

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

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

Review of Consolidated Financial Performance



BALANCE SHEET



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

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

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

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

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

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

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

BALANCE SHEET



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

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

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

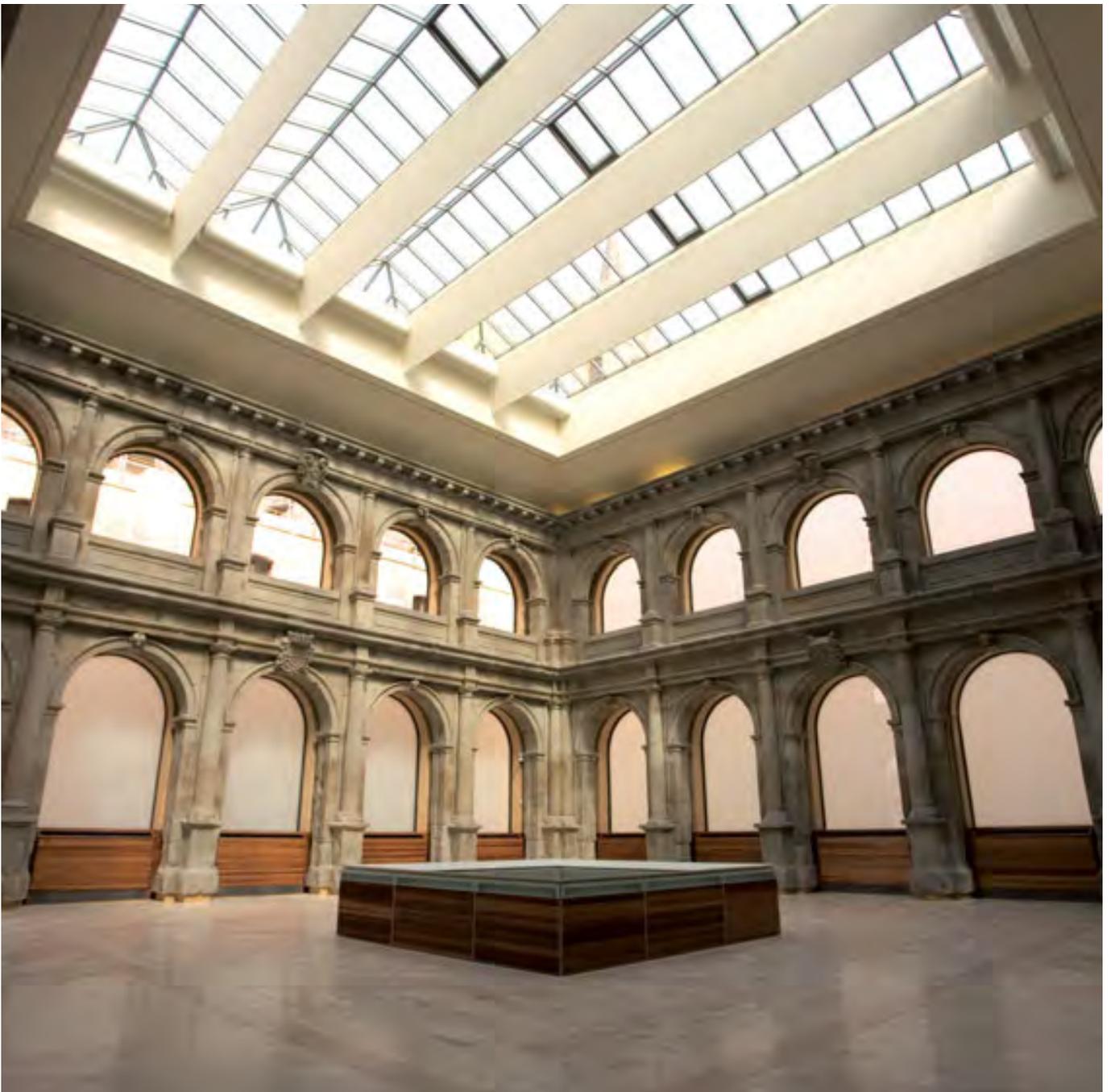
Treasury stock includes the cost of the purchase of 955,686 Alba shares at an average price of 41.41 euros, for a total of 39.6 million euros, and the cancellation of 500,000 shares. At December 31, 2006, treasury stock amounted to 456,686 shares, valued at 18.8 million euros and representing 0.70% of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

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

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

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

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



BALANCE SHEET



Consolidated balance sheets before profit distribution

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



Millions of euros

EQUITY AND LIABILITIES

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

PROFIT AND LOSS ACCOUNT

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

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

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

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



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

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

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



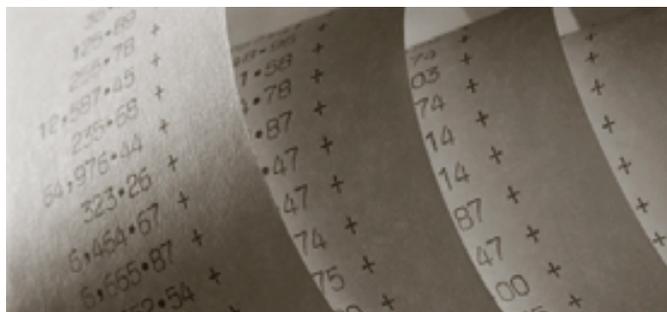
Operating expenses were 34.6 million euros, compared to 27.8 million euros in 2005.

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

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

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

PROFIT AND LOSS ACCOUNT



Consolidated profit and loss accounts (1)

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

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

