. …	Castelló, 74 (Madrid)	Management of collective investment institutions	35.00	—
March Gestión de Pensiones, S.G.F.P., S.A. …	Castelló, 74 (Madrid)	Pension fund manager	35.00	—
Antevenio, S.A. … … … … … … … … … … …	Marqués de Riscal, 11 (Madrid)	Advertising in internet	28.80	—
March, Correduría de Seguros, S.A. … … …	Avda. Alejandro Roselló, 8 (Palma de Mallorca)	Insurance brokerage	35.00	—
Urquijo Correduría de Seguros, S.A. … … …	Avda. de Brasil, 29 (Madrid)	Insurance brokerage	35.00	—
GDS Correduría de Seguros, S.A. … … … …	Avda. Diagonal, 427 bis (Barcelona)	Insurance brokerage	33.00	—
Carrefour Correduría de Seguros, S.A. … …	Ctra. de Burgos, km 14,5 (Madrid)	Insurance brokerage	25.00	—

In addition to the changes in shareholdings indicated in the table above, the scope of consolidation for 2005 has changed compared to 2004 as described below:

- In 2005 Carrefour, S.A. was no longer considered a strategic investment and was classified as a financial investment held for sale, being withdrawn from the scope of consolidation (notes 8 and 27).

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

3. Distribution of Profits

The proposed distibution of profit for 2005 to be submitted by the Board of Directors for the approval of the General Shareholders' Meeting, and the distribution of profit for 2004 calculated according to the regulations prevailing at that date and approved by the General Shareholders' Meeting are as follows::

	2005	2004
Distribution Bases		
Profit (Loss) … … … … … … … … … … … … … …	444,269	217,405
Distribution		
To Reserves … … … … … … … … … … … … … …	436,397	209,490
To Dividends: … … … … … … … … … … … … … …	7,872	7,915
TOTAL … … … … … … … … … … … … … … …	444,269	217,405

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

The dividends paid by the parent company in 2005 and 2004 were as follows:

	No. of shares with rights	Dividend euros/share	Thousands of euros
2005			
Complementary dividend for 2004… … … …	66,460,000	0.06	3,988
Interim dividend for 2005… … … … … … …	65,600,000	0.06	3,936
2004			
Complementary dividend for 2003… … … …	66,800,000	0.06	4,008
Interim dividend for 2004… … … … … … …	66,571,332	0.06	3,994

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

For the interim dividends the liquidity statement at August 31 required by article 216 of the Consolidated Text of Spanish Company Law was prepared.

4. Valuation standards

The principal valuation standards used in the preparation of the Consolidated Annual Accounts are as follows:

a) Real estate investments (Note 6)

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

b) Tangible fixed assets (Note 7)

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

Any increase in value is credited to the "Other reserves" account, included under net equity in the accompanying consolidated balance sheet:

Other tangible fixed assets are stated at their acquisition cost, which includes additional expenses arising until the particular asset is operational; neither interest nor exchange differences are included. Expansion, modernisation or improvement costs that cause an increase in productivity, capacity or efficiency or an extension in the useful life of an asset are capitalised as an increase in the cost of the particular asset. Maintenance and upkeep expenses incurred during the year are charged to the Profit and Loss Account.

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

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

If the carrying value of an asset exceeds its recoverable amount, the asset is considered to be impaired and the carrying value is reduced to the recoverable amount. There are no assets that may be considered to be impaired.

c) Investments in affiliated companies (Note 8)

Alba's investment in its affiliates is accounted by the equity method. According to this method, the investment in affiliates is carried at cost which includes Alba's stake in their net equity plus unrealised capital gains from goodwill, plus goodwill that has not been allocated to specific items of the affiliated company. Goodwill is subject to annual impairment testing and is not amortised.

Dividends received from these companies are recorded as a reduction of the investment and the profit (loss) obtained by these companies that corresponds to Alba according to its shareholding is included, net of the tax effect, in the consolidated profit and loss account under the "Share in affiliated companies' profits " caption.

Direct movements in the net equity of an affiliated company are recorded in the same way in the net equity of the Group.

d) Financial assets held for sale (note 9)

This include permanent investments in companies over which there is no significant influence.

Financial assets held for sale are carried at fair value, with profit or loss being recorded under the "other reserves" item of net equity until the investment is taken off the books when the accumulated profit or loss previously carried under net equity is taken to the profit and loss account.

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

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

e) Financial assets held for trading (Note 12)
Financial assets held for trading are those which are acquired with the aim of selling them in the short term. Changes in the fair value of these assets are taken to profit and loss.

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

f) Treasury stock (note 14)
Treasury stock is recorded as a reduction of net equity. No profit or loss is recognised for the purchase, sale, issuance, redemption or cancellation of Group shares.

g) Provisions (Note 15)
Provisions are made for present obligations arising from past events the settlement of which is likely to result in an outflow of funds and when a reliable estimate can be made of the amount of the obligation. If the time value of money effect is significant, the amount of the provision is discounted using a pre-tax discount rate. When a provision is discounted, the increase in the provision arising from the passage of time is recorded as a financial expense.

h) Corporate income tax (Note 19)
Corporate income tax is recorded in profit or loss or in net equity depending on where the originating profit or loss has been recorded.

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

Net deferred tax assets are only recognised when it is likely that sufficient taxable profit will be available in the future to recover these. In this respect, the tax credit corresponding to unused tax loss carryforwards is recognised when off-setting effectively occurs.

i) Alternative pension plan systems

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

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

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

The following table shows the results of the actuarial valuation carried out, including the value of the pension commitment, the fair value of the assets (insurance policies) associated with the coverage of said commitments, and the amounts recognised in assets, liabilities and the profit and loss account.

In accordance with the above mentioned assumptions, the valuation of pension commitments and risks is as follows:

	31/12/2005	31/12/2004
Commitments for pensions of retired personnel … … …	5,790	5,776
Risks for pensions of active personnel … … … … … …	34,065	31,359
Accrued … … … … … … … … … … … … … … …	27,777	24,948
Unaccrued … … … … … … … … … … … … … …	6,288	6,411
Commitments to cover … … … … … … … … … … …	33,567	30,724
Fair value of the plan's assets (policies) … … … … … …	33,567	30,724

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

j) Share-based payment transactions

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

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

All these options were exercised in 2005 with amounts of 3,362 thousand euros and 1,833 thousand euros being recorded in 2005 and 2004 respectively under the personnel costs caption of the accompanying consolidated profit and loss account.

k) Revenue recognition

Revenue and expenses are allocated on an accrual basis

5. Transition from Spanish accounting principles to International Financial Reporting Standards, or "IFRS"

As indicated in Note 2.1, the consolidated annual accounts are presented in accordance with International Financial Reporting Standards adopted in the European Union. IFRS 1 governs the applicable principles and the information to be presented in relation with the first-time adoption of IFRS. In accordance with this standard, comparative information for 2004 presented in these consolidated annual accounts for 2005 has been prepared using the same presentation and valuation principles as used for operations for 2005, apart from those exceptions indicated in the aforementioned standard.

The main exception applied by Alba in this first-time adoption of IFRS is the standard regarding business combinations, which has not been applied retrospectively for all business combinations but only for those arising subsequently to January 1, 2004.

At January 1, 2004 Alba revalued property for own use taking the updated book value of this as the cost attributable to this property at that date.

Alba has decided to apply IAS 32 and 39 governing the accounting of operations with financial instruments from January 1, 2004, so the figures for 2004 are comparable with those for 2005 .

