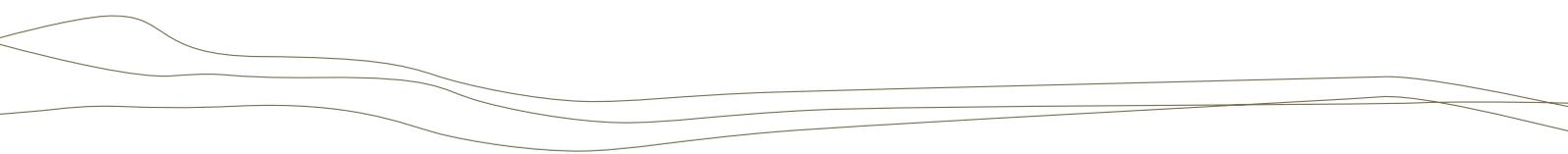


LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS



Dear
Shareholders,

Once again it is a great pleasure for us to bring you this report on developments at Alba and its investee companies during 2007.

Equity market performance was uneven, especially in the second half of the year. The Ibex 35 gained 7.3%, setting a new record as it peaked above 15,900 points in the first week of November. However, the year was marked by alternation between significant corrections (second half of February, the months of July and August and some weeks in November and December) and periods of strong price recovery (in March, April, September and October). Our view is that these abrupt variations reflect the economic and financial uncertainties that emerged over the course of the year, such as the subprime mortgage crisis, the associated liquidity and solvency problems in the financial industry, the sharp slowdown in the property market and the worse economic outlook in the United States, Spain and other countries. These uncertainties have continued during the first few months of 2008, causing steep market declines. At the end of January, the Ibex 35 fell to 12,250 points, 23.1% below the record high a few months earlier. At the same time, it is worth noting that the movements in the indices during 2007 may not fully reflect the behaviour of the market as a whole, as they were driven mainly by the strong performance of a small number of large-cap stocks, while many companies suffered major drops in their market price, especially those with exposure to the property cycle and high levels of debt.

Our company's net asset value (NAV) decreased by 449 million euros over the period, ending the year at 4,452 million euros, 9.2% below the previous year's level. Despite the decrease, this is the second highest closing level in our company's history, well above the levels recorded in the years prior to 2006. NAV per share at December 31, 2007 was 71.68 euros after deducting treasury shares. This is 5.5% less than the NAV per share at the end of 2006. The fact that NAV per share decreased less sharply than NAV is attributable to the share repurchase programme implemented in recent years.

At the end of 2007, Alba's shares were trading at 46.29 euros, representing a 35.4% discount on NAV per share before taxes. The share price fell 18.1% over the year as a whole, compared with the 7.3% gain in the Ibex 35 mentioned earlier and the 0.4% decline in the Eurostoxx 50.

Consolidated net profit was 525.3 million euros, down 42.8% compared to the previous year's 918.3 million. Earnings per share reached 8.26 euros, down 41.6% compared to 2006. The decrease in net profit and per-share earnings is due to the smaller volume of asset sales during the year and the resulting impact on gains. As usual in our company, capital reductions through cancellation of own shares resulted in a higher percent increase in earnings per share than in overall profit.

Turning to the profit and loss account, *Gain (loss) on sale of assets* in 2007 was 72.1 million euros, a decrease of 87.0% compared to the 2006 figure of 555.3 million. Most of this gain came from the sale of equity investments in March Unipsa, March Gestión de Fondos and March Gestión de Pensiones (43.0 million euros) and of various investment properties (26.9 million euros). In 2006, this non-recurring item included 492.9 million euros of gains on the sale of the investment in Carrefour.

Another noteworthy item is *Share of profit of associates*, which reflects the impact on Alba of the profit recorded by its investee companies. This figure increased substantially between 2006 and 2007, from 365.6 million euros to 423.3 million. This increase is attributable to the increased shareholdings in ACS and Acerinox, the consolidation of Prosegur, and these companies' strong financial performance. Further on in this report you will find a more detailed analysis of the various profit and loss items.

Next we shall briefly discuss the main corporate transactions carried out in the year under review.

