2005
ANNUAL REPORT

CORPORACION FINANCIERA ALBA, S.A.

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SELECTED KEY FIGURES

ECONOMIC-FINANCIAL DATA

(in millions of € unless otherwise indicated)	**2005**	2004	2003
Share capital at year-end	**66.46**	66.80	67.52
Shareholders' equity at year-end (before distribution of profits)	**2,125.63**	1,192.07	1,002.32
Shares in circulation, average for the year (thousands)	**65,616**	66,177	71,779
Net profit	**444.27**	255.58	182.50 (*)
Dividends	**7.87**	7.92	8.04
Net profit per share excluding treasury stock (€)	**6.77**	3.87	2.74 (*)
Dividend per share (€)	**0.12**	0.12	0.12

STOCK MARKET INFORMATION

	2005	2004	2003
Stock price (€/share)			
High	**40.50**	26.85	23.92
Low	**25.65**	22.30	16.76
Last	**39.25**	25.70	23.22
Market capitalisation at Dec. 31 (millions of €)	**2,609**	1,717	1,568
Traded volume			
Number of shares (thousands)	**27,233**	13,855	18,811
Millions of €	**935**	335	376
Daily average (millions of €)	**3.65**	1.33	1.50

(*) According to General Chart of Accounts.

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BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

CHAIRMEN	Mr. Juan March Delgado Mr. Carlos March Delgado
VICE-CHAIRMAN	Mr. Pablo Vallbona Vadell
MANAGING DIRECTOR	Mr. Isidro Fernández Barreiro
DIRECTORS	Mr. Nicholas Brookes Mr. Alfredo Lafita Pardo Mr. Enrique Piñel López Mr. Luis Ángel Rojo Duque Mr. Manuel Soto Serrano Mr. Alfonso Tolcheff Álvarez Mr. Francisco Verdú Pons
NON-BOARD SECRETARY	Mr. José Ramón del Caño Palop

MANAGEMENT

MANAGING DIRECTOR	Mr. Isidro Fernández Barreiro
GENERAL MANAGER	Mr. Santos Martínez-Conde Gutiérrez-Barquín
MANAGERS	Mr. José Ramón del Caño Palop Mr. Luis Lobón Gayoso Mr. Juan March de la Lastra Mr. Ignacio Martínez Santos Mr. Fernando Mayans Altaba Mr. Tomás Villanueva Iribas
TAX ADVISOR	Mr. Juan Antonio Lassalle Riera
DEPARTMENT HEADS	Mr. Antonio Egido Valtueña Mr. Diego Fernández Vidal Mr. Alfredo Gadea Martín Mr. Félix Montes Falagán Mr. Alejandro Muñoz Sanz Mr. Andrés Temes Lorenzo
COMMUNICATIONS AND PRESS	Mr. José Vicente de Juan García

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Dear shareholders:

We are pleased, once again, to inform you of the performance of the Company and its holdings in 2005.

Equity markets have performed positively. Our Company's net asset value increased by 881 million euro in 2005, ending the year at 3,174 million euros, a net asset value per share excluding treasury stock of 48.38 euros.

Alba stock closed the year at 39.25 euros, a 19% discount to the net asset value, maintaining the trend of previous years towards a decline in this discount. Over the year, Alba shares increased in value by 52.7% which compares very favourably with the 18.2% gain recorded by the Ibex 35.

Consolidated net profit came to 444.3 million euros and represented 73.8% year-on-year growth from 2004's 255.6 million euros. Earnings per share increased by 74.9% against 2004, to 6.77 euros. As is becoming usual in our company, capital reductions due to retirements of treasury stock caused earnings per share to perform better in percentage terms than the company's total profit.

Of the various items that comprise the Profit and Loss Account, *Profit from the sale of assets* stands out, amounting to 312.5 million euros in 2005 compared to 105.7 million euros the previous year. This profit basically comes from divestments in Carrefour, Vodafone, Havas and Celtel.

Another noteworthy item is *Share in profits of associated companies* which reflects the impact on Alba of profit (loss) obtained by investee companies. This year this figure has fallen from 162.5 million euros to 121.8 million euros due mainly to Carrefour leaving the scope of consolidation.

A more detailed analysis of the different items on the profit and loss account can be found in this report.

We now move on to comment on the main operations by our company last year.

