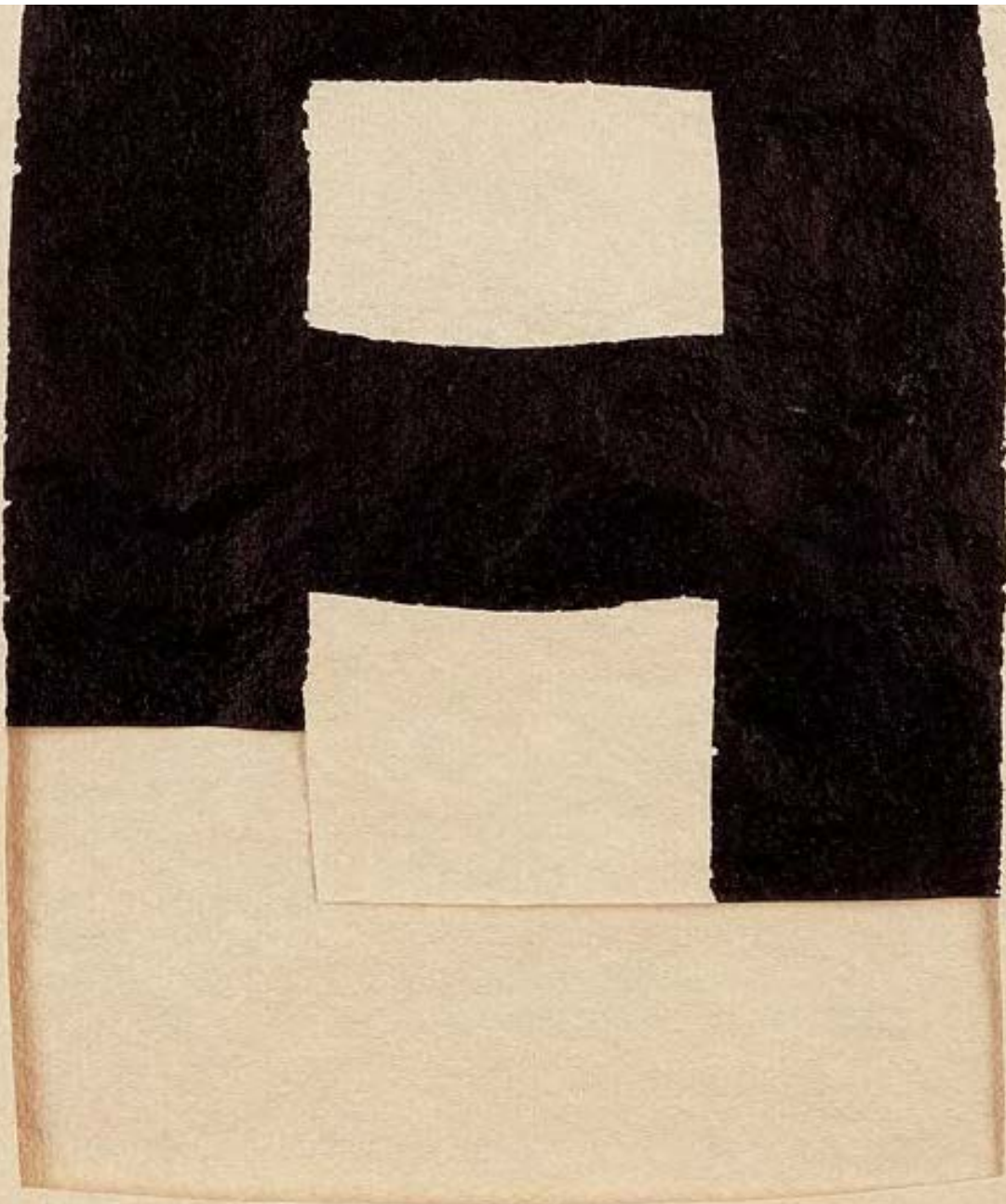


# Consolidated Financial Statements and Auditors' Report



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# CONSOLIDATED FINANCIAL STATEMENTS

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2006 AND 2005

	Notes	In thousands of euros	
		2006	2005
<b>ASSETS</b>			
Real estate investments	5	276,841	252,824
Tangible fixed assets	6	12,518	21,263
Intangible assets		33	116
Investments in associates	7	1,947,847	1,082,706
Available-for-sale financial assets	8	76,732	788,846
Other financial assets	9	1,905	1,907
<b>NON-CURRENT ASSETS</b>		<b>2,315,876</b>	<b>2,147,662</b>
Inventories		0	41
Trade receivables and other receivables	10	80	11,080
Current tax assets		1,780	543
Available-for-sale financial assets	8	16,706	-
Held-for-trading financial assets	11	261,449	62,844
Cash and equivalents	12	21	7,058
<b>CURRENT ASSETS</b>		<b>280,036</b>	<b>81,566</b>
<b>TOTAL ASSETS</b>		<b>2,595,912</b>	<b>2,229,228</b>

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

		In thousands of euros	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	Notes	2006	2005
Share capital		65,100	66,460
Retained earnings		2,384,967	1,516,019
Treasury stock		(18,825)	(22,658)
Other reserves		(45,782)	567,623
Interim dividend		(3,879)	(3,936)
<b>NET EQUITY</b>		<b>2,381,581</b>	<b>2,123,508</b>
Minority interests		0	2,118
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>13</b>	<b>2,381,581</b>	<b>2,125,626</b>
Other liabilities	9	2,071	2,631
Provisions	14	40,981	21,265
<b>NON-CURRENT LIABILITIES</b>		<b>43,052</b>	<b>23,896</b>
Trade payables and other payables	15	22,909	24,337
Current tax liabilities		458	1,084
Debt with financial institutions	16	147,912	54,285
<b>CURRENT LIABILITIES</b>		<b>171,279</b>	<b>79,706</b>
<b>TOTAL LIABILITIES</b>		<b>2,595,912</b>	<b>2,229,228</b>

## Corporación Financiera Alba, S.A. and Dependent Companies

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## CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Notes	In thousands of euros	
		2006	2005
Profit (loss) from the disposal of non-current assets	7 and 8	517,755	306,596
Share of profit (loss) of associates	7	365,599	121,801
Financial income	22.b)	22,262	29,307
Lease income, insurance premium income and other income	21	15,671	26,503
Changes in the fair value of investment properties	5	16,773	18,776
Profit from held-for-trading financial assets	11	37,605	5,401
Personnel expenses	22.a)	(27,049)	(19,973)
Other operating expenses	21	(7,578)	(7,755)
Net provisions	14	(15,380)	-
Financial expenses and exchange differences		(6,646)	(4,408)
Amortisation and depreciation		(881)	(1,147)
Asset impairment (net)		-	(1,111)
Cost of sales	21	-	(303)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING ACTIVITIES</b>		<b>918,131</b>	<b>473,687</b>
Corporate income tax expense	18	174	(28,645)
<b>PROFIT (LOSS) FROM CONTINUING ACTIVITIES</b>		<b>918,305</b>	<b>445,042</b>
Minority interests		-	(773)
<b>PROFIT (LOSS) FROM THE PARENT COMPANY</b>		<b>918,305</b>	<b>444,269</b>
Average number of outstanding shares during the year (excluding treasury stock)		64,876,073	65,615,727
Basic and diluted earnings per share (euros/share)		14.15	6.77