During 2007, Alba increased its stake in ACS, Acerinox and Prosegur, invested in Clínica Baviera, entered the growth capital business and made a number of divestments:

~ The most significant investment was the purchase of an additional 0.99% of the share capital of ACS for

149.8 million euros, bringing Alba's stake to 22.13%. At the end of 2007, ACS accounted for 65.2% of Alba's total asset value, slightly down from 65.7% at the close of 2006.

~ Alba also increased its holding in Acerinox to 23.24% by purchasing an additional 2.45% of the company's share capital for 110.1 million euros. Despite this investment, Acerinox accounted for only 20.9% of Alba's total asset value in December 2007, down from 25.3% at the end of the previous year, due to the worse performance of the Acerinox share compared to the rest of the portfolio.

~ Alba increased its ownership interest in Prosegur to 10.01% by purchasing an additional 5.00% of the company's share capital for 83.9 million euros. As a result of this acquisition, coupled with strong share price appreciation during the year, in December 2007 Prosegur accounted for 3.1% of Alba's total asset value, up from 2.0% at the end of 2006.

~ Clínica Baviera was admitted to trading on April 3, 2007. Alba made several purchases of Clínica Baviera shares during the year, bringing its interest in the company to 15.46% at December 31, 2007. The total investment was 57.7 million euros. At year-end Clínica Baviera accounted for 1.3% of Alba's total asset value.

~ On May 30, 2007, Alba announced that it had created Deyá Capital SCR (Sociedad de Capital Riesgo de Régimen Simplificado) with the aim of making growth capital investments in Spain. The corporate purpose of this company, in which Alba will maintain a majority holding, is to acquire minority interests in medium-sized, unlisted Spanish companies with skilled management teams, with a view to supporting them in their development. In 2007 Deyá Capital conducted an intense search for investment opportunities. In July it acquired 26.09% of Isofotón, a leading Spanish photovoltaic cell and panel manufacturer, through an issue of new shares totalling 150 million euros. In December it signed agreements to buy 22.06% of Ros Roca Environment, the European leader in waste treatment and collection equipment, for 63.5 million euros, and 28.88% of Ocibar, a company which holds concessions to develop and operate marinas in the Balearic Islands, for 9.9 million euros. The investment in Ros Roca was implemented by means of a capital increase, carried out in early February 2008, and the investment in Ocibar was completed at the end of April. On November 15, 2007, Alba and Mercapital announced that they had started the process of creating a venture capital management company, Artá Capital SGEGR (Sociedad Gestora de Entidades de Capital Riesgo), which will manage Deyá Capital SCR and other investment vehicles to be created in the future. Artá Capital is majority-owned by Alba and will have the benefit of Mercapital's experience to speed its growth.

Authorization of Artá Capital was obtained at the beginning of April 2008 and the company was registered with the CNMV and in the Companies Register.

~ On February 7, 2007, Alba acquired 74.68% of IslaLink for 15.1 million euros. IslaLink builds and operates undersea telecommunications cables and currently operates a cable between Valencia and Palma de Mallorca.

~ Divestments during the year totalled 139.4 million euros. The most relevant were the sale of various investment properties for 73.9 million euros and of shareholdings in March Unipsa Correduría de Seguros and the asset management companies March Gestión de Fondos and March Gestión de Pensiones. At the end of December 2007, Alba sold its 35% stake in these companies to Banca March, their majority shareholder, which at that time owned the remaining 65%, for a total of 48.4 million euros. The sale resulted in a total gain of 43.0 million euros and completed the divestment of the three companies. Alba achieved an excellent return on these investments, with an IRR of 24.5% per year for 13 years in the case of March Unipsa and 15.6% per year for 7 years taking the three companies as a whole. Following the sale of these holdings, Alba's portfolio now consists exclusively of industrial and non-financial service companies and no longer includes shares in companies controlled directly by Banca March and largely dependent on Banca March's sales network for their business.

~ In 2007 Alba purchased 2,529,305 own shares for a total of 126.8 million euros, representing 3.89% of its share capital. At the General Meeting in May 2007 the shareholders voted in favour of the proposal to cancel 1,000,000 shares, equivalent to 1.54% of the Company's share capital. At year-end, Alba held 1,985,991 treasury shares, equivalent to 3.10% of its capital.

Next we shall briefly discuss the performance of our main investee companies in 2007. More detailed information is provided elsewhere in this report.