In 2005 Alba increased its investment in ACS and Acerinox and sold its remaining shareholdings in Vodafone and Havas. In the last quarter Alba reduced it stake in Carrefour from 3.4% to 2.5%.

≈ The most significant investment was the increase in the ACS shareholding to 17.9% for 201 million euros. This investment, together with the good performance by ACS' share price, increased the weighting of this company in Alba's net asset value to 55.0% in December 2005. In the first few months of 2006, given the good prospects for ACS, Alba continued to buy shares in the construction and services company, holding a 20.2% shareholding at the end of the first quarter, for an additional investment of 220.9 million euros.

≈ With the purchase of 0.6% of Acerinox's capital for 20 million euros, Alba had an 11.2% stake in the company at the end of the year. This left Acerinox's weighting in Alba's asset value at 11.0%.

Alba has continued to increase its investment in this company in 2006 having a 13.7% shareholding at the end of the first quarter for an investment of 82.4 million euros.

≈ Disinvestment totalled 415 million euros during the year with the sale of part of the investment in Carrefour being particularly significant. In the last quarter of the year 0.9% of the company's share capital was sold on the market for 236 million euros, with profit of 158 million euros.

The rest of the Carrefour shareholding, 2.5%, has been sold in the months elapsed in 2006 for 679 million euros with capital gains of 493 million euros.

≈ In 2005, divestment of Vodafone and Havas was completed with the sale of 0.1% for 100 million euros and 0.6% for 12 million euros respectively. Also, 85.0% of Celtel's shares were sold for 63 million euros.

≈ In 2005, Alba continued to implement its treasury stock buyback policy. At end-2004, Alba's held 794,298 shares as treasury stock. In 2005, it purchased a further 406,702 own shares for 13 million euros, representing 0.61% of share capital. The retirement of 340,000 shares representing 0.51% of share capital was approved by the General Meeting of Shareholders held in May 2005. Alba held 861,000 shares in treasury stock at year-end, or 1.29% of its share capital, of which 860,000 were retired in January 2006 in accordance with the resolution approved at the Extraordinary Shareholders' Meeting of December 14, 2005.

Below, we comment briefly on developments in 2005 at the main investee companies. More detailed information on all of these can be found elsewhere in this report.

≈ New production capacity coming on stream in Asia and a sharp fall in nickel prices that led to a rapid reduction of stocks, caused a worsening of conditions in the stainless steel market in the second half of the year. ACERINOX obtained steel mill production of 2.24 million tonnes at its plants in Algeciras, NAS (USA) and Columbus (South Africa) which while slightly down on the previous year's figure makes it the world's second largest stainless steel producer.

Despite the decline in prices in the second half of 2005 the Group obtained sales of 4,214 million euros, 4% higher than in 2004, although EBITDA and net profit at 415 and 154 million euros were 34% and 51% down respectively on the previous year.

≈ ACS's various divisions showed an excellent operating performance thanks to the strength of demand in their respective sectors of activity.

The Construction area obtained sales of 5,725 million euros, an increase of 9.5%, and net profit of 239 million euros with growth of 8%.

In Industrial Services, revenue amounted to 4,077 million euros an increase of 16.8% as a result of demand for electricity generation and hydrocarbon processing infrastructure. Net profit was 179 million euros, 19.4% more than in 2004.

The Services and Concessions division had sales of 2,420 million euros, an increase of 9.9%, and net profit of 212 million euros with growth of 35.6%.

Consolidated sales came to 12,000 million euros, a 12% improvement on the previous year.

ACS purchased an additional 7.2% in Abertis, Spain's leading highway operator. This took its shareholding to 24.8% by year-end. In recent months, as part of its diversification and internationalisation strategy, Abertis acquired the airport operator TBI and the French company SANEF which operates 1,771 kilometres of highway in France. In April 2006, Abertis and Autostrade signed a merger agreement that will create the world's leading infrastructure management company with sales of over 6,000 million euros and market capitalisation of 25,000 million euros.

ACS has also increased its interest in Urbis, one of Spain's largest property sector companies, to 24.5% and acquired a 24.5% stake in Unión Fenosa which, after the success of the takeover bid launched on an additional 10% of capital concluded in 2006, has now risen to 34.5%.