## Corporación Financiera Alba, S.A. and Dependent Companies

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## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	In thousands of euros							
	Share capital	Reserves for accumulated earnings	Treasury stock	Other reserves	Interim dividend	Net equity	Minority interests	Total net equity
<b>BALANCE AT JANUARY 1, 2005</b>	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
Changes in consolidated net equity of affiliated companies (note 7)	-	937	-	31,652	-	32,589	-	32,589
Other	-	97	-	-	-	97	-	97
Total income and expenses for the year recognised directly in equity	-	1,034	-	576,979	-	578,013	44	578,057
Profit (loss) for the year	-	444,269	-	(67,803)	-	376,466	773	377,239
Total income (expenses) for the year	-	445,303	-	509,176	-	954,479	817	955,296
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)
<b>BALANCE AT DECEMBER 31, 2005</b>	66,460	1,516,019	(22,658)	567,623	(3,936)	2,123,508	2,118	2,125,626
Increase (decrease) in fair value of available-for-sale financial assets	-	-	-	13,819	-	13,819	-	13,819
Increase (decrease) in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(519,601)	-	(519,601)	-	(519,601)
Changes in consolidated net equity of associated companies (note 7)	-	-	-	(107,623)	-	(107,623)	-	(107,623)
Other	-	512	-	-	-	512	(2,118)	(1,606)
Total income and expenses for the year recognised directly in equity	-	512	-	(613,405)	-	(612,893)	(2,118)	(615,011)
Profit for the year	-	918,305	-	-	-	918,305	-	918,305
Total income (expenses) for the year	-	918,817	-	(613,405)	-	305,412	-	303,294
Interim dividend	-	(3,879)	-	-	3,879	-	-	-
Dividends paid during the year	-	(3,936)	-	-	(3,822)	(7,758)	-	(7,758)
Capital write-offs	(1,360)	(42,054)	43,414	-	-	-	-	-
Purchase of own shares	-	-	(39,581)	-	-	(39,581)	-	(39,581)
<b>BALANCE AT DECEMBER 31, 2006</b>	65,100	2,384,967	(18,825)	(45,782)	(3,879)	2,381,581	-	2,381,581

## Corporación Financiera Alba, S.A. and Dependent Companies

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## CONSOLIDATED CASH FLOW STATEMENT

	Notes	In thousands of euros	
		2006	2005
<b>OPERATING ACTIVITIES</b>			
Profit for the year		918,305	445,042
Amortisation and depreciation		881	1,147
Impairment		-	1,091
Changes in the fair value of investment properties	5	(16,773)	(18,776)
Share of the profit (loss) for the year of associates	7	(365,599)	(121,801)
Profit (loss) from held-for-trading financial assets		(37,605)	(5,640)
Profit (loss) from sale of assets	7 and 8	(517,755)	(306,337)
Provisions for liabilities and charges	14	15,380	-
Deferred expenses		14,423	-
Purchases of securities		(824,198)	(310,647)
Sales of securities		718,747	450,581
Real estate investments purchases		(6,500)	(559)
Real estate investments sales		-	2,602
Financial revenue	22.b)	(22,262)	(29,307)
Financial expenses		6,646	4,408
Dividends received		64,873	57,390
Corporate income tax	18	(174)	28,645
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>(51,611)</b>	<b>197,839</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of treasury stock	13	(39,581)	(13,332)
Other items		4,040	5,063
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(35,541)</b>	<b>(8,269)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend payments	3	(7,766)	(8,404)
Net interest		(5,746)	(4,763)
Liabilities to credit institutions		93,627	(175,075)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>80,115</b>	<b>(188,242)</b>
<b>INCREASE (DECREASE) IN NET CASH</b>		<b>(7,037)</b>	<b>1,328</b>
<b>NET CASH AS OF 01/01 (note 12)</b>		<b>7,058</b>	<b>5,730</b>
<b>NET CASH AS OF 31/12 (note 12)</b>		<b>21</b>	<b>7,058</b>

## Corporación Financiera Alba, S.A. and Dependent Companies

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# NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2006

## 1. Activities

Corporación Financiera Alba, S.A. (Alba) is a holding company with equity interests in a number of subsidiaries and associates in various industries, as detailed below. Also included among its primary activities are the lease of real estate assets 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 2006 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, which are obligatory from December 31, 2006.

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, 2006 to present fairly the equity, consolidated financial situation and consolidated results of Alba at December 31, 2006, changes in the consolidated net equity and the consolidated cash flows for the year then ended. Alba estimates that adoption of the standards, amendments and interpretations that are obligatory for reporting periods starting January 1, 2007 will not have a significant impact on the consolidated financial statements in the period of initial application.

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 2006 figures for each item in these consolidated annual accounts, the figures for the previous year, which were the first to be prepared in accordance with IFRS.

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



**Corporación Financiera Alba, S.A. and Dependent Companies**

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**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 6).
- The valuation of consolidation goodwill to calculate the existence of impairment losses thereon. (note 4.c).

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. Santos Martínez-Conde Gutiérrez-Barquín and Mr. Ignacio Martínez Santos, Chief Executive and Financial Director of Corporación Financiera Alba, S.A., have certified that the consolidated annual accounts for the year ended December 31, 2006, presented to the Board of Directors of Corporación Financiera Alba, S.A. for authorization, are complete and provide a true and fair view of the consolidated financial position and that, in accordance with applicable commercial and accounting legislation, they incorporate the financial statements of all the companies included in the scope of consolidation.

The Board of Directors, at its meeting on March 28, 2007, authorized 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 intragroup transactions have been made.

Information for 2006 and the change with respect to 2005 is shown below:

<b>Subsidiary</b>	<b>Activity</b>	<b>Percentage shareholding</b>		<b>thousands of euros</b>
		<b>At 31-12-06</b>	<b>Variation in 2006</b>	<b>Net cost in books prior to consolidation</b>
Alba Participaciones, S.A.				
Castelló, 77, 5ª planta. 28006 Madrid	Securities investment	100.00	-	117,633

## Corporación Financiera Alba, S.A. and Dependent Companies

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In 2006 the Group's share of Unipsa Correduría de Seguros, S.A. (now called March Unipsa Correduría de Seguros, S.A.) fell below 50%, following the disposal of 40.33%. Accordingly, this investment, which in 2005 was classified as a subsidiary, has been reclassified as an associate.

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.

### 2.5. Associates

Associates are companies over which Alba has significant influence, even if it holds less than 20% of the voting power. In order to ascertain the existence of significant influence, the Company takes into account, among other factors, representation on the Board of Directors, participation in policy making and the size and permanence of the shareholding.