The following table shows the reconciliation of net equity at January 1, 2004 between Spanish accounting principles (hereinafter GCA) and IFRS:

	Equity of the parent company	Net equity of minority shareholders	Total
Balance at 1/1/2004 with GCA	881,398	—	881,398
Changes in consolidation method (a)	—	1,394	1,394
Adjustment in affiliated companies (b)	(44,171)	—	(44,171)
Application of fair value to real estate investments (c)	71,878	—	71,878
Application of fair value to property for own use (d)	12,167	799	12,966
Application of fair value to assets held for sale (e)	100,552	—	100,552
Application of fair value to financial assets held for trading (e)	956	202	1,158
Treasury stock (f)	(21,115)	—	(21,115)
Different cost recognition principles IFRS/GCA	(1,743)	—	(1,743)
Balance at 1/1/2004 with IFRS	999,922	2,395	1,002,317

The following table shows the reconciliation of profit (loss) for 2004 and net equity at December 31, 2004 between Spanish accounting principles (GCA) and IFRS (in thousands of euros):

	Profit (loss)	Capital & reserves	Minority shareholders	Total net equity
Balance at 31/12/2004 with GCA	217,405	829,858	—	1,047,263
Changes in consolidation method (a)	—	—	797	797
Adjustment in affiliated companies (b)	11,224	(34,670)	—	(23.446)
Application of fair value to real estate investments (c)	11,060	71,878	799	83,737
Depreciation of real estate investments (c)	4,407	—	—	4,407
Application of fair value to property for own use (d)	—	12,167	—	12,167
Application of fair value to assets held for sale (e)	(925)	75,214	244	74,533
Application of fair value to financial assets held for trading (e)	226	—	5	231
Treasury stock (f)	—	(18,033)	—	(18,033)
Amortisation of goodwill (g)	14,722	—	—	14.722
Different cost recognition principles IFRS/GCA	(2,543)	(1,743)	(21)	(4,307)
Balance at 31/12/2004 with IFRS	255,576	934,671	1,824	1,192,071

Notes explaining the main adjustments made to the consolidated financial statements for 2004:

a) Incorporation of minority shareholders

Under Spanish accounting principles, net equity only comprises funds from parent company shareholders but under IFRS it comprises not only these but also funds from minority shareholders. Accordingly, the balance for minority shareholders included in the Consolidated Balance Sheet prepared using Spanish principles is included in the net equity of the Consolidated Balance Sheet prepared according to IFRS. In addition, the change in the consolidation method for Unipsa Correduría de Seguros, S.A., from the equity accounted method to full consolidation, results in the recognition of minority shareholders.

b) Investment in affiliated companies
This adjustment is made for two reasons:

The investment in Prosegur, Compañía de Seguridad, S.A. has not been consolidated by the equity method as no significant influence is deemed to exist in the IFRS sense.

The change in the consolidated net equity of each of the affiliated companies due to the adoption of IFRS.

c) Real estate investments
This adjustment arises due to these accounts being carried at fair value instead of at cost as under GCA.

d) Property for own use
This adjustment arises from the recording of the difference between the fair value and the net book value of these assets at January 1, 2004. This revaluation has been carried out in application of IFRS 1 "First-time adoption of International Financial Reporting Standards.

e) Financial assets held for sale and held for trading
These adjustments arise due to these accounts being carried at fair value instead of at cost as under GCA.

f) Treasury stock
Under the GCA these were presented on the asset side of the balance sheet and under IFRS as a reduction of net equity.

g) Goodwill
This corresponds to the cancellation of the amortisation of goodwill recorded in the Consolidated Profit and Loss Account prepared according to GCA principles.

6. Real estate investments

This caption includes property for rent carried at fair value. At December 31, 2005 and 2004, this property was valued by C.B. Richard Ellis, S.A., specialists in appraising this kind of investment.

The geographical distribution of the fair value is as follows:

	31/12/2005	31/12/2004
Madrid	191,674	178,073
Barcelona and Tarragona	37,065	33,175
Palma de Mallorca	22,420	21,216
Rest	1,665	1,625
TOTAL	252,824	234,089

Movement in the real estate investments account is as follows:

Balance at 1/1/04	220,702
Additions	2,327
Revaluation at 31/12/04	11,060
Balance at 31/12/04	234,089
Additions	969
Retirements	(1,010)
Revaluation	18,776
Balance at 31/12/05	252,824
Surface area above ground level (m^2)	98,633
Rented surface area	95,949
% surface area unoccupied	2.7%

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

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

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

7. Tangible fixed assets

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

	Property	Other fixed assets	Total
Cost:			
Balance at 1/1/04	23,375	3,556	26,931
Additions	49	175	224
Balance at 31/12/04	23,424	3,731	27,155
Additions	17	158	175
Balance at 31/12/05	23,441	3,889	27,330
Accumulated depreciation:			
Balance at 1/1/04	(2,175)	(1,580)	(3,755)
Additions	(1,012)	(159)	(1,171)
Balance at 31/12/04	(3,187)	(1,739)	(4,926)
Additions	(1,012)	(129)	(1,141)
Balance at 31/12/05	(4,199)	(1,868)	(6,067)
Net tangible fixed assets at 31/12/04	20,237	1,992	22,229
Net tangible fixed assets at 31/12/05	19,242	2,021	21,263

At January 1, 2004, TINSA, Tasaciones Inmobiliarias, S.A. valued the head offices of Corporación Financiera Alba, S.A. and Unipsa Correduría de Seguros, S.A. A summary of this valuation is shown below:

	Book value	Appraisal value	Revaluation
Castelló, 77 (4th and 5th) … … … … … … …	5,568	13,950	8,382
Lagasca, 88… … … … … … … … … … … … …	2,665	7,250	4,585
	8,233	21,200	12,967

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

8. Shareholdings in associates

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

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

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

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

Changes in this caption in 2004 are shown in the following table:

Company	Consolidated Profit (loss) at 1/1/05	Resultados participados	Dividends received	Adquisi-tions/ disposals	Changes in consolidated net equity of affiliates	Transfer to assets held for sale	Consolidated cost at 31/12/05	Stock market value at 31/12/05
Acerinox, S.A.… … … … … … …	155,783	32,585	(5,033)	96,032	(4,358)	—	275,009	323,266
ACS, Actividades de Construcción y Servicios, S.A. … … … … … …	310,790	70,644	(14,079)	100,658	(6,696)	—	461,317	921,033
Antevenio, S.A. … … … … … … …	175	—	—	—	—	—	175	n.p.
Carrefour, S.A. … … … … … … …	231,198	57,676	(17,603)	(5,268)	(6,755)	—	259,248	837,545
Havas, S.A.… … … … … … … … …	27,166	—	(576)	(21,114)	—	(5,476)	—	n.p.
March Gestión de Fondos, S.G.I.I.C., S.A. … … … … … …	1,297	68	—	—	—	—	1,365	n.p.
March Gestión de Pensiones, S.G.F.P., S.A. … … … … … … …	949	12	—	—	—	—	961	n.p.
Quavitae, S.A. … … … … … … …	3,266	—	—	(3,266)	—	—	—	n.p.
Rablin, S.A. … … … … … … … …	1,175	—	—	(1,175)	—	—	—	n.p.
March Correduría de Seguros, S.A.	28	686	—	—	—	—	712	n.p.
Urquijo Correduría de Seguros, S.A. … … … … … …	25	40	—	—	—	—	66	n.p.
GDS Correduría de Seguros, S.A.	12	784	(677)	—	—	—	120	n.p.
Carrefour Correduría de Seguros, S.A. … … … … … …	26	(4)	—	—	—	—	22	n.p.
TOTALES … … … … … … … …	731,890	162,491	(37,968)	165,867	(17,809)	(5,476)	998,995	

The change in the net equity of Acerinox, S.A. relates to the fixed asset valuation criteria for foreign companies, which changed from the historical to the closing exchange rate, as well as to the depreciation of the dollar. For ACS, Actividades de Construcción y Servicios, S.A. changes correspond mainly to retirement of treasury stock purchased at more than underlying book value and to translation differences.

Profit (loss) from the disposal of investments in affiliates recorded under "Profit (loss) from the disposal of non-current assets" in the accompanying Profit and Loss Account are as follows:

	31/12/2005	31/12/2004
Acerinox, S.A.	937	570
ACS, Actividades de Construcción y Servicios, S.A.	1,039	290
Carrefour, S.A.	—	(1,395)
Havas, S.A.	—	24,452
Quavitae, S.A.	—	2,683
Rablin, S.A.	—	(91)
TOTAL	1,976	26,509

Information regarding the financial statements of affiliated companies is provided below:

	Assets		Liabilities			
For 2005	Current	Non-current	Current	Non-current	Sales	Consolidated profit (loss)
Acerinox, S.A.	1,942,460	1,704,525	1,085,899	509,697	4,213,559	154,468
ACS, Actividades de Construcción y Servicios, S.A.	8,176,753	9,535,737	9,296,055	5,780,911	12,113,886	608,657
Antevenio, S.A.	4,539	526	3,625	—	5,766	770
March Gestión de Fondos, S.G.I.I.C., S.A.	8,430	123	4,289	—	9,430	456
March Gestión de Pensiones, S.G.F.P., S.A.	3,574	17	802	—	1,769	44
March Correduría de Seguros, S.A.	6,597	1,208	6,121	32	4,860	1,577
Urquijo Correduría de Seguros, S.A.	2,569	14	2,361	21	1,763	129
GDS Correduría de Seguros, S.A.	6,314	267	5,840	87	8,469	3,317
Carrefour Correduría de Seguros, S.A.	5,824	5	5,497	8	3,965	236