Net profit totalled 609 million euros. This is a 34% advance on the previous year and represents a return on equity of over 26%.

≈ In 2005 PROSEGUR made several acquisitions including Nordés, market leader in surveillance systems, and CEES, specialists in surveillance services in Spain and Portugal. The company has strengthened its strategy in high growth segments and increased its presence in America.

Sales grew by 24.8% year-on-year to 1,387 million euros, thanks to growth in the corporate security area, involving surveillance and cash transport activities.

Net profit advanced more than 80% to 66 million euros due to good business performance and because of the extraordinary amortisation of 23 million euros of goodwill from French companies S.E.E.I. and BAC Sécurité in 2004.

In respect of compliance with corporate governance standards and practices, Alba continued to place special emphasis on the subject. Last year it adopted related decisions for adapting the articles of association and Regulations of the General Meeting to the stipulations of the First Final Provision of the Law on European Public Limited Companies Domiciled in Spain in respect of the General Meeting. In addition, to ensure greater compliance with recent regulations established to prevent "market abuse", the Board, at its meeting in March of this year, made the necessary changes to the Internal Rules of Conduct to adapt these to the aforementioned regulations.

The Company's web-site, fully adapted to prevailing regulations and revamped at the end of 2004, remains an excellent source of information about the company for shareholders, investors and professionals.

The Annual Corporate Governance Report was approved. This has been made available to shareholders and investors and contains detailed explanations of aspects relating to Alba's ownership and management structure, risk control systems, functioning of the General Meeting and monitoring of corporate governance recommendations.

With regard to the appropriation of annual results, the Board of Directors is proposing the distribution of a dividend equalling 0.12 euros per share for 2005 to the General Meeting of Shareholders. This would involve paying a final dividend of 0.06 euros per share in the first few days of June, in addition to the interim dividend paid last November. This represents a continuation of the dividend distribution policy of previous years. Furthermore, the Board is proposing a capital reduction to the General Meeting through the retirement of treasury stock equalling 0.76% of share capital.

The General Meeting will also be asked to approve resolutions regarding the re-election of Directors whose mandates expire this year, the fixing of maximum compensation for the Board of Directors and the renewal of the authorisation for the acquisition of treasury stock.

And lastly, we wish to express our gratitude to all employees of the Group for their professionalism, enthusiasm and dedication and to you, the shareholders, for your confidence and support.

Cordially yours,

Mr. Juan March Delgado

Mr. Carlos March Delgado

Chairmen of the Board of Directors

CONSOLIDATED ECONOMIC-FINANCIAL DATA

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). Transition from generally accepted accounting principles in Spain to IFRS has been made from the opening balance for 2004 so information for 2004 and 2005 is comparable.

For Alba, the main changes resulting from the adoption of IFRS are as follows:

– **Real estate investments** for rent are carried at fair value, are not depreciated and the difference between the initial and final fair value of a period is taken to profit and loss.

– **Real estate for own use** was revalued at 01.01.04 on the basis of first-time adoption of IFRS, with variations being taken to reserves. This value is deemed cost of acquisition and is depreciated in the same way as in previous years.

– **Unipsa, Correduría de Seguros, S.A.,** a company in which Alba has an 82.6% shareholding, formerly carried by the equity accounted method due to its different acivity, is now fully consolidated.

– **Goodwill** will be subject to impairment testing and will not be amortised.

– Acerinox and ACS continue to be carried by the equity accounted method. Other shareholdings are carried at fair value and changes in these will be recorded in shareholders' equity.

The last part of this report contains the consolidated Annual Accounts, audited by Ernst & Young, S.L., with more detailed information.

BALANCE SHEET

Changes in Alba's main balance sheet items in 2005 were as follows:

Real estate investments, that includes properties for rent, totalled 252.8 million euros, an 8.0% advance on the previous year. This increase is due to the higher value of these properties in accordance with appraisals carried out by independent experts and has been recorded in the profit and loss account under "Changes in fair value of real estate investments".

Tangible fixed assets, that mainly includes the corporate headquarters of fully consolidated companies, has decreased due to the impact of the depreciation carried out during the year.

Investments in associated companies has increased by 83.7 million euros, from 999.0 million euros to 1,082,7 million euros. This increase is mainly due to the investments made in ACS and Acerinox during the year that increased the value of these shareholdings by 301.6 and 41.0 million euros respectively. This item was reduced by 259.2 million euros due to Carrefour leaving the scope of consolidation. This is now classified as an asset held for sale.