Information for 2006 and the change with respect to 2005 is shown below:

Associate	Registered address	Activity	Percentage shareholding	
			As of 31-12-06	Variation in 2006
Acerinox, S.A.	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of flat stainless steel products	20.80	9.62
ACS, Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102 (Madrid)	Construction and services	21.14	3.21
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)	Internet advertising	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.	Crtra. de Burgos, Km. 14,5 (Madrid)	Insurance brokerage	-	(25.00)
March Unipsa Correduría de Seguros, S.A.	Lagasca, 88 (Madrid)	Insurance brokerage	35.00	-

In 2006, as in 2005, Deloitte is the auditor for ACS, Actividades de Construcción y Servicios, S.A., March Gestión de Fondos, S.G.I.I.C., S.A. and March Gestión de Pensiones, S.G.F.P., S.A.; PriceWaterhouseCoopers is the auditor for Unipsa Correduría de Seguros, S.A.; and KPMG Auditores, S.L. is the auditor for Acerinox, S.A.

**Corporación Financiera Alba, S.A. and Dependent Companies**

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**3. Distribution of Profits**

The proposed distribution of profit for 2006 to be submitted by the Board of Directors for the approval of the General Shareholders' Meeting, and the distribution of profit for 2005 approved by the General Shareholders' Meeting are as follows:

	2006	2005
<b>Distribution bases</b>		
Profit (Loss)	918,305	444,269
<b>Distribution bases</b>		
To reserves	910,547	436,446
To dividends	7,758	7,823
<b>Total</b>	<b>918,305</b>	<b>444,269</b>

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

The dividends paid by the parent company in 2006 and 2005 were as follows:

	No. shares with rights	Dividend €/Share	Thousands of euros
<b>2006</b>			
Interim dividend for 2006	64,648,301	0.06	3,879
Final dividend for 2005	64,789,245	0.06	3,887
<b>2005</b>			
Interim dividend for 2005	65,600,000	0.06	3,936
Final dividend for 2004	66,460,000	0.06	3,988

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.

## Corporación Financiera Alba, S.A. and Dependent Companies

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To comply with article 216 of the Public Limited Companies Act (Ley de Sociedades Anónimas) regarding the distribution of interim dividends, the Board of Directors of the Company, meeting on September 27, 2006, adopted the following resolution:

In view of the results at August 31 and maintaining the same dividend policy as in previous years, the Board has considered the interim dividend to be distributed in November and has unanimously agreed:

- In compliance with article 216 of the Public Limited Companies Act, to prepare the following statement of financial position, relating, as required, to the individual rather than the consolidated financial position of Corporación Financiera Alba:

	Thousands of euros
1. Maximum amount to be distributed	3,906
2. Distributable profit	50,491
2.1. Accumulated profit at 31-8-06	50,491
2.2. Less	-
Losses from previous years	-
Legal reserve (already at 20% of capital)	-
Corporate income tax	-

According to the balance sheet at August 31, 2006, the cash available to the Company was 293,687 thousand euros.

From the above balance sheet it is apparent that the maximum proposed interim dividend is less than the available profit, and that the cash available to the Company is greater than the maximum proposed interim dividend.

Accordingly, the Board unanimously agrees:

- To pay an interim dividend for 2006 of 0.06 euros per share, excluding the amount attributable to the own shares held by the Company on the day said interim dividend is paid.

To that end, Vice-Chairmen Mr. Pablo Vallbona Vadell and Mr. Isidro Fernández Barreiro, Chief Executive Mr. Santos Martínez-Conde Gutiérrez-Barquín and Company Secretary Mr. José Ramón del Caño Palop are hereby jointly empowered to determine the total amount to be distributed, within the agreed maximum, the specific figure for which shall be determined based on the number of shares entitled to dividend.

The interim dividend is maintained at 0.06 euros per share entitled to dividend, corresponding to 6% of the par value, from which amount the 15% personal or corporate income tax withholding shall be made, depending on the recipient.

Vice-Chairmen Mr. Pablo Vallbona Vadell and Mr. Isidro Fernández Barreiro, Chief Executive Mr. Santos Martínez-Conde Gutiérrez-Barquín and Company Secretary Mr. José Ramón del Caño Palop are likewise empowered to fix the exact date in November on which the interim dividend shall be distributed, publish the announcement thereof and take any other steps as may be necessary in this respect.”

**Corporación Financiera Alba, S.A. and Dependent Companies**

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**4. Valuation standards**

The principal valuation standards used in the preparation of the consolidated annual accounts are as follows:

**a) Real Estate Investments (Note 5)**

Real Estate Investments, consisting of buildings for lease, are carried initially at cost, including transaction costs. Subsequently they are carried at their fair value, as calculated by independent experts according to the following definition: "Fair value is the price at which the property could be sold through a private contract between a willing seller and an independent buyer at the valuation date if the property were to be offered publicly on the market, market conditions enabled the sale to be carried out in an orderly fashion and a normal period of time were available, taking into account the nature of the property, for the sale to be negotiated". The valuation includes the expenses normally associated with sale agreements and any taxes that may be applicable at the time of the sale. Any gain or loss arising from changes in the fair value are recorded in the profit and loss account for the period in which they occur (note 18). Real estate investments are not depreciated.

**b) Tangible fixed assets (Note 6)**

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, as calculated by independent experts as defined in the previous paragraph, this amount being treated henceforth as the cost of acquisition.

Any increase in value is credited to "Equity" in the consolidated balance sheet (Note 18).

Other tangible fixed assets are stated at their acquisition cost, which includes in each case any additional expenses arising until the asset in question is operational; neither interest nor exchange differences are included. Expansion, modernisation or improvement costs that cause an increase in productivity, capacity or efficiency or that extend an asset's useful life are capitalised as an increase in the asset's cost. Maintenance and upkeep expenses incurred during the year are charged to the profit and loss account.

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

	Yearly % depreciation rates
Buildings and other structures	2 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. At December 31, 2006 and 2005 there were no assets that could be considered impaired.

## Corporación Financiera Alba, S.A. and Dependent Companies

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### c) Investments in associates (Note 7)

Alba's investments in associates are accounted for by the equity method. Under this method, the investments are carried at cost, which includes Alba's share of the associates' net equity plus any unrealised capital gains from goodwill, plus goodwill that has not been allocated to specific items of the associate. Goodwill is subject to annual impairment testing and is not amortised. In the case of listed companies, which includes most of the associates, the market value is compared with the book value to assess whether impairment exists.

Dividends received from these companies are recorded as a reduction of the investment and the profit (loss) of these companies attributable to Alba in proportion to its shareholding is included, net of the tax effect, in the consolidated profit and loss account under the "Share of profit (loss) of associates" caption.

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

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

This includes investments in companies over which the parent does not have significant influence.

Available-for-sale financial assets 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 (Note 18).

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

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

### e) Held-for-trading financial assets (Note 11)

Held-for-trading financial assets are those which are acquired with the aim of selling them in the short term. Changes in the fair value of these assets are taken to profit and loss (Note 18).

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 13)

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 14)

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.

**Corporación Financiera Alba, S.A. and Dependent Companies**

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**h) Corporate income tax (Note 18)**

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.

**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%
Retirement age	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 and liabilities and the profit and loss account.