For 2004	Assets		Liabilities		Sales	Consolidated profit (loss)
	Current	Non-current	Current	Non-current		
Acerinox, S.A.	1,996,362	1,453,081	1,231,235	281,510	4,035,769	313,360
ACS, Actividades de Construcción y Servicios, S.A.	6,991,339	5,408,301	7,812,558	2,567,892	10,817,883	452,491
Antevenio, S.A.	2,709	450	2,458	32	3,221	224
March Gestión de Fondos, S.G.I.I.C., S.A.	6,734	104	2,939	—	6,862	194
March Gestión de Pensiones, S.G.F.P., S.A.	3,382	20	657	—	1,500	34
March Correduría de Seguros, S.A.	3,806	1,066	2,812	27	4,956	1,961
Urquijo Correduría de Seguros, S.A.	2,692	15	2,500	20	1,674	115
GDS Correduría de Seguros, S.A.	3,022	250	2,821	87	6,086	2,376
Carrefour Correduría de Seguros, S.A.	2,843	14	2,770	—	2,658	(15)

Notifications of changes in shareholdings:

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

In 2004, the Company provided notification to:

Acerinox, S.A. that it had reached a shareholding of	10.43 %
Actividades de Construcción y Servicios, S.A. that it had reached a shareholding of	15.55 %
Quavitae, S.A., that it had sold a shareholding of	21.53 %
Rablin, S.A., that it had sold a shareholding of	40.00 %

In 2005 no notification was given.

9. Financial assets held for sale

The detail of this caption as of December 31, 2005 and 2004, is as follows:

	2005				2004			
		Fair value				Fair value		
	% share-holding	In thousands of euros	In foreign currency	Revaluation reserves	% share-holding	In thousands of euros	In foreign currency	Revaluation reserves
Listed shares								
Carrefour, S.A. … … … … … …	2.53	705,316	—	519,601	—	—	—	—
Havas, S.A.… … … … … … … …	—	—	—	—	0.63	11,259	—	5,783
Prosegur, Compañía de Seguridad, S.A. … … … …	5.23	62,397	—	11,869	5.23	46,766	—	(3,496)
Spirent, plc … … … … … … …	0.58	3,965	2,728 £	0	0.66	6,678	4,709 £	1,340
Vodafone group, plc… … … … …	—	—	—	—	0.07	72,889	32,560 £	62,020
		771,678		531,470		137,592		65,647
Unlisted shares								
C. E. Extremadura, S.A. … … …	2.55	417	—	—	2.55	438	—	—
Celtel International BV … … …	0,45	12,715	15,041 $	8,736	3.32	26,524	36,179 $	—
GEA, S.A. … … … … … … … …	—	—	—	—	32.93	199	—	—
Xfera, S.A. … … … … … … … …	11.35	0	—	—	11.29	0	—	—
Others, S.A. … … … … … … …	—	4,036	—	2,964	—	4,191	—	—
		17,168		11,700		31,352		—
Total … … … … … … … … … …		788,846		543,170		168,944		65,647

Profit (loss) from the disposal of financial assets held for recorded under "Profit (loss) from the disposal of non-current assets" in the accompanying Profit and Loss Account are as follows:

	31/12/2005		31/12/2004	
	%	Amount	%	Amount
Banco Urquijo, S.A. … … … … …	—	—	9.98	15,694
Carrefour, S.A. … … … … … …	0.89	163,407	—	—
Celtel International B.V. … … …	2.55	43,720	—	—
Gestión de Explotaciones Aeroportuarias, S.A. … … … …	32.93	(389)	—	—
Havas, S.A.… … … … … … … …	0.63	6,573	—	—
Princes Gate ……………………	—	715	—	3,808
Prosegur, Compañía de Seguridad, S.A. … … … …	0.44	1.142	—	—
Vodafone Group, plc … … … …	0.07	89,201	0.06	63,526
Others … … … … … … … … …	—	251	—	890
TOTAL … … … … … … … …		304,620		83,918

10. Other financial assets and other non-current liabilities

The caption "Other financial assets" includes deposits made with public bodies for guarantees received from customers, that are recorded under "Other non-current liabilities".

11. Customers and other receivables

The detail of this caption as of December 31, 2005 and 2004, is as follows:

	2005	2004
Customers … … … … … … … … … … … … … … … …	3,097	31
Sundry debtors … … … … … … … … … … … … … …	7,983	6,263
	11,080	6,294

Receivables from customers do not accrue interest.

12. Financial assets held for trading

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

The detail of this caption as of December 31, 2005 and 2004, by currency, is as follows:

	2005		2004	
Currency	000s of euros	In foreign currency	000s of euros	In foreign currency
In euros	51,056	—	3,838	—
In dollars	5,140	6,087	—	—
In pounds	6,648	4,575	—	—
	62,844	10,662	3,838	—

13. Cash and equivalent

The detail of this caption as of December 31, 2005 and 2004, is as follows:

	2005	2004
Cash and banks	1,624	4,155
Short term deposits and investments	5,434	1,575
	7,058	5,730

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

Maturity of short term deposits varies between one day and three months depending on Alba's immediate liquidity requirements and these accrue market interest rates.

14. Net equity

At December 31, 2005 share capital was represented by 66,460,000 bearer shares with a par value of €1 each, fully subscribed and paid up, all of which are listed on the continuous market of the Spanish Stock Exchanges (Sociedad de Interconexión Bursátil Española). On January 2006, as a consequence of the resolution approved at the General Meeting held on December 14, 2005, 860,000 shares were retired so share capital is now represented by 65,600,000 shares. At December 31, 2004 share capital was represented by 66,800,000 bearer shares with a par value of €1 each, fully subscribed and paid up, all of which are listed on the continuous market of the Spanish Stock Exchanges (Sociedad de Interconexión Bursátil Española).

The shareholders of Corporación Financiera Alba, S.A. in their General Meeting of May 26, 2004 agreed to grant the Board of Directors the authority to increase share capital one or more times up to a maximum total of 50% of share capital, against cash contributions, within a maximum period of five years, with this power not having been exercised to date.

Corporación Financiera Alba, S.A. forms part of Banca March Group, which owns more than 50% of its share capital. This group is defined pursuant to Bank of Spain Circular 5/1993 of March 26, 1993, Rule 2, Section 2 as a consolidated group of credit institutions formed by two more companies that are consolidable due to their business, in which a group of private individuals acting systematically in collaboration control various Spanish credit institutions.

In this case, control of the Banca March group is exercised by Mr. Juan, Mr. Carlos, Ms. Gloria and Ms. Leonor March Delgado, who jointly control 100% of the share capital of Banca March, S.A., without any doing so individually as a result of either their shareholding or any agreement, without any doing so individually, Banca March, S.A. and shareholders at year-end jointly controlled 62.163%.

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

	2005	2004
Changes arising from currency differences in the consolidated net equity of affiliates	24,453	(7,200)
Due to revaluation of assets held for sale	543,170	65,647
TOTALS	567,623	58,447

Movements in treasury stock in 2005 and 2004 is as follows:

	No. of shares	Percentage of share capital	Average price of acquisition euros/share	000s of euros
At January 1, 2004	956,758	1.42%	22.07	21,115
Acquisitions	557,321	n.p.	23.73	13,224
Retirements (General Meeting 25/05/04)	(719,781)	n.p.	22.65	(16,306)
At December 31, 2004	794,298	1.19%	22.70	18,033
Acquisitions	406,702	n.p.	33.79	13,337
Retirements (General Meeting 25/05/05)	(340,000)	n.p.	25.62	(8,712)
At December 31, 2005	861,000	1.29%	26.32	22,658

On May 25, 2005 the General Meeting of Shareholders resolved to retire 340,000 shares and on December 14, 2005 resolved to retire 860,000 shares.

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

15. Provisions

Movement in provisions in 2005 and 2004 are as follows:

	2005	2004
Balance at January 31	22,575	23,817
Allocations	472	855
Reversals	(1,239)	(35)
Applications	(543)	(2,062)
Balance at December 31	21,265	22,575

Allocations include financial adjustments from updating the provision for the 1991 corporate income tax inspection assessment which was paid in February 2006 in an amount of 9,111 thousand euros.