Assets held for sale has increased by 619.9 million euros due mainly to the Carrefour shareholding being classified under this item at market value. This item has decreased due to the sale of the shareholdings in Vodafone Group plc, Havas, S.A. and Celtel International BV.

Financial assets increased because of the investment on financial markets of the cash obtained from divestments during the period.

Debtors and other assets declined from 32.4 to 11.8 million euros due to the 25.2 million euro reduction in prepaid tax. This prepaid tax originated from capital gains generated in 2002 on the sale of shares in Vodafone Group, plc and was written off this year after all the shares in this company were sold to third parties.

Share capital amounted to 66.5 million euros, a decline of 0.3 million euros on the previous year. This reduction was due to the retirement of 340,000 shares as approved by the General Meeting of Shareholders of May 25, 2005.

Company *Reserves* increased by 84% to 1,639.3 million euros mainly as a result of distributing the previous year's results and growth in revaluation reserves for both property and the investment portfolio which increased by 10.9 and 477.5 million euros respectively.

Treasury stock includes the 22.7 million euro cost of purchasing the 861,000 Alba shares, at an average price of 26.32 euros, which represent 1.29% of share capital.

Net equity equalled 2,125.6 million euros at year-end, having increased by 78.3% year-on-year due to the increase in the reserves mentioned above.

Provisions ended 2005 at 21.3 million euros, close to 2004's level.

Short-term creditors, which include both debt and other short-term debt, declined significantly to 79.7 million euros due to the cash generated during the year.

CONSOLIDATED BALANCE SHEETS
BEFORE THE DISTRIBUTION OF PROFITS

ASSETS	Millions of € As of December 31, 2005	Millions of € As of December 31, 2004
Real estate investment	**252.8**	234.1
Tangible fixed assets	**21.3**	22.2
Net tangible fixed assets	**274.1**	256.3
Shareholdings in associated companies	**1,082.7**	999.0
Assets held for sale	**788.8**	168.9
Other investments	**1.9**	2.2
Investments	**1,873.4**	1,170.1
Total fixed assets	**2,147.5**	**1,426.5**
Financial assets	**69.9**	**9.6**
Debtors and other assets	**11.8**	**32.4**
TOTAL ASSETS	**2,229.2**	**1,468.4**

CONSOLIDATED BALANCE SHEETS
BEFORE THE DISTRIBUTION OF PROFITS

SHAREHOLDERS' EQUITY & LIABILITIES	Millions of € As of December 31, 2005	 As of December 31, 2004
Share capital	**66.5**	66.8
Reserves	**1,639.3**	889.9
Treasury stock	**(22.7)**	(18.0)
Interim dividend	**(3.9)**	(4.0)
Profit for the year	**444.3**	255.6
Minority interests	**2.1**	1.8
Net equity	**2,125.6**	**1,192.1**
Provisions	**21.3**	**22.6**
Long-term creditors	**2.6**	**2.5**
Debt	**54.3**	229.4
Other short-term debt	**25.4**	21.8
Short-term creditors	**79.7**	**251.2**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,229.2**	**1,468.4**

PROFIT AND LOSS ACCOUNT

In 2005 Alba obtained *Net profit* of 444.3 million euros, 73.8% year-on-year growth from 2004's 255.6 million euros. Earnings per share advanced 74.9% from 3.87 euros in 2004 to 6.77 euros in 2005. Earnings per share outperformed total earnings due to the retirement of treasury stock during the year.

Revenue from *Share in profits of associated companies* fell from 162.5 to 121.8 million euros. This reduction was due to the exclusion of Carrefour from the scope of consolidation. This is now classified as a financial investment held for sale. However, the increase in the ACS shareholding and the good performance of the company's results have partly offset this effect.

Rental income from the property portfolio totalled 15.0 million euros and so remained close to the previous year's level. At December 31, 2005 the occupancy rate was 97.3% with a surface area above ground level of 98,633 square metres.

Revenue from the provision of services corresponds to the insurance brokerage activity of Unipsa, a fully consolidated company.