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

	31-12-2006	31-12-2005
Commitments for pensions of retired personnel	5,635	5,790
Risks for pensions of active personnel	39,718	34,065
Accrued	32,604	27,777
Unaccrued	7,114	6,288
Commitments to cover	38,239	33,567
Fair value of the plan's assets (policies)	39,308	33,567

Contributions to the two systems are made separately to the relevant insurance companies and the personnel cost recognised in the consolidated profit and loss account is detailed in note 22.a.

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

### 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 people and 552,000 shares. The strike price was fixed at 22.38 euros 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 considered that IFRS 2 did not apply.

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

### k) Revenue recognition

Revenue and expenses are allocated on an accrual basis.

## 5. Real Estate Investments

This caption includes real estate for lease carried at fair value. At December 31, 2006 and 2005, this property was valued by C.B. Richard Ellis, S.A., specialists in appraising this type of assets.

The geographical distribution of the fair value is as follows:

	2006	2005
Madrid	212,871	191,674
Barcelona and Tarragona	39,990	37,065
Palma de Mallorca	22,280	22,420
Rest	1,700	1,665
<b>Balance at December 31</b>	<b>276,841</b>	<b>252,824</b>



**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

Movement in the “Real Estate investments” account is as follows:

<b>Balance at 1-1-05</b>	234,089	
Additions	969	
Retirements	(1,010)	
Revaluation	18,776	
<b>Balance at 31-12-05</b>	252,824	
Additions	7,244	
Revaluation	16,773	
<b>Balance at 31-12-06</b>	276,841	
	2006	2005
Surface area above ground level (sqm)	98,779	98,633
Rented surface area	93,129	95,949
% surface area unoccupied	5.7%	2.7%

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

Additions in 2005 corresponded to improvements made to certain buildings. Retirements in 2005 corresponded to the sale of a bank building 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 these assets.

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## 6. Tangible fixed assets

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

	Property	Other fixed assets	Total
<b>Cost</b>			
Balance at 1-1-05	23,424	3,731	27,155
Additions	17	158	175
<b>Balance at 31-12-05</b>	<b>23,441</b>	<b>3,889</b>	<b>27,330</b>
Additions	-	802	802
Retirements	(7,229)	(2,053)	(9,282)
<b>Balance at 31-12-06</b>	<b>16,212</b>	<b>2,638</b>	<b>18,850</b>
<b>Accumulated depreciation</b>			
Balance at 1-1-05	(3,187)	(1,739)	(4,926)
Additions	(1,012)	(129)	(1,141)
<b>Balance at 31-12-05</b>	<b>(4,199)</b>	<b>(1,868)</b>	<b>(6,067)</b>
Additions	(749)	(118)	(867)
Retirements	539	63	602
<b>Balance at 31-12-06</b>	<b>(4,409)</b>	<b>(1,923)</b>	<b>(6,332)</b>
Net tangible fixed assets at 31-12-05	19,242	2,021	21,263
Net tangible fixed assets at 31-12-06	11,803	715	12,518

Retirements in 2006 are attributable to the sale of 40.33% of Unipsa Correduría de Seguros, S.A. (now called March Unipsa Correduría de Seguros, S.A.), reducing the shareholding to below 50%. For this reason the company has been reclassified as an associate, having been a subsidiary in 2005.

At January 1, 2004, TINSA, Tasaciones Inmobiliarias, S.A. valued the head office of Corporación Financiera Alba, 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

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

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## 7. Shareholdings in associates

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

Company	Consolidated cost at 1-1-06	Group share in profit (loss)	Dividends received	Acquisitions (disposals)	Change in consolidated net equity of associates	Transfers and reclassifications	Consolidated cost at 31-12-06	Stock market value at 31-12-06
Acerinox, S.A.	315,989	100,416	(9,996)	332,911	(37,235)	-	702,085	1,244,014
ACS, Actividades de Construcción y Servicios, S.A.	762,943	261,633	(42,511)	327,926	(70,388)	-	1,239,603	3,185,537
Antevenio, S.A.	394	267	-	-	-	-	661	(a)
March Gestión de Fondos, S.G.I.I.C., S.A.	1,458	284	(118)	-	-	-	1,624	n.p.
March Gestión de Pensiones, S.G.F.P., S.A.	977	35	-	-	-	-	1,012	n.p.
March Unipsa Correduría de Seguros, S.A.	-	2,964	(422)	-	-	320	2,862	n.p.
March Correduría de Seguros, S.A.	578	-	-	-	-	(578)	-	n.p.
Urquijo Correduría de Seguros, S.A.	71	-	-	-	-	(71)	-	n.p.
GDS Correduría de Seguros, S.A.	215	-	-	-	-	(215)	-	n.p.
Carrefour Correduría de Seguros, S.A.	81	-	-	-	-	(81)	-	n.p.
<b>TOTAL</b>	<b>1,082,706</b>	<b>365,599</b>	<b>(53,047)</b>	<b>660,837</b>	<b>(107,623)</b>	<b>(625)</b>	<b>1,947,847</b>	

(a) Antevenio started trading at 6.77 €/share, which would mean our investment is valued at 5,849 thousand euros.

Changes in the net equity of Acerinox, S.A. correspond to translation differences. In the case of ACS, Actividades de Construcción y Servicios, S.A., changes are mainly due to translation differences, retirement of treasury stock and changes in the fair value of financial instruments.

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

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

Company	Consolidated cost at 1-1-05	Group share in profit (loss)	Dividends received	Acquisitions (disposals)	Change in consolidated net equity of associates	Transfers and reclassifications	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.
<b>TOTAL</b>	<b>998,995</b>	<b>121,801</b>	<b>(31,144)</b>	<b>219,713</b>	<b>32,589</b>	<b>(259,248)</b>	<b>1,082,706</b>	

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 an available-for-sale financial investment, being withdrawn from the scope of consolidation.

Profit (loss) from the disposal of investments in associates, recorded under "Profit (loss) from the disposal of non-current assets" in the profit and loss account, is as follows:

	2006	2005
Acerinox, S.A.	-	937
ACS, Actividades de Construcción y Servicios, S.A.	-	1,039
Unipsa, Correduría de Seguros, S.A.	21,326	-
<b>TOTAL</b>	<b>21,326</b>	<b>1,976</b>

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

Information regarding the financial statements of associates is provided below:

	Assets		Liabilities		Consolidated Sales	Consolidated profit (loss)
	Current	Non-current	Current	Non-current		
<b>For 2006</b>						
Acerinox, S.A.	3,260,314	1,599,092	2,084,387	494,744	5,637,227	502,991
ACS, Actividades de Construcción y Servicios, S.A.	10,098,829	15,083,875	11,200,158	10,726,185	14,067,171	1,250,088
Antevenio, S.A. (As of 30-06-2006)	3,306	469	2,664	147	2,673	286
March Gestión de Fondos, S.G.I.I.C., S.A.	10,363	122	5,850	-	11,977	692
March Gestión de Pensiones, S.G.F.P., S.A.	3,853	16	973	-	2,126	109
March Unipsa Correduría de Seguros, S.A.	28,701	7,692	28,217	-	15,588	6,702
<b>For 2005</b>						
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

**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 2006, the Company provided notification to:

Acerinox, S.A. that it had reached a shareholding of	15.83 %
Acerinox, S.A. that it had reached a shareholding of	20.25 %
Actividades de Construcción y Servicios, S.A. that it had reached a shareholding of	20.01 %
March Unipsa Correduría de Seguros, S.A., sale of	40.33 %

- In 2005 no notification was given.