16. Suppliers and other payables

The detail of this caption as of December 31, 2005 and 2004, is as follows:

	2005	2004
Trade payables	21,286	17,248
Compensation pending payment	2,528	2,478
Social security payable	98	42
Not due accrued interest	423	1,512
Others	2	88
TOTAL	24,337	21,368

17. Debts with credit institutions

The composition of this heading at December 31, 2005 by maturity is as follows:

Bank	Balance drawn down at 31/12/05	Maturity	Balance drawn down at 31/12/04
Banca March	27,135	13/01/2006	59,917
BBVA	4,232	11/02/2006	32,724
SCH	19,691	02/04/2006	44,072
Banesto	1,202	15/04/2006	43,715
Barclays	1,131	23/06/2006	9,201
La Caixa	894	31/07/2006	19,731
Caja Madrid	—		20,000
TOTAL	54,285		229,360
Limit granted	455,000		475,000

Interest is generally paid on a quarterly basis.

These loans accrue market interest rates.

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

18. Risk management objectives and policies

Cash flow interest rate risk

The group is exposed to this risk mainly through short term debts with credit institutions at variable interest rates.

Alba's financing is short term with variable interest.

Exchange rate risk

Alba's balance sheet could be affected by fluctuations in the exchange rates of the currencies mentioned in notes 9 and 13 and for the amounts reflected therein.

Stock market risk

The accompanying consolidated balance sheet includes investments in listed companies whose fair value according to their share prices at the end of 2005 amounted to 2,912 million euros. A 1% change in the listed price represents a variation of 29 million euros. These investments are in the main of a permanent nature and their hedging would not be financially viable.

Alba uses derivative instruments to manage the purchase and sale of listed shares.

Credit risk

The Group only trades with recognised and solvent third parties. Its policy is to verify the payment capacity of all its customers, requesting additional guarantees when it sees fit. In addition, accounts receivable are subject to continuous monitoring so exposure to default risk is not significant.

Liquidity risk

Alba's liquidity management is based on short term instruments (deposits whose maturity varies between one day and three months) and cash to cover envisaged liquidity requirements.

19. Tax matters

Alba Participaciones has filed under the rules for holding companies of foreign securities and together with Corporación Financiera Alba, S.A. and Unipsa, Correduría de Seguros, S.A. are subject to the corporate group taxation system.

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

	2005	2004
Consolidated profit for the year attributable to the parent company	444.269	255.576
Permanent differences due to consolidation adjustments	(36.758)	(263.139)
Book result of companies under consolidated tax regime	407.511	(7.563)
Permanent differences		
Corporate income tax	29.205	21.136
For dividends and capital gains under rules for holding companies of foreign securities	(238.872)	(34.380)
For dividends distributed between companies in the consolidated tax group	(97.129)	(34.533)
Others	(505)	(808)
Timing differences		
Contribution to alternative pension plans and insurance premiums	1.086	1.223
Reversal of provision for deferred profits	(71.930)	(52.468)
Intra-group transactions in the consolidated tax group	(635)	(8.610)
Others	72	(253)
Taxable income	28.803	(116.256)
Corporate income tax charge (35%)	10.081	—
Deductions	(10.081)	—
Tax payable	0	0

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

	2002	2003	2004	2005	Suma
Gains cancelled ……	203.555	(79.157)	(52.468)	(71.930)	0
Prepaid tax ………	66.563	(23.024)	(18.364)	(25.175)	0

The 25,175 thousand euros for 2005 and the 18,364 thousand euros for 2004 plus the withholdings for each year at source on the dividends paid by foreign companies is the corporate tax expense shown in the "Corporate tax expense" caption of the accompanying Profit and Loss Account.

In 2005, the consolidated tax group obtained 13 thousands euros of profit on the sale of assets that were included in the deduction for the reinvestment of extraordinary profits, in accordance with section 36ter of the Corporate Income Tax Act (Ley del Impuesto sobre Sociedades). The proceeds of the sale equalled 511 thousand euros and were fully reinvested in 2004.

In 2002, the consolidated tax group obtained 90.5 million euros profit on the sale of assets that were included in the deduction for the reinvestment of extraordinary profits, in accordance with section 36ter of the Corporate Income Tax Act (Ley del Impuesto sobre Sociedades). The proceeds of the sale equalled 112.5 million euros and were fully reinvested in the same year. The legal period for keeping the investment ended in 2005.

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

Year of expiry	Tax loss carryforward	Deductions from charge
2011	—	5,517
2012	—	10,798
2013	—	196
2014	73	131
2015	35,619	3
2016	12,444	—
2018	66,027	—
2019	116,256	—
TOTAL	230,419	16,645

Financial years 2001 and following of Corporación Financiera Alba, S.A. are subject to audit by the tax authorities. It is estimated that any additional taxes that might arise as a result of these tax audits would not be material.

20. Guarantees provided to third parties and other contingent liabilities

The detail of guarantees and contingent liabilities as of December 31, 2005, is as follows:

	2005	2004
Counter-guarantee for bank guarantees in favour of Xfera Móviles, S.A.	38,683	35,318
Guarantees given for tax assessments	7,015	7,015
Guarantees given for the sale of the shareholding in Banco Urquijo, S.A.	9,960	6,813
Other guarantees	1,000	2,279
TOTAL	56,658	51,425

21. Headcount

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

	2005	2004
Degree holders … … … … … … … … … … … … …	20	20
Administrative assistants … … … … … … … … … …	23	22
Others … … … … … … … … … … … … … … … … …	4	2
TOTAL … … … … … … … … … … … … … … … … …	47	44

22. Reporting by segments

The following tables show information about the revenue and profit (loss) and certain information about assets and liabilities related to the Group's business segments for the years ended December 31, 2005 and 2004.

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

a) Segmentation by business lines

Reporting by segments 2005 (in thousands of euros)

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

Reporting by segments 2004 (in thousands of euros)

	Property rental	Insurance brokerage	Securities investment	Sale of inventories	Company total
Segment revenue and expenses					
Revenue from rentals, insurance premiums and others	14,046	7,607		589	22,242
Profit from sale			110,427		110,427
Share in profit (loss) of affiliated companies			162,491		162,491
Dividends received			2,589		2,589
Increase (decrease) in fair value	11,060		32		11,092
Impairment (reversal) of assets			(5,107)		(5,107)
Segment expenses	(2,684)	(4,977)		(263)	(7,924)
Resultado del segmento	22,422	2,630	270,432	326	295,810
Expenses not assigned to segments					
Personnel costs					(10,431)
Other expenses					(2,861)
Depreciation and amortisation					(1,203)
Net financial expenses					(4,899)
Profit (loss) before tax and minority interests					276,416
Corporate income tax					(20,289)
Minorities					(551)
Net profit (loss) for the year					255,576
Assets and liabilities					
Segment assets	236,243	16,582	1,196,952	454	1,450,231
Unassigned assets					18,127
Total assets					1,468,358
Segment liabilities	2,047	12,005	489		14,541
Unassigned liabilities					261,746
Total liabilities					276,287

b) Segmentation by geographical region

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

23. Other revenues and expenses

a) Personnel expenses

The detail of this caption as of December 31, 2005 and 2004, is as follows:

	2005	2004
Salaries	17,169	11,096
Social security expenses...	981	884
Alternative pension plan systems	1,269	1,056
Insurance premiums	169	167
Other social expensess	385	309
TOTAL	19,973	13,512

b) Financial revenue

The detail of this caption as of December 31, 2005 and 2004, is as follows:

	2005	2004
Dividends	26,607	3,390
Other financial revenue	2,700	3,126
TOTAL	29,307	6,516

24. Associated parties

In 2005, the following transactions were carried out:

Description of the operation	Amount	Associated Party
Operations Carried out with Core Shareholders of the Company		
Operating lease contracts	367	CIMSA
Interest charged	1,213	Banca March
Unpaid accrued interest	337	Banca March
Provision of services	157	Banca March
Provision of services	220	March Vida
Financing arrangements: loans	60,000	Banca March
Guarantees	35,458	Banca March
Dividends and other distibuted profit	4,953	Banca March
Interest paid	163	Banca March
All operations carried out with Banca March correspond to the company's ordinary business and are carried out under normal market conditions.		
Operations Carried out with Company Directors and Management		
Remuneration	7,832	Consejo + Diretivos
Contributions to pension plans and life insurance	745	Consejo + Diretivos
Remuneration includes the amount accrued during the year corresponding to the stock options exercised in May 2005.		
Operations Carried out between Group Personnel, Companies or Entities		
Provision of services	1,735	Unipsa, Correduría de Seguros, S.A.
Insurance premiums under market conditions brokered by Unipsa, Correduría de Seguros, S.A. that correspond to the company's ordinary business.		
Operations Carried out with other Associated Parties		
Provision of services	63,015	Varios (a)
Co-operation agreements	110	Varios (b)
Operating lease contracts	179	Varios (c)
Dividends and other distibuted profit	31,144	Varios (d)

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

25. Remuneration of the Board of Directors and of Senior Management

The Company and its subsidiary Alba Participaciones, S.A. have recorded the following amounts as remuneration earned by members of the Board of Directors of Corporación Financiera Alba, S.A. and of Senior Management.