~ Acerinox achieved record sales of 6,901 million euros in 2007, with net profit of 312 million euros, making this the second best year in its history, despite a 37.9% decrease in profit compared to 2006. The decreases in output and profit are attributable to the difficult market conditions for stainless steel in the second half of the year, which was marked by a slump in the nickel price and the consequent decline in stainless steel orders and prices in all markets. After opening the year at an all-time high, following steep appreciation at the end of 2006, the Acerinox share price was hit by the uncertainties in the stainless steel industry and the wider turbulence in equity markets and fell 27.0% during 2007, leaving market capitalization at approximately 4,400 million euros at year-end.

~ ACS substantially improved its results in 2007, with net profit up 24.1% at 1,551 million euros, thanks to solid performance across all business lines and strong contributions from its investees, especially Abertis and Unión Fenosa. The shareholding in Unión Fenosa was fully consolidated for the first time in 2007, resulting in a sharp increase in consolidated sales (up 53.7% at 21,312 million euros) and EBITDA (up 186.4% at 3,491 million euros). On a comparable basis with 2006 sales were up 12.2% and EBITDA, up 13.2%.

During 2007, ACS completed various transactions of great strategic importance, including the acquisition of 25.1% of the German construction company Hochtief, the acquisition of the U.S. construction company Schiavone Construction and the sale of the Continental Auto group. Net investment was 3,403 million euros, including the acquisitions just mentioned, the Group's operational investments and investments by Unión Fenosa.

The ACS share price fell 4.8% during 2007 and the company ended the year with a market capitalization of 14,300 million euros.

~ Clínica Baviera's consolidated sales rose 31.4% to 78 million euros, EBITDA 6.0% to 23 million euros and net profit 2.0% to 12 million euros. These results were affected by IPO expenses of 2 million euros. Excluding these non-recurring expenses, EBITDA rose 17.0% to 25 million euros, while net profit increased 15.3% to 14 million euros.

The Clínica Baviera share started trading on April 3, 2007 at 18.40 euros and ended the year at 23.81 euros, an increase of 29.4%.

~ Prosegur reported consolidated sales of 1,842 million euros, up 13.1% on 2006, mainly due to the growth of the corporate security business and the satisfactory results of Latin American operations. Net profit rose 70.7% to 98 million euros, despite a 20 million euros provision for overtime claims in Spain.

During 2007, the Prosegur share slipped -1.2%. Market capitalization at year-end was over 1,500 million euros.

The outlook for our investee companies at operational and financial level in 2008 remains positive, despite the widespread economic uncertainty in Spain and other countries and the turbulence that has prevailed in financial markets since mid-2007 due to the subprime

crisis, the slowdown in the property market and the liquidity squeeze.

Alba's goal is to continue to be the controlling shareholder of the companies in which it has investments, while remaining alert to new investment opportunities.

Alba has consistently shown concern for compliance with corporate governance standards and best practices and has followed current recommendations, notably those contained in the Unified Code approved by the CNMV. The General Meeting and Board Regulations have been adapted accordingly.

The corporate web site, which is fully compliant with current regulations, remains an excellent source of Company information for shareholders, investors and industry professionals.

The Board has also approved the Annual Corporate Governance Report, which is available to shareholders and investors. The report gives details of the Company's shareholders and directors, the risk control systems in place and the monitoring of compliance with corporate governance recommendations.

As regards the distribution of profit for the year, the Board of Directors will recommend a final dividend for 2007 of 0.06 euros per share, to be paid in the



near future. Together with the interim dividend paid in November last year, this brings the full-year dividend to 0.12 euros per share. The dividend payout thus remains on a par with previous years. At the General Meeting, the Board will also propose a reduction of capital through the cancellation of 1,710,000 own shares, equivalent to 2.67% of the share capital.

Other resolutions to be laid before the shareholders concern the election, ratification and re-election of directors, the reappointment of the external auditor, the review of directors' remuneration, the approval of a share-based payment system based on share options and the renewal of the authority to purchase own shares.

Lastly, we would like to thank all the employees of our group of companies for their professionalism, enthusiasm and commitment, and all of you for your trust and support.

Yours sincerely,

Juan March Delgado
Carlos March Delgado

Chairmen of the Board of Directors