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## 8. Available-for-sale financial assets

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006				2005			
	% holding	Fair value		Revaluation reserve	% shareholding	Fair value		Revaluation reserve
		In '000 euros	In foreign currency			In '000 euros	In foreign currency	
<b>Listed shares</b>								
Carrefour, S.A.	-	-	-	-	2.53	705,316	-	519,601
Prosegur, Compañía de Seguridad, S.A.	5.01	76,315	-	27,977	5.23	62,397	-	11,869
Spirent, plc	0.62	4,641	3,128	675	0.58	3,965	2,728€	0
		80,956		28,652		771,678		531,470
<b>Unlisted shares</b>								
C. E. Extremadura, S.A.	2.55	417	-	-	2.55	417	-	-
Celtel International B.V.	0.45	11,396	15,041	8,736	0.45	12,715	15,041\$	8,736
Xfera, S.A.	-	-	-	-	11.35	-	-	-
Other		669	856	-	-	4,036	-	2,964
		12,482		8,736		17,168	-	11,700
<b>Total</b>		93,438		37,388		788,846		543,170
<b>Balance at 31-12 non-current</b>		76,732				788,846		
<b>Balance at 31-12 current</b>		16,706						

Profit (loss) from the disposal of available-for-sale financial assets, recorded under "Profit (loss) from disposal of non-current assets" in the profit and loss account, is as follows:

	2006		2005	
	%	Amount	%	Amount
Carrefour, S.A.	2.53	492,941	0.89	163,407
Prosegur, Compañía de Seguridad, S.A.	0.23	1,081	0.44	1,142
Xfera, S.A.	11.35	584	-	-
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	-	-	n.p.	715
Vodafone Group, plc	-	-	0.07	89,201
Other	-	1,823	-	251
<b>Total</b>		496,429		304,620

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

**9. Other financial assets and other non-current liabilities**

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

	2006	2005
Guarantees received from customers	1,905	1,907

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

	2006	2005
Guarantees given to public bodies	2,033	2,142
Other	38	489
<b>Balance at December 31</b>	<b>2,071</b>	<b>2,631</b>

**10. Trade accounts receivable and other receivables**

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Sundry debtors	80	7,983
Trade receivables	-	3,097
<b>Balance at December 31</b>	<b>80</b>	<b>11,080</b>

Trade receivables do not accrue interest.

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## 11. Held-for-trading financial assets

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

The detail of this caption as of December 31, 2006 and 2005, by currency, is as follows:

Moneda	2006		2005	
	'000 euros	In foreign currency	'000 euros	In foreign currency
In euros	254,207	-	51,056	-
In pounds	7,242	4,880	6,648	4,575
In dollars	-	-	5,140	6,087
<b>TOTAL</b>	<b>261,449</b>	<b>4,880</b>	<b>62,844</b>	<b>10,662</b>

The effect on the consolidated profit and loss account, at December 31, 2006 and 2005, of the changes in the fair value of held-for-trading financial assets, according to the prices quoted in organized exchanges, was 33,590 thousand and 3,379 thousand euros, respectively.

## 12. Cash and equivalents

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Cash and banks	21	1,624
Deposits and short-term investments	-	5,434
<b>Balance at December 31</b>	<b>21</b>	<b>7,058</b>

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

## 13. Net equity

At December 31, 2006 share capital was represented by 65,100,000 bearer shares with a par value of 1 euro 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*). In January 2006, as a consequence of the resolution approved at the Extraordinary General Meeting held on December 14, 2005, 860,000 shares were retired, and in June, 2006 by resolution of the Ordinary General Meeting of May 31, 2006, 500,000 shares were retired. As a result, share capital is now represented by 65,100,000 shares. At December 31, 2005 share capital was represented by 66,460,000 bearer shares with a par value of 1 euro each, fully subscribed and paid up, all of which were listed on the continuous market of the Spanish Stock Exchanges (*Sociedad de Interconexión Bursátil Española*).



**Corporación Financiera Alba, S.A. and Dependent Companies**

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The shareholders of Corporación Financiera Alba, S.A. in their General Meeting on May 25, 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 the Banca March Group, which directly controls 31.22% of Corporación Financiera Alba, S.A.'s capital.

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

At year-end 2006, Banca March, S.A. and its shareholders jointly controlled 61.351% of Corporación Financiera Alba, S.A.

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

	2006	2005
<b>Changes arising from currency differences in the consolidated net equity of associates</b>		
Treasury stock	(52,994)	3,365
Translation differences	(34,346)	25,001
Financial instruments	6,635	(3,681)
Other	(2,465)	(232)
<b>Due to revaluation of assets held for sale</b>	<b>37,388</b>	<b>543,170</b>
<b>TOTAL</b>	<b>(45,782)</b>	<b>567,623</b>

Movements in treasury stock in 2006 and 2005 were as follows:

	No. of shares	Percentage of share capital	Average price of acquisition euros/share	'000 euros
At January 1, 2005	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)	0.51%	25.62	(8,712)
<b>At December 31, 2005</b>	<b>861,000</b>	<b>1.29%</b>	<b>26.32</b>	<b>22,658</b>
Acquisitions	955,686	n.p.	41.41	39,581
Retirements (General Meeting 14/12/05)	(860,000)	1.29%	26.30	(22,622)
Retirements (General Meeting 31/05/06)	(500,000)	0.76%	41.58	(20,792)
<b>At December 31, 2006</b>	<b>456,686</b>	<b>0.70%</b>	<b>41.22</b>	<b>18,825</b>

The General Meeting of Shareholders resolved on May 25, 2005 to retire 340,000 shares; on December 14, 2005, to retire 860,000 shares; and on May 31, 2006, to retire 500,000 shares.

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

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## 14. Provisions

Movements in provisions in 2006 and 2005 are as follows:

	2006	2005
<b>Balance at January 1</b>	21,265	22,575
Allocations	30,926	472
Reversals	-	(1,239)
Applications	(11,210)	(543)
<b>Balance at December 31</b>	40,981	21,265

Allocations for 2006 include 15,380 thousand euros for provisions established by the Company to cover probable or certain expenses, losses or liabilities arising from litigation in progress deriving from the Company's business in the estimated amount of the assets that will have to be disposed of in order to cancel said liabilities; and 15,023 thousand euros corresponding to Alba's liability under guarantees provided to Xfera, S.A. This latter amount has been offset against the proceeds of the sale of the equity interest in Xfera, S.A.

Applications include 9,111 thousand euros paid in February 2006 for the 1991 corporate income tax inspection assessment, for which a provision was established at December 31, 2005. This payment was made in compliance with the High Court decision of May 2005 dismissing the appeal against the tax assessment.

## 15. Trade payables and other payables

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Trade payables	5,002	21,286
Compensation pending payment	17,512	2,528
Social security payable	45	98
Accrued interest not yet due	350	423
Other	-	2
<b>Balance at December 31</b>	22,909	24,337

"Compensation pending payment" includes accrued extraordinary bonus pay linked to the increase in net asset value.