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

The Senior Management item includes the accrual of extraordinary variable remuneration linked to the net asset value of the share and maturing in 3 years.

In 2004	No. of persons	Salary and others	Stock options	Board remuneration: Alba	Board remuneration: Group companies	Alternative pension plan systems and insurance
Non-executive Shareholder-nominated directors	3	—	—	246	90	10
Independent non-executive directors	4	—	—	120	—	—
Other non-executive directors	1	—	—	30	—	—
Executive directors	3	1,579	478	90	—	650
Senior management	7	1,667	677	—	—	534

Directors receive no additional remuneration for participation in Board committees.

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

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

Name	Company	Activity	Shareholding	Functions
Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	Banking	1.54%	Director
Alfredo Lafita Pardo	Diana, Sdad. Capital Riesgo, S.A.	Venture capital	n.s.	Chairman
Manuel Soto Serrano	Banco Santander Central Hispano	Banking	n.s.	4th Vice-chairman
Luis Ángel Rojo Duque	Banco Santander Central Hispano	Banking	n.s.	Director

26. Remuneration of auditors

The amount of fees accruing to Ernst & Young was 50,000 euros. This corresponded entirely to the audit services for the 2005 Individual and consolidated Annual Accounts. Fees paid to other auditors for the accounts for 2004 amounted to 62,500 euros.

27. Post-balance sheet events

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

- In January 2006, the Spanish Securities Exchange Commisison was informed of the sale of the shareholding in Carrefour, S.A. from which cash of 678 million euros and capital gains of 493 million euros have been obtained in 2006.

- In January 2006, ACS, Actividades de Construcción y Servicios, S.A. was informed that the Group's shareholding now amounts to 20.007%.

- In February 2006, the additional assessment in respect of corporate income tax for 1991 that had been provided for was paid (note 15).

28. Explanation added for translation to English

These consolidated financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

CONSOLIDATED REPORT OF THE DIRECTORS 2005

1. Company business and financial position

The consolidated Annual Accounts at December 31, 2005 provide a true and fair view of the net worth, financial position, earnings and business performance of the Company and have been prepared by the Company Board of Directors.

During the 2005 financial year Grupo Alba business consisted of:

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

2. Significant post-balance sheet events

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

- In January 2006, the Spanish Securities Exchange Commisison was informed of the sale of the shareholding in Carrefour, S.A. from which cash of 678 million euros and capital gains of 493 million euros have been obtained in 2006.
- In January 2006, ACS, Actividades de Construcción y Servicios, S.A. was informed that the Group's shareholding now amounts to 20.007%.
- In February 2006, the additional assessment in respect of corporate income tax for 1991 that had been provided for was paid.

3. Projected evolution of the Company

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

4. Research and development activities

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

5. Acquisitions and disposals of treasury stock

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

	Number of shares	Percentage of share capital	Average acquisition price €/share	Thousands of euros
Balance at January 1, 2004 … …	956,758	1.42%	22.07	21,115
Acquisitions… … … … … … …	557,321	n.p.	23.73	13,224
Retirements (Shareholders' meeting 25/05/04) … … … …	(719,781)	n.p.	22.65	(16,306)
Balance at December 31, 2004 …	794,298	1.19%	22.70	18,033
Acquisitions… … … … … … …	406,702	n.p.	32.79	13,337
Retirement (Shareholders' meeting 25/05/05) … … … …	(340,000)	n.p.	25.62	(8,712)
Balance at December 31, 2005 …	861,000	1.29%	26.32	22,658

REPORT
ON THE WORK OF THE AUDIT COMMITTEE IN 2005

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 current recommendations on good governance of listed companies, in particular the recommendations of the Aldama Committee, in its report (the "Aldama Report") published on 8 January 2003.

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

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

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

II. Functions of the Audit Committee

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

- Report to the General Meeting on matters within its remit raised by shareholders.

- Submit to the Board of Directors a proposal regarding the appointment of the external auditors, for submission to the General Meeting.

- Oversee the internal audit function, if any.

- Report on the Company's financial reporting and internal control systems.

- Conduct relations with the external auditors to gather information on matters liable to affect the external auditors' independence and any other matters concerning the auditing of the Company's accounts, and make any other disclosures required by auditing rules or regulations.

III. Membership

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

As a result of the new legal requirements regarding the Audit Committee and the amendments to the Company's by-laws and Board of Directors Regulations, the members of the Audit Committee were newly appointed by the Board of Directors at its meeting held on 22 May 2003. The members of the former Audit and Compliance Committee were effectively confirmed in their positions.

The members of the Audit Committee in 2005 were: Manuel Soto Serrano as Chairman; Francisco Verdú Pons and Enrique Piñel López as members; and José Ramón del Caño Palop as Secretary. The Chairman is an independent non-executive director and the other two members are non-executive directors.

IV. Operations and activities

The Committee's activities are governed by article 47 of the Company's by-laws and articles 29 to 34 of the Board of Directors Regulations, which regulate everything to do with meetings, notices, quorums, adoption of resolutions, minutes, relations with the Company's Board of Directors and management, and authority to request information on any aspect of the Company and to seek the advice of outside experts.

During 2005, the Audit Committee met five times. The matters discussed at these meetings, on which the Committee had all the necessary information and documentation, were:

- Review of periodic financial reports for submission to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

- External audit of the Company's annual accounts.

- Risk identification and internal control system.

- Compliance with the law and with internal regulations.

a) Review of periodic financial reports

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

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

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

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

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

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

At the same time, the audit plan for the 2005 audit, whose budget was approved in a different meeting, was presented and the impact of International Financial Reporting Standards on Corporación Financiera Alba was discussed.

Lastly, the Committee debated the appointment of the external auditors and presented a proposal to the Board for submission to the General Meeting. The performance of the Company's current auditors in the years to 2004 was considered satisfactory, but it was decided that a change was in order. Consequently, the Committee's proposal to the Board, for submission to the General Meeting, was that Ernst & Young, S.L. be appointed auditors. This proposal was approved at the General Meeting held on 25 May 2005, initially for a period of three years, starting in 2005. The Company's new auditors presented their audit plan for the 2005 audit, and the Audit Committee approved the proposed budget.

c) Risk identification and internal control system

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

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

No material incident in relation to risk identification and internal control was detected during 2005.

d) Regulatory compliance

As required by article 26.c) of the Board of Directors Regulations, the Audit Committee hereby provides the following, more detailed report on the Company's compliance with legal requirements and internal regulations.

First, the Committee confirms that the Company has the necessary organization to guarantee compliance with applicable law. Specifically, the Company has its own legal advisory service, tax advisory service 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's actions remain, in form and substance, within the law, respecting both statutory obligations and company procedures and rules of governance.

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

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

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

Lastly, in this same area of responsibility, the Audit Committee examined the proposal for an Annual Corporate Governance Report. Said proposal was subsequently ratified by the Board of Directors. It also reviewed the Report submitted by the Supervisory Body set up under the Company's Code of Conduct on measures taken to meet the requirements of said Code.

In addition, the Committee monitored developments on the Company's web site, which is fully compliant with current regulations.

In view of all the above, the Committee considers that the Company's compliance with corporate governance regulations is satisfactory. The Company not only fulfils its current legal obligations, but has implemented the recommendations issued by the relevant authorities.