As a result of the adoption of International Financial Reporting Standards, Alba's real estate investments are now carried at market value and changes in this each year are recorded as profit or loss for the year. In 2005 the estimated value of these real estate assets has increased by 18.8 million euros, credited to *Changes in fair value of real estate investments*, with the fair value of these assets at December 31, 2005 being 252.8 million euros.

Financial revenue increased from 6.5 to 29.3 million euros because this year it includes the dividends received from Carrefour as a result of its leaving the scope of consolidation.

Profit from the sale of assets amounted to 312.5 million euros in 2005 compared to 105.7 million euros the previous year. This item includes capital gains obtained from the divestments made during the year. These capital gains mainly came from the sale of shares in Carrefour, 163.4 million euros; from the sale of the remaining shareholdings in Vodafone and Havas, 89.2 and 6.6 million euros respectively; and from the sale of 85% of Celtel International BV for a further 43.7 million euros.

Operating costs totalled 27.7 million euros, a higher figure than the previous year's mainly because of the increase in personnel costs due to all the rights of the stock option plan approved by the General Meeting of Shareholders on May 22, 2002 having been exercised this year.

Financial costs have fallen to 4.4 million euros from 8.8 million euros in 2004 due to the decline in debt.

Depreciation was 1.1 million euros, close to 2004's figure.

Corporate income tax recorded in 2005 totalled 28.6 million euros, relating to capital gains on the year's sale of Vodafone shares.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (1)

	Millions of €	
	2005	2004
Share in profits of associated companies	**121.8**	162.5
Rental income	**15.0**	14.0
Revenue from the provision of services	**9.5**	7.6
Changes in fair value of real estate investments	**18.8**	11.1
Financial revenues	**29.3**	6.5
Profit from the sale of assets	**312.5**	105.7
Subtotal	**506.9**	**307.4**
Operating costs	**(27.7)**	(20.9)
Financial costs	**(4.4)**	(8.8)
Depreciations	**(1.1)**	(1.2)
Corporate income tax	**(28.6)**	(20.3)
Minority interests	**(0.8)**	(0.6)
Subtotal	**(62.6)**	**(51.8)**
NET PROFIT	**444.3**	**255.6**
Earnings per share (€)	**6.77**	**3.87**

(1) These Profit and Loss accounts are presented according to management criteria, which explains the differences that result in certain headings with respect to the data included in the Annual Accounts.

SECURITIES PORTFOLIO AS OF DECEMBER 31, 2005

LISTED COMPANIES	Percent stake	Market value of shares (1) Millions of €	Market value of shares (1) € per share	Main quoting exchange
Acerinox (*) ………………………	11.18	356.4	12.29	Madrid
ACS (*) ………………………………	17.93	1,721.5	27.21	Madrid
Carrefour …………………………	2.53	705.3	39.58	Paris
Prosegur …………………………	5.23	62.4	19.32	Madrid
Spirent ……………………………	0.58	4.0	0.72	London
Total market value …………		**2,849.6**		
Total book value ……………		**1,850.6**		
Unrealised capital gains ……		**999.0**		

UNLISTED COMPANIES	Percent stake	Value on Alba's books Millions of €
Celtel ……………………………………………	0.5	12.7
March Gestión Fondos (*) ………………	35.0	1.4
March Gestión Pensiones (*) ……………	35.0	1.0
Unipsa (3) …………………………………	n.a.	1.9
Xfera ………………………………………	11.4	0.0
Others (2) …………………………………	n.a.	3.9
Total book value ………………………		**20.9**
Tangible fixed assets ………………		**274.1**

(1) Market prices and exchange rates as of the last business day of December.
(2) Includes, amongst others, the holdings in Antevenio (28.8%) and Palio (17.0%).
(3) Unipsa, Correduría de Seguros, S.A, is fully consolidated and its investees are consolidated by the equity method.
(*) Shareholdings consolidated by the equity method.

The changes in the portfolio of shareholdings in 2005 are detailed below:

	Percent stake		
LISTED COMPANIES	**31-12-05**	31-12-04	Change
Acerinox	**11.18**	10.40	0.78
ACS	**17.93**	15.54	2.39
Carrefour	**2.53**	3.39	(0.86)
Havas	**—**	0.63	(0.63)
Spirent	**0.58**	0.66	(0.08)
Vodafone	**—**	0.07	(0.07)
UNLISTED COMPANIES			
Celtel	**0.5**	3.3	(2.8)

The increase in the ACS shareholding is a consequence of the acquisitions made during the year. For Acerinox, 0.63 points of the increase correspond to acquisitions made during the year and the other 0.15 points to the effect of the reduction of capital carried out by this company to retire treasury stock.