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

**16. Debt with financial institutions**

The breakdown of this item by maturity at December 31, 2006 is as follows:

Bank	Balance drawn down at 31/12/06	Maturity	Balance drawn down at 31/12/05
Banca March	55,516	13/1/07	27,135
SCH	44,128	2/4/07	19,691
BBVA	25,544	11/2/07	4,232
Unicaja	10,000	17/12/07	-
La Caixa	6,597	31/7/07	894
Barclays	6,127	23/6/07	1,131
Banesto	-	15/4/07	1,202
<b>TOTAL</b>	147,912		54,285
Limit granted	425,000		455,000

Interest is generally paid on a quarterly basis.

These loans bear interest at market rates.

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

**17. Risk management objectives and policies**

Corporación Financiera Alba, S.A. engages in two types of business activities: (i) the holding of equity interests in listed and, in some cases, unlisted companies; and (ii) investment in office buildings for lease.

The main activity is the one relating to investee companies, which are the most important asset in the Company's consolidated balance sheet. The most significant and common risk of these companies is the risk inherent in their own business, but also, if they are listed, the state of the stock market.

Alba monitors its investee companies closely. Monitoring covers (i) investees' business activity and performance, usually through participation in the companies' governing bodies and sometimes in their Audit Committees, (ii) and any changes in their share price (if they are listed).

As regards buildings for lease, the risks are: loss of income if the buildings are unoccupied; changes in long-term interest rates; damage; and default by lessees.

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

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

**Cash flow interest rate risk**

The group is exposed to this risk mainly through short-term liabilities to credit institutions at variable interest rates. Alba's financing has been and is expected to continue to be short-term with variable interest.

**Foreign exchange rate risk**

Alba's balance sheet could be affected by fluctuations in the exchange rates of foreign currencies, mainly the dollar and the pound sterling.

**Stock market risk**

The most important asset on the Company's consolidated balance sheet is the investments in listed companies, whose fair value, based on their share prices at the end of 2006, was 4,767 million euros. These investments are, and are expected to continue to be, mainly long-term and hedging them would not be financially viable.

The Company also uses derivatives on listed stocks (note 22.b).

**Credit risk**

Credit risk derives basically from the possibility that the lessors of buildings belonging to the Company will fail to meet their obligations under the lease agreements. However, it is group policy to maintain business relations exclusively with financially responsible entities.

**Liquidity risk**

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

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

**18. Tax matters**

Alba Participaciones is taxed as a “Foreign Security Holding Company” and, together with Corporación Financiera Alba, S.A., is subject to the corporate group taxation system.

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

	2006	2005
Consolidated profit for the year attributable to the parent company	918,305	444,269
Permanent differences due to consolidation adjustments	(406,157)	(36,758)
Accounting profit of companies under consolidated tax regime	512,148	407,511
<b>Permanent differences</b>		
Corporate income tax	(1,582)	29,205
For dividends and capital gains under rules for foreign security holding companies	(399,629)	(238,872)
For dividends distributed between companies in the consolidated tax group	(50,438)	(97,129)
Other	-	(505)
<b>Timing differences</b>		
Contribution to alternative pension plans and insurance premiums	3,437	1,086
Reversal of provision for deferred profits	-	(71,930)
Intragroup transactions in the consolidated tax group	896	(635)
Other provisions that will be deductible in future years	14,129	72
<b>Preliminary taxable income</b>	<b>78,961</b>	<b>28,803</b>
Tax loss carryforward to be offset	(22,146)	-
<b>Taxable income</b>	<b>56,815</b>	<b>28,803</b>
Corporate income tax charge (35%)	19,885	10,081
Deductions	(19,885)	(10,081)
<b>Tax payable</b>	<b>0</b>	<b>0</b>

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

The amount for the “Reversal of provision for deferred profits” results from the sale in 2002 of 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, which 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	Sum
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 are shown in the “Corporate tax expense” caption of the profit and loss account for 2005.

In 2005, the consolidated tax group obtained 13 thousand 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. The proceeds of the sale equalled 511 thousand euros and were fully reinvested in 2005.

In 2003, the consolidated tax group obtained 1.6 million euros of profit on the sale of assets that were included in the deduction for the reinvestment of extraordinary profits (article 36ter of the Corporate Income Tax Act). The proceeds of the sale equalled 6.3 million euros and were fully reinvested in 2003, 2004 and 2005.

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. The proceeds of the sale equalled 112.5 million euros and were fully reinvested in the same year.

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

The outstanding tax loss carryforward and deductions pending application at December 31, 2006 and 2005 are as follows:

Year of expiry	2006		2005	
	Tax loss carry-forward	Deductions from charge	Tax loss carry-forward	Deductions from charge
2011	-	-	-	5,517
2012	-	-	-	10,798
2013	-	18,710	-	196
2014	-	-	73	131
2015	12,028	-	35,619	3
2016	12,444	-	12,444	-
2018	66,027	-	66,027	-
2019	116,256	-	116,256	-
<b>TOTAL</b>	<b>206,755</b>	<b>18,710</b>	<b>230,419</b>	<b>16,645</b>

Details of the deferred tax assets to be offset against tax loss carryforward and deductions pending application are given below:

<b>Deferred tax for revaluations of:</b>	2006	2005
Real estate investments and fixed assets	126,668	113,680
Available-for-sale assets	37,388	33,136
Held-for-trading assets	36,973	3,379
	<b>201,029</b>	<b>150,195</b>

Financial years 2001, 2002 and 2003 are currently being audited by the tax authorities. It is estimated that any additional taxes that might arise as a result of this tax audit will not be material.

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## 19. Guarantees provided to third parties and other contingent liabilities

The detail of guarantees and contingent liabilities as of December 31, 2006 is as follows:

	2006	2005
Counter-guarantee for bank guarantees in favour of Xfera Móviles, S.A.	11,588	38,683
Guarantees given for the sale of the shareholding in Banco Urquijo, S.A.	4,427	9,960
Other guarantees	955	1,000
Guarantees given for tax assessments	-	7,015
<b>Total</b>	<b>16,970</b>	<b>56,658</b>

In February 2006, 9,111 thousand euros were paid in settlement of the tax assessment for corporate income tax for 1991, for which a provision was established at December 31, 2005. This payment was made in compliance with the High Court decision of May 2005 dismissing the appeal against the tax assessment.

## 20. Headcount

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

	2006	2005
Degree holders	21	20
Administrative assistants	23	23
Others	4	4
<b>Total</b>	<b>48</b>	<b>47</b>

## 21. Segment reporting

The following tables show information about the revenue and profit (loss) and certain information about assets and liabilities related to the business segments for the years ended December 31, 2006 and 2005.