Madrid, 27 February 2006

ANNUAL CORPORATE GOVERNANCE REPORT 2005

Company name: CORPORACION FINANCIERA ALBA, S.A.
C.I.F. A28060903

Registered office: CASTELLO, 77 - 5ª PLANTA
MADRID
28006
ESPAÑA

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLIC LISTED COMPANIES

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

A. Ownership structure

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

Date last changed	Share capital (€)	Number of shares
31-01-2006	65,600,000.00	65,600,000

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

Class	Number of shares	Unit face value

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

Name or company name of shareholder	Number of shares directly owned	Number of shares indirectly owned	% of total share capital
Banca March, S.A. (see Section G)	18,029,947	23,644,587	62.387
Arnhold and S. Bleichroeder Adviser LLC (see Section G)	0	7,301,240	10.390
State Street Bank and Trust Co. (see Section G)	7,723,088	0	11,773

(*) Through:

Name or company name of direct shareholder	Number of shares directly owned	% of share capital
March de Patrimonio, S.A.	1,569,830	2.350
March de Inversiones, S.A.	182,180	0.273
Igalca, S.A.	158,026	0.237
Syndication agreement (see Section A.6)	20,799,715	31.707
Société Générale International Sicav (see Section G)	387,040	0.590
First Eagle Global Fund (see Section G)	3,161,920	4.820
First Eagle Overseas Fund (see Section G)	2,256,640	3.440
ASB Diversified International Equity (see Section G)	400,160	0.610
UTA Retirement Systems	190,240	0.290
MacArthur Foundation	183,680	0.280
Other indirect shareholdings (see Section G)	594,992	0.907
Total	**29,884,423**	

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

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

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

Name or company name of director	Date first appointed	Date last appointed	Number of shares directly owned	Number of shares indirectly owned (*)	% total of share capital
Mr. Juan March Delgado	08-10-73	22-05-2002	6,231,118	1,959,925	12,486
Mr. Carlos March Delgado	22-06-1998	25-05-2000	7,674,616	662,594	12.709
Mr. Enrique Píñel López	28-05-1994	22-05-2003	12,426	0	0.019
Mr. Manuel Soto Serrano	26-05-1999	22-05-2003	0	8,952	0.014
Mr. Pablo Vallbona Vadell	26-06-1990	22-05-2002	6,937	0	0.011
Mr. Nicholas Brookes	26-05-1999	22-05-2003	2,487	0	0.004
Mr. Luis Angel Rojo Duque	25-09-2002	25-09-2002	152	0	0.000
Mr. Alfonso Tolcheff Álvarez	26-05-1998	22-05-2002	1,519	0	0.002
Mr. Alfredo Lafita Pardo	22-06-1998	22-05-2004	0	0	0 000
Mr. Isidro Fernandez Barreiro	28-05-1994	22-05-2002	0	0	0.000
Mr. Francisco Verdú Pons	26-05-1998	22-05-2002	0	0	0.000

(*) Through:

Name or company name of direct shareholder	Number of shares directly owned
M.B. Inversiones, S.A.	1,504,936
Ampuero, S.A.	809
Jorge Juan 35, S.L.	108,427
Fundación Juan March	344,554
Mª Antonia Juan Garau	1,199
Títulos Caspe, C.A.	385,693
Cosgaya, S.L.	698
Citadel, S.L.	15,972
Agropecuario Altarejos, S.L.	198,532
Tauton, S.L.	19,886
Encinalejo, S.L.	41,813
Ace Global, Simcav, S.A.	8,952
Total	**2,631,471**

% total share capital held by Board of Directors	25.245%

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

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

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

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

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

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

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

Participants in shareholder agreement	% of share capital affected	Brief description
Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado	62.163	Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own all the shares in Banca March, S.A., which also has a significant shareholding in Corporación Financiera Alba, S.A. The above persons on May 24, 2004 signed a shareholder agreement relating to the abovementioned banking institution that also affects Corporación Financiera Alba, S.A. given its shareholder position in Corporación Financiera Alba, S.A. The agreement lasts until March 31, 2015 and is the renewed version of the agreement signed on March 10, 1980 and amended on May 4, 1994. Taking into account the shareholdings of both Banca March, S.A. and the shareholders signing the agreement, they did and still do exercise joint and coordinated control of Corporación Financiera Alba, S.A. The abovementioned agreement does not set limits on the transferability of the shares in Corporación Financiera Alba, S.A. but does affect the exercise of voting rights of related shares belonging to signatories to the agreement.

If applicable, describe the coordinated activities between shareholders of which the Company is aware:

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

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

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

Name or company name
Banca March, S.A.

Observations
Corporación Financiera Alba, S.A. forms part of the Banca March Group, which owns more than 50% of its share capital. Control of the Banca March Group is exercised by Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado, who jointly control 100% of the share capital of Banca March, S.A. wi hout any of these doing so individually, as indicated in section A.6. There is a shareholder agreement signed between the abovementioned persons on May 24, 2004. Banca March, S.A. and its shareholders on December 31, 2005 jointly controlled 62.163% of Corporación Financiera Alba, S.A., without any of these doing so individually.

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

At year-end:

Number of directly owned shares	Number of indirectly owned shares(*)	% total of share capital
861,000	0	1,313

(*) Through:

Name or company name of direct shareholder	Number of directly owned shares
Total:	**552,000**

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

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

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

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

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

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

Authorisations valid in 2005 were those agreed by the General Meetings of May 25, 2004 and May 25, 2005, respectively lasting until June 30, 2005 and June 30, 2006.

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

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

B. Structure of the Company's management

B.1. Board of Directors.

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

Maximum number of directors	15
Minimum number of directors	7

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

Director name or company name	Representative	Post on Board	Date first appointed	Date last appointed	Appointment procedure
Mr. Juan March Delgado		Co-Chairman	08-10-73	22-05-2002	Meeting
Mr. Carlos March Delgado		Co-Chairman	22-06-1998	25-02-2004	Meeting
Mr. Pablo Vallbona Vadell		Vice-Chairman	26-06-1990	22-05-2002	Meeting
Mr. Isidro Fernandez Barreiro		Managing Director	28-05-1994	22-05-2002	Meeting
Mr. Enrique Píñel López		Director	28-05-1994	22-05-2003	Meeting
Mr. Nicholas Brookes		Director	26-05-1999	22-05-2003	Meeting
Mr. Manuel Soto Serrano		Director	26-05-1999	22-05-2003	Meeting
Mr. Alfredo Lafita Pardo		Director	22-06-1998	22-05-2004	Meeting
Mr. Luis Angel Rojo Duque		Director	28-09-2002	28-09-2002	Meeting
Mr. Alfonso Tolcheff Álvarez		Director	26-05-1998	22-05-2002	Meeting
Mr. Francisco Verdú		Director	26-05-1998	22-05-2002	Meeting

Pons					

Total number of directors	11

Specify terminations in the Board of Directors in the period:

Name or company name of director	Termination date

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

Executive Directors

Name or company name of director	Committee proposing appointment	Post in Company organisational chart
Mr. Pablo Vallbona Vadell		Vice-Chairman
Mr. Isidro Fernandez Barreiro		Managing Director

Owner Directors

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

Independent Directors

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

Other External Directors

Name or company name of director	Committee proposing appointment
Mr. Alfonso Tolcheff Alvarez	
Mr. Enrique Piñel López	

Detail the reasons for not being considered as owner-shareholder or independent:

Mr. Alfonso Tolcheff Álvarez was appointed as Director mainly by virtue of his position as Managing Director of Banco Urquijo, a company in which the March Group had a majority shareholding at the time. This no longer applies and so he is considered as an External Director but not included as either owner-director or independent.

Mr. Enrique Piñel López ceased to be an executive of the Company, effective December 31, 2004, but retained his position as a Director. Consequently, from that date he is considered an External Director.

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

Name or company name of director	Date of change	Previous status	Current condition
Mr. Enrique Piñel Lopez	01-01-2005	Executive Director	Other External Director

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

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

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

Name or company name of director	Brief description
Mr. Isidro Fernández Barreiro	The managing director has been delegated authority in the area of Company staff matters, as well with a broad scope in representing the Company and recruitment.

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

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

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

Name or company name of director	Listed company	Post
Mr. Pablo Vallbona Vadell	ACS, Actividades de Construcción y Servicios, S.A.	Vice-Chairman
Mr. Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Vice-Chairman
Mr. Isidro Fernández Barreiro	ACS, Actividades de Construcción y Servicios, S.A.	Director
Mr. Isidro Fernández Barreiro	Prosegur, S.A.	Director
Mr. Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	Director
Mr. Alfredo Lafita Pardo	Zeltia, S.A.	Director
Mr. Manuel Soto Serrano	Banco Santander Central Hispano, S.A.	Third Vice-Chairman
Mr. Manuel Soto Serrano	Indra Systems, S.A.	Second Vice-Chairman
Mr. Luis Angel Rojo Duque	Banco Santander Central Hispano, S.A.	Director

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

a) At the company subject to this report

Remuneration item	000s of €
Fixed remuneration	1,105
Variable remuneration	865
Expenses	0
Statutory attendance	0
Options on shares and/or other financial instruments	877
Other	0
Total	2,847

Other benefits	000s of €
Advances	0
Loans granted	0
Pension plan and fund contributions	258
Pension plan and fund commitments assumed	0
Life insurance premiums	39
Guarantees given by the Company in favour of directors	0

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

Remuneration item	000s of €
Fixed remuneration	66
Variable remuneration	0
Expenses	0
Statutory attendance	0
Options on shares and/or other financial instruments	0
Other	0
Total	66

Other benefits	**000s of €**
Advances	0
Loans granted	0
Pension plan and fund contributions	0
Pension plan and fund commitments assumed	0
Life insurance premiums	0
Guarantees given by the Company in favour of directors	0

c) Total remuneration by director type:

Type of director	**Company**	**Group**
Executive	2,101	0
Owner directors	246	66
Independent	120	0
Other external	380	0
Total	2,847	66

d) Remuneration in relation to profit attributable to parent company

Total remuneration of directors (000s of €)	2,913
Total remuneration of directors/profit attributable to the parent company (in percentage)	0.660

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

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

Total remuneration of senior management (000s of €)	4,919

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

Number of beneficiaries	9

	Board of Directors	**General Meeting**
Body authorising the clauses		

	Yes	**No**
Is the General Meeting informed of these clauses		X

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

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

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

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

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

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

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

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

There were no amendments to the Board Regulations in 2005.

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

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

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

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

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

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

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

Yes		No	X

Measures to limit risks

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

Yes		No	X

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

Adoption of resolutions

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

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

Yes		No	X

Description of requirements

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

Yes	X	No	

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

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

Yes		No	X

Age limit of chairman	
Age limit of managing director	
Age limit of director	

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

Yes		No	X

Maximum number of years	

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

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

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

Number of board meetings	6
Number of board meetings without chairman present	0

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

Number of meetings of executive or delegated committee	0
Number of meetings of audit committee	5
Number of meetings of nominations and remuneration committee	1
Number of meetings of strategy and investment committee	0
Number of meetings of committee	0

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

Yes	X	No	

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

Name	Post
Mr. Isidro Fernández Barreiro	Managing Director
Mr. Ignacio Martínez Santos	Head of finance

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

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

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

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

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

Yes		No	X

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

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

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

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

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

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

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

Yes		No	X

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

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

	Company	Group
Number of continuous years	1	15

	Company	Group
Number of years audited by current audit firm/Number of years the company has been audited (in %)	5.000	5.000

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

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

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

Yes	X	No	

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

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

Yes X **No**

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

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

Yes **No** X

B.2. Committees of the Board of Directors

B.2.1. List the management bodies

Name of body	Number of members	Functions
Board of Directors	11	See article 44 of the articles of association
Audit Committee	3	See article 47 of the articles of association and articles 21 to 26 of the Board Regulations
Nominations and Remuneration Committee	3	See article 16 of the Board Regulations

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

Executive or delegated committee

Name	Post

Audit committee

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

Nominations and remuneration committee

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

Strategy and investment committee

Name	Post

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

Audit Committee.

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

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

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

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

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

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

f) Convening and meeting venue. The meeting of the Audit Committee shall be convened at least five days beforehand by the Secretary of the Committee. Notification to each member should include the meeting agenda, previously approved by the Chairman of the Committee.

The Audit Committee meetings shall normally be held at the registered office but may be held at any other place decided by the Chairman and given in the meeting notice. The Committee may be validly held without prior notice when all its members are present and accept it as being held. For reasons of urgency, the Committee may be called to meet with less than the minimum advance notice, in which case all members attending the meeting must agree on its urgency at the beginning of the meeting.

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

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

i) Areas of activity

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

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

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

Nominations and Remuneration Committee.

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee prepared a report on its activities in 2005.

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

There is no Executive Committee.

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

Yes		No	X

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

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

Yes	X	No	

C. Related-party transactions

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

Name or company name of significant shareholder	Name or company name of company or group firm	Type of operation	Type of relationship	Amount (000s of €)
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Financing agreements: loans (see Section G)	60,000
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Guarantees (see Section G)	35,458
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Dividends	4.953
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest charged	1,213
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest payable but unpaid	337
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Service provision	157
Banca March, S.A.	Corporación Financiera Alba, S.A.	Commercial	Interest paid	163
Cimsa	Corporación Financiera Alba, S.A.	Commercial	Operating lease agreements	367
March Vida	Corporación Financiera Alba, S.A.	Commercial	Service provision	220

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

Name or company name of director or senior officer	Name or company name of company or group firm	Type of operation	Type of relationship	Amount (000s of €)
Directors and Executives	Corporación Financiera Alba, S.A.	Remunera tion	Payment of remuneration (see Section G)	7,832
Directors and Executives	Corporación Financiera Alba, S.A.	Pension Plans	Contributions to pension plans	745

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

Company name of group firm	Brief description of operation	Amount (000s of €)
Unipsa Correduría de Seguros, S.A.	Insurance broking (see Section G)	1,735

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

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

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

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

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

D. Risk control systems

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

Bearing in mind the business of Corporación Financiera Alba, the main risks affecting it relate to its investee companies and properties it owns. With regard to investee companies, the main common risk is that inherent in the business of each, although securities market developments are also a factor for listed companies. Turning to real estate, since properties are intended for rental, the risks affecting these are those of the property market, that is, loss of income in the event they are unoccupied—particularly for those with a large floor area—changes in long-term interest rates, damage and non-payment.

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

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

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

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

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

No material incident was detected in this regard during 2005.

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

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

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

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

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

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

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

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

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

E General Meeting

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

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

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

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

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

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

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

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

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

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

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

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

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

Yes	X	**No**	

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

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

Following the coming into force of the Law on European Public Limited Companies headquartered in Spain (Law 19/2005 of November 4), which amends certain provisions of the Public Limited Companies Act concerning General Meetings, the Company decided to incorporate these amendments into the articles of association and the Regulations of the General Meeting.

The amendments are fairly limited and reflected those made to the articles of association, regarding: (i) the validity of Ordinary General Meetings even if called or held outside the normal legal time limit (article 16); (ii) the time that must elapse between the notice of a General Meeting and the actual meeting, which is now one month (article 18-1); and (iii) the option allowing shareholders representing at least 5% of the share capital to request that an annex to the notice of the Meeting be published detailing one or more additional items of business (article 18-2).

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

Attendance data

General Meeting date	% of physical attendance	% represented	% distance voting	Total %
25-05-2005	41.270	29.570	0.000	71
14-12-2005	57.210	25.800		83

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

General Meeting of May 25, 2005. Resolutions:
1.- Approval of both individual and consolidated annual accounts for the year ended December 31, 2004.

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

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

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

5.- Appointment of Ernst & Young, S.L. as external auditor of the company and consolidated group for an initial period of three years, starting in 2005.

6.- Reduction of share capital in the amount of 340,000 euros through the retirement of 340,000 own shares, and amendment of article 5 of the articles of association.

7.- Transfer to voluntary reserves of the €211,956.20 of the surplus in the legal reserve from the reduction of share capital.

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

9.- Approval of the Meeting minutes.

All the resolutions were adopted by majority, without any votes against and with the following abstentions:
Resolution 1: Four shareholders, owning a total of 325,924 shares and representing 0.48% of the share capital, who had delegated their votes and stated their intention to abstain.
Resolution 2: One shareholder, owning 5,341 shares and representing 0.008% of the share capital, who had delegated his vote and stated his intention to abstain.
Resolution 3: Two shareholders, owning 113,158 shares and representing 0.16% of the share capital, who had delegated their votes and stated their intention to abstain.
Resolution 4: One shareholder, owning 5,341 shares and representing 0.008% of the share capital, who had delegated his vote and stated his intention to abstain.
Resolution 5: One shareholder, owning 5,341 shares and representing 0.008% of the share capital, who had delegated his vote and stated his intention to abstain.
Resolution 6: One shareholder, owning 5,341 shares and representing 0.008% of the share capital, who had delegated his vote and stated his intention to abstain.
Resolution 7: One shareholder, owning 5,341 shares and representing 0.008% of the share capital, who had delegated his vote and stated his intention to abstain.
Resolution 8: One shareholder, owning 5,341 shares and representing 0.008% of the share capital, who had delegated his vote and stated his intention to abstain.
Resolution 9: One shareholder, owning 5,341 shares and representing 0.008% of the share capital, who had delegated his vote and stated his intention to abstain.