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



**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

**a) Business segments**

<b>SEGMENT REPORTING 2006</b>	In thousands of euros		
	Real estate leasing	Securities investment	Group total
<b>Segment revenue and expenses</b>			
Revenue from leases, insurance premiums and other	15,671		15,671
Profit from disposals		517,755	517,755
Share in profit (loss) of associates		365,599	365,599
Dividends received		8,186	8,186
Increase (decrease) in fair value	16,773	37,605	54,378
Other direct segment operating expenses	(3,476)		(3,476)
<b>Segment profit (loss)</b>	<b>28,968</b>	<b>929,145</b>	<b>958,113</b>
<b>Expenses not assigned to segments</b>			
Personnel costs			(27,049)
Other expenses			(4,102)
Depreciation and amortisation			(881)
Net financial expenses			7,430
Provision for liabilities and charges			(15,380)
Profit (loss) before tax and minority interests			918,131
Corporate income tax			174
<b>Net profit (loss) for the year</b>			<b>918,305</b>
<b>Assets and liabilities</b>			
Segment assets	276,841	2,302,734	2,579,575
Unassigned assets			16,337
<b>Total assets</b>			<b>2,595,912</b>
Segment liabilities	2,071	38	2,109
Unassigned liabilities			212,222
<b>Total liabilities</b>			<b>214,331</b>

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

	In thousands of euros				
<b>SEGMENT REPORTING 2005</b>	Real estate leasing	Insurance brokerage	Securities investment	Sale of inventories	Group total
<b>Direct segment revenue and expenses</b>					
Revenue from leases, insurance premiums and other	15,051	9,485		1,967	26,503
Profit from disposals			306,596		306,596
Share in profit (loss) of associates			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)
Other direct segment operating expenses	(2,908)	(5,435)		(303)	(8,646)
<b>Segment profit (loss)</b>	<b>30,919</b>	<b>4,050</b>	<b>459,296</b>	<b>1,664</b>	<b>495,929</b>
<b>Expenses not assigned to segments</b>					
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)
Minority interests					(773)
<b>Net profit (loss) for the year</b>					<b>444,269</b>
<b>Assets and liabilities</b>					
Segment assets	254,731	23,802	1,934,396	41	2,212,970
Unassigned assets					16,258
<b>Total assets</b>					<b>2,229,228</b>
Segment liabilities	2,139	17,812	6,500		26,451
Unassigned liabilities					77,151
<b>Total liabilities</b>					<b>103,602</b>

**b) Geographical segments**

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

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

**22. Other revenues and expenses****a) Personnel expenses**

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Salaries	22,820	17,169
Social security expenses	452	981
Alternative pension plan systems	3,531	1,269
Insurance premiums	177	169
Other welfare expenses	69	385
<b>Balance at December 31</b>	<b>27,049</b>	<b>19,973</b>

**b) Financial revenue**

The detail of this caption as of December 31, 2006 and 2005, is as follows:

	2006	2005
Dividends	8,186	26,607
Gain on derivatives	12,556	2,693
Other financial revenue	1,520	7
<b>Balance at December 31</b>	<b>22,262</b>	<b>29,307</b>

At December 31, 2006 and 2005 Alba had no significant positions in financial instruments to be reported.

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## 23. Related parties

In 2006, the following transactions were carried out:

Description of the transaction	Amount	Related party
<b>Transactions carried out with core shareholders of the company</b>		
Operating lease contracts	221	CIMSA
Interest charged	626	Banca March
Unpaid accrued interest	332	Banca March
Provision of services	60,000	Banca March
Guarantees	13,991	Banca March
Dividends and other distributed profit	2,173	Banca March
Interest paid	1,036	Banca March
Provision of services	219	March Vida
Sale of investments	24,196	Banca March

*All transactions carried out with Banca March are part of the company's ordinary business and were carried out under normal market conditions. Sale of investments refers to the sale of 40.33% of March Unipsa Correduría de Seguros, S.A.*

### Transactions carried out with company directors and management

Remuneration	17,558	Directors + Management
Contributions to pension plans and life insurance	2,648	Directors + Management

### Transactions carried out with other related parties

Provision of services	2,416	Others (a)
Operating lease contracts	255	Others (b)
Dividends and other distributed profit	56,687	Others (c)

(a) Correspond to insurance premiums under market conditions brokered by March Unipsa, Correduría de Seguros, S.A. as part of the company's ordinary business.

(b) Renting of offices to March Gestión de Fondos, S.G.I.I.C., S.A. March Gestión de Pensiones, S.G.F.P., S.A. and March Unipsa Correduría de Seguros, S.A.

(c) Dividends paid by ACS, Actividades de Construcción y Servicios, S.A., Acerinox, S.A., March Gestión de Fondos, S.G.I.I.C., S.A. March Gestión de Pensiones, S.G.F.P., S.A. and March Unipsa Correduría de Seguros, S.A.

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

In 2005, the following transactions were carried out:

Description of the transaction	Amount	Related party
<b>Transactions carried out with core shareholders of the company</b>		
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 distributed profit	4,953	Banca March
Interest paid	163	Banca March

*All operations carried out with Banca March are part of the company's ordinary business and were carried out under normal market conditions.*

**Transactions carried out with company directors and management**

Remuneration	7,832	Directors + Management
Contributions to pension plans and life insurance	745	Directors + Management

*Remuneration includes the amount accrued during the year corresponding to the stock options exercised in May 2005*

**Transactions carried out between group personnel, companies or entities**

Provision of services	1,735	March Unipsa Correduría de Seguros, S.A.
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*Insurance premiums under market conditions brokered by Unipsa, Correduría de Seguros, S.A. as part of the company's ordinary business*

**Transactions carried out with other related parties**

Provision of services	63,015	Others (a)
Co-operation agreements	110	Others (b)
Operating lease contracts	179	Others (c)
Dividends and other distributed profit	31,144	Others (d)

(a) Correspond to insurance premiums under market conditions brokered by March Unipsa, Correduría de Seguros, S.A. on behalf of Grupo ACS, Carrefour, Xfera, March Gestión and Antevenio that are part of 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.

## Corporación Financiera Alba, S.A. and Dependent Companies

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

## 24. Board and senior executive remuneration

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

In 2006	Nº of persons	Salary and others	Board remuneration		Alternative pension plan systems and insurance
			Alba	Group companies	
Shareholder-nominated non-executive directors	4	-	300	54	21
Independent non-executive directors	5	-	171	-	-
Executive directors	3	8,803	90	-	2,408
Senior executives	6	8,113	-	-	578

The remuneration of executive directors includes the remuneration of one more executive director than in 2005 and also the pre-retirement commitments with respect to the previous managing director.

The “Senior executives” item includes the accrual of extraordinary bonus pay linked to the increase in net asset value and maturing in 3 years.

In 2005	Nº of persons	Salary and others	Stock options	Board remuneration		Alternative pension plan systems and insurance
				Alba	Group companies	
Shareholder-nominated non-executive 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 executives	7	3,677	1,242	-	-	448

The “Senior executives” item includes the accrual of extraordinary bonus pay linked to the increase in net asset value and maturing in 3 years.

Directors receive no additional remuneration for participation in Board committees.

At December 31, 2006 and 2005, no advances or loans had been granted to members of the Board of Directors or to members of senior management.