General Meeting of December 14, 2005. Resolutions:
1.- Reduction of share capital in the amount of 860,000 euros through the redemption of 860,000 own shares, and amendment of article 5 of the articles of association.
2.- Amendment of the following articles of the articles of association: 21 (Types of General Meetings) and 22 (Notice).
3.- Amendment of the following articles of the Regulations of the General Meeting: 16 (Ordinary General Meetings) and 18 (Notice).
4.- Approval of the Meeting minutes.

The resolutions were adopted with the following majorities:
Resolution 1: Unanimous.
Resolution 2: By a majority of 54,422,80,9 votes in favour and 28,523 votes against.
Resolution 3: By a majority of 54,422,80,9 votes in favour and 28,523 votes against.
Resolution 4: Unanimous

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

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

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

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

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

Yes		No	X

Describe the policy

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

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

F. Degree of fulfilment of corporate governance recommendations

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

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

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

To provide information on the monitoring of corporate governance recommendations, the recommendations contained in the Olivencia Code have been taken as a suitable benchmark, updated as necessary to include those of the Aldama Report.

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

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

a) Approval of the general strategies of the company;
b) Appointment and dismissal of the most senior company managers;
c) Approval of treasury stock policy;
d) Control and evaluation of the management activity of its directors and managers;
e) Identification of the main risks of the company and monitoring the appropriate internal control and information systems;
f) Ensuring that information and communication policies adhere to applicable regulations and all relevant data and information is conveyed for forming a judgment on the company to shareholders, markets and the public; and
g) Investment and disinvestment policy for the company's assets.

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

The Board of Directors of the company in 2005 was composed in practice of 11 members, including two executive and nine outside directors. Of the outside members, three were owner directors, four were independent—meeting the criteria mentioned in the recommendation—and two were outside directors who cannot be classified as independent or significant shareholders, as referred to in point 1.3. B. of this report.

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

As indicated, in the composition of the Board of Directors of the company the outside or non-executive directors represent a comfortable majority, with nine outside members against two executives. Among the outside members, the independent directors form a very significant proportion: four are independent, three are owner directors and two are outside members belonging to neither of these two categories.

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

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

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

Corporación Financiera Alba does not combine the functions of Chairman and Managing Director of the company.

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

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

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

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

Corporación Financiera Alba has no Executive Committee.

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

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

- The Audit Committee, and
- The Nominations and Remuneration Committee.

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

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

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

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

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

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

The Board of Directors ordinarily meets once a quarter but may also meet as many times as considered appropriate by the chairman for the smooth functioning of the company or when a fourth of directors request it. In 2005, the Board of Directors of Corporación Financiera A ba met six times.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The audit report for the annual accounts formulated by the Board of Directors in 2005 and submitted to the General Meeting for its approval contained no qualifications or reservations.

G Other information of interest

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

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

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

Section A.1. Box one
In the General Meeting held on December 14, 2005, the Company agreed to reduce its share capital by 860,000 euros, leaving the capital at 65,600,000 euros. This capital reduction was registered at the Companies Register on January 31, 2006.

Section A.2. Box one
- Banca March, S.A.
The brothers and sisters Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own all shares in Banca March, S.A. These people on May 24, 2004 signed a shareholder agreement relating to the abovementioned banking institution that also affects Corporación Financiera Alba, S.A. given its shareholder position in Corporación Financiera Alba, S.A. This agreement is referred to section A.6. The shareholding mentioned of Banca March, S.A. (62.163%) therefore includes those of Juan and Carlos March Delgado specified in section A.3.
- Arnhold and S. Bleichroeder Adviser LLC.
The 10.93% shareholding appearing in the box relates to the last statement of significant shareholders by the company on July 21, 2003, without the number of shares having actually been stated. The aim is merely to obtain the percentage indicated above since the IT application requires it.
- Santander Investment Services, S.A.
Santander Investment Services, S.A., in its capacity as sub-custodian and, as such, deponent of State Street Bank and Trust Co., has reported to the CNMV that: State Street Bank and Trust Co. is legally required to disclose a significant shareholding in the listed company Corporación Financiera Alba, S.A. Furthermore, as intermediary owner of the abovementioned shareholding acting on its clients' behalf (article 3.1 of Royal Decree 377/1991, of March 15), State Street Bank and Trust Co., in its capacity as Depository Institution, has informed Santander Investment Services that it has a client which, in turn, is obliged to disclose a shareholding, as it owns more than 5% of the capital. This client is First Eagle Global Fund.

Section A.2. Box two
The percentage shareholdings of the MacArthur Foundation, Société Générale International Sicav, First Eagle Global Fund, First Eagle Overseas Fund, ASB Diversified, International Equity and UTA Retirement Systems relate to the last statement of significant shareholdings by Arnhold and S. Bleichroeder Adviser LLC on July 21, 2003 without the number of shares appearing having actually been declared. The aim is merely to obtain the percentages indicated in the box since the IT application requires it.

Section A.8.
In 2005, 406,702 own shares were purchased and 340,000 were retired.

Section B.1.8 a) Box two
The contr butions refer to alternative pension schemes.

Section B.1.8 c)
Remuneration for all Directors irrespective of their status totalled €30,000 each. In remuneration given for owner directors the additional amount accruing to the Co-Chairmen is included at the rate of €78,000 each.

Section B.1.8. d) Box two
The 0.66% percentage is the total remuneration of the Directors in profit for the year attributable to the Group.

Section B.1.10.
Guarantee or blocking clauses are authorised by the Chairmen or the Managing Director.
Payments for unfair dismissal consist of an amount no less than the fund set aside as a pension supplement or the value of one year of certain remuneration items increased by a 12th for each year with the Company.

Section B.1.20.
As a general rule, all Directors upon reaching the age of 70 should offer their resignation to the Board, which can ask them to formalise this.

Section C.1.
All transactions with Banca March, S.A. are part of the Company's ordinary activities and are conducted under normal market conditions.

Section C.2.
“Remuneration” includes the amount earned during the year for stock options exercised in May 2005.

Section C.3.
All insurance cover is purchased on market terms through Unipsa Correduría de Seguros, S.A. and the amount indicated is the volume of premiums brokered.

This annual corporate governance report was approved by the Board of Directors unanimously in its meeting of March 30, 2006.

Specify the Directors who voted against or abstained from approving the present report.

This Report was approved unanimously, without votes against or abstentions.

PROPOSED RESOLUTIONS

The Board of Directors is submitting the adoption of the following resolutions for the deliberation of the General Meeting:

1. Approve both the individual and consolidated annual accounts for the financial year ended 31 December 2005.
2. Discharge the Board of Directors for their management in the same period.
3. Adopt the proposed appropriation of earnings and payment of dividends.
4. Elect and re-elect Directors. Re-elect as Directors Mr. Juan March Delgado, Mr. Pablo Vallbona Vadell, Mr. Isidro Fernández Barreiro, Mr. Alfonso Tolcheff Alvarez and Mr. Francisco Verdú Pons.
5. Directors' remuneration. Set a statutory maximum of 624,000 euros to the combined annual remuneration of all the Directors.
6. Authorise the purchase of own shares in accordance with the limits and requirements established in Spain's Public Limited Companies Act (Ley de Sociedades Anónimas) and the use of the shares purchased by virtue of this and previous authorisations to implement remuneration plans for executive directors and senior management consisting of the assignment of shares or stock options; and authorise the Board of Directors, if applicable, to reduce share capital.
7. Reduce share capital by 500.000 euros through the retirement of 500.000 shares held as treasury stock and amend article 5 of the articles of association.
8. Transfer to voluntary reserves of 172,000 euros, representing the surplus of the legal reserve formed by the Company pursuant to article 214 of Spain's Public Limited Companies Act.

9. Authorise the Board of Directors to implement the resolutions adopted in the Meeting.
10. Approve the minutes of the Meeting.

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