**Corporación Financiera Alba, S.A. and Dependent Companies**

Translation of reports and consolidated financial statements issued in Spanish in accordance with generally accepted accounting principles in Spain (see Note 27). In the event of a discrepancy, the Spanish-language version prevails.

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, are shown below. The table also shows the functions, if any, that each director performs in these companies.

<b>Name</b>	<b>Company</b>	<b>Business</b>	<b>Shareholding</b>	<b>Functions</b>
Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	Banking	1.54%	Director
Alfredo Lafita Pardo	Diana, Sociedad de Capital Riesgo, S.A.	Venture capital	n.m.	Chairman
Manuel Soto Serrano	Banco Santander Central Hispano	Banking	n.m.	Fourth Vice-Chairman
Manuel Soto Serrano	Instituto per le Opere di Religiones	Banking	n.m.	Director
Luis Angel Rojo Duque	Banco Santander Central Hispano	Banking	n.m.	Director

## 25. Auditors' remuneration

The amount received or receivable by Ernst & Young was 52,000 euros. This corresponded entirely to the auditing of the 2006 individual and consolidated annual accounts. Fees paid for 2005 amounted to 50,000 euros.

## 26. Post-balance sheet events

Subsequent to year-end 2006 and prior to the authorization of the financial statements, the following events occurred:

- In February 2007, Alba Participaciones, S.A., an investee of Corporación Financiera Alba, S.A., acquired 74.68% of the company Islalink for 14.6 million euros. Islalink is the leading independent submarine cable operator in Spain.
- In the last quarter of 2006, Antevenio, an investment of Alba, prepared for its admission to trading on the Alternext financial market, a market belonging to the Euronext system and specializing in small and medium-sized companies in the euro zone. Antevenio's shares started trading on February 15, 2007.

## 27. Explanation added for translation to English

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

# AUDITORS' REPORT



## INFORME DE AUDITORÍA DE CUENTAS ANUALES CONSOLIDADAS

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

1. Hemos auditado las cuentas anuales consolidadas de Corporación Financiera Alba, S.A. y Sociedades dependientes (el Grupo), que comprenden el balance de situación consolidado al 31 de diciembre de 2006 y la cuenta de resultados consolidada, el estado de flujos de efectivo consolidado, el estado de cambios en el patrimonio neto consolidado y la memoria correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de los administradores de la Sociedad dominante. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales consolidadas en su conjunto, basada en el trabajo realizado de acuerdo con normas de auditoría generalmente aceptadas en España, que requieren el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales consolidadas y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas. Nuestro trabajo no incluyó la auditoría de las cuentas anuales del ejercicio 2006 de determinadas sociedades asociadas (ver Nota 2.5 de la memoria), cuyos activos y contribución al resultado neto consolidado del ejercicio ascienden a 1.947.186 y 365.332 miles de euros, respectivamente. Las mencionadas cuentas anuales de dichas sociedades asociadas fueron auditadas por otros auditores (ver Nota 2.5 de la memoria) y nuestra opinión expresada en este informe sobre las cuentas anuales consolidadas de Corporación Financiera Alba, S.A. y Sociedades dependientes se basa, en lo relativo a dichas sociedades asociadas, únicamente en los informes de los otros auditores.

2. De acuerdo con la legislación mercantil, los administradores de la Sociedad dominante presentan, a efectos comparativos, con cada una de las partidas del balance de situación consolidado, de la cuenta de resultados consolidada, del estado de flujos de efectivo consolidado, del estado de cambios en el patrimonio neto consolidado y de la memoria, además de las cifras del ejercicio 2006, las correspondientes al ejercicio anterior. Nuestra opinión se refiere exclusivamente a las cuentas anuales consolidadas del ejercicio 2006. Con fecha 10 de abril de 2006 emitimos nuestro informe de auditoría acerca de las cuentas anuales consolidadas del ejercicio 2005 en el que expresamos una opinión favorable.

3. En nuestra opinión, basada en nuestra auditoría y en los informes de los otros auditores (ver Nota 2.5 de la memoria) las cuentas anuales consolidadas del ejercicio 2006 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Corporación Financiera Alba, S.A. y Sociedades dependientes al 31 de diciembre de 2006 y de los resultados consolidados de sus operaciones, de sus flujos de efectivo consolidados y de los cambios en el patrimonio neto consolidado correspondientes al ejercicio anual terminado en dicha fecha y contienen la información necesaria y suficiente para su interpretación y comprensión adecuada, de conformidad con las normas internacionales de información financiera adoptadas por la Unión Europea que guardan uniformidad con las aplicadas en el ejercicio anterior.

4. El informe de gestión consolidado adjunto del ejercicio 2006 contiene las explicaciones que los administradores de la Sociedad dominante consideran oportunas sobre la situación de Corporación Financiera Alba, S.A. y Sociedades dependientes, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2006. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de las sociedades consolidadas.



**ERNST & YOUNG, S.L.**  
(Inscrita en el Registro Oficial de Auditores de Cuentas con el Nº 50530)



**Francisco V. Fernández Romero**

10 de abril de 2007

*Translation*

**AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS**

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

To the Shareholders of Corporación Financiera Alba, S.A.

1. We have audited the consolidated annual accounts of Corporación Financiera Alba, S.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2006, the consolidated income statement, consolidated cash flow statement and statement of changes in consolidated equity and the notes thereto for the year then ended, the preparation of which is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts taken as a whole, based upon work performed in accordance with auditing standards generally accepted in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the annual accounts, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made. Our work as auditors did not include the audit of the 2006 annual accounts for certain associated companies (see Note 2.5), whose assets and contribution to consolidated net profit amount to 1,947,186 and 365,332 thousand euros respectively. Given that the annual accounts of these associated companies were audited by other auditors (see Note 2.5), our opinion on these associated companies expressed in this audit report on the consolidated annual accounts of Corporación Financiera Alba, S.A. and its subsidiaries is based solely on the audit reports issued by the other auditors.

2. In accordance with mercantile law, for comparative purposes the Parent Company's Management has included for each of the captions included in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow

statement and the notes thereto, in addition to the figures of 2006, those of 2005. Our opinion refers only to the consolidated annual accounts for 2006. On April 10, 2006, we issued our audit report on the 2005 consolidated annual accounts, in which we expressed an unqualified opinion.

3. In our opinion, based on our audit and the reports of other auditors (see Note 2.5), the accompanying 2006 consolidated annual accounts give a true and fair view, in all material respects, of the consolidated net equity and consolidated financial position of Corporación Financiera Alba, S.A. and its subsidiaries at December 31, 2006 and the consolidated results of their operations, and contain the required information necessary for their adequate interpretation and comprehension, in conformity with International Financial Reporting Standards (IFRS) endorsed by the European Union, applied on a basis consistent with those of the preceding year.

4. The accompanying consolidated management report for the year ended December 31, 2006 contains such explanations as the Parent Company's directors consider appropriate concerning the situation of Corporación Financiera Alba, S.A. and its subsidiaries, the evolution of their business and other matters, and is not an integral part of the consolidated annual accounts. We have checked that the accounting information included in the consolidated management report mentioned above agrees with the consolidated annual accounts for the year ended December 31, 2006. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Group companies' accounting records.