Decreases in the shareholdings in Carrefour, Havas, Vodafone, Celtel and Spirent are the result of the sales made during the year.

SECTORIAL DIVERSIFICATION

Adding Alba's other assets and liabilities to the securities portfolio, all valued in accordance with criteria consistent with those usually used by analysts, yields the following sectorial breakdown of the company's investments, based on the portfolio breakdown and prices at the end of each year (in %):

	Percentage		
	2005	2004	2003
— Construction	**55**	40	28
— Distribution and retail	**22**	37	47
— Industrial	**11**	14	7
— Real estate	**9**	10	10
— Security	**2**	2	2
— Telecommunications	**1**	6	9
— Banking and financial services	**1**	1	3
— Media	**—**	1	3
— Others	**—**	—	1
— Net debt	**–1**	–11	–10
	100	100	100

Due to investments and divestments in the last year and the various movements in investee companies' share prices, the weighting of the Construction sector has increased considerably while those of Telecommunications and of Distribution and retail have declined.

The 55% represented by the Construction sector includes the investment in ACS. Given the broad diversification of this company, for a more complete analysis of the sectorial distribution of Alba's portfolio this 55% needs to be divided among the following sectors:

— Construction	19%
— Industrial Services	13%
— Urban Services	9%
— Concessions	6%
— Real estate	5%
— Electricity	3%
	55%

This distribution has been carried out taking into account ACS' contribution to 2006 forecast net profit.

In the second half of 2005 the stainless steel market suffered a fall in prices that was unprecedented in terms of its speed and intensity. A sharp reduction in stocks by stockists due to the fall in raw material, and especially nickel, prices together with new production capacity coming on stream, mainly in China, caused a worsening of market conditions resulting in a large decline in apparent demand and losses for most producers. The first few months of 2006 have seen an evident recovery in the sector, with strong growth in apparent demand due to stockbuilding and a gradual increase in prices.

Acerinox obtained steel mill production of 2.24 million tonnes at its plants in Algeciras (Spain), NAS (USA) and Columbus (South Africa) making it the world's second largest stainless steel producer. Cold rolling, the production stage with highest added value, increased 7.6% to 1.47 million tonnes.

The Algeciras plant produced 909,000 tonnes of stainless steel, 1% less than the previous year, but increased its cold rolling prduction by 7% to 610,000 tonnes. As a result of declining stainless steel prices in the second half of the year, sales fell 7% to 1,603 million euros but despite adverse sector conditions Algeciras maintained a reasonable level of profitability.

In the US, the NAS plant saw a significant increase in both steel mill, up 11% to 767,000 tonnes, and cold rolling up 13% to 537,000 tonnes, production. Sales grew 16% to 1,981 million dollars and net profit, despite falling 21% to 134 million dollars, represented 69.3% of the Group total. NAS, which saw further gains in share in the US market, continues to invest heavily both in plant –a fourth cold rolling mill is scheduled to come on stream in March 2006 and a second electric furnace in September 2006–, and in its sales network with service centers in California, Toronto, Chicago and Atlanta.

The plant in South Africa was hit hardest by the market slump, given its greater exposure to sales of Asian semi-finished products and the over-valuation of the Rand. Its steel mill produced 565,000 tonnes of steel, 21% less than in 2004, and the cold rolling mill 322,000 tonnes, 1% more.

The consolidated group obtained sales of 4,214 million euros, (+4%), EBITDA of 415 million euros (-34% vs 2004) and net profit of 154 million euros (51% down on the previous year). These results include an extraordinary provision for the adjustment of inventories to their net realisable value in an amount of 41.6 million euros.

The Group has 2,051 million euros of shareholders' equity and net debt of 829 million euros.

Key figures
(in millions of euros unless otherwise indicated)

	2005	2004
Shareholders' equity	**2,051**	1,937
Gearing	**40.4%**	34.6%
Sales	**4,214**	4,036
EBITDA	**415**	633
Net profit	**154**	313
ROE	**7.7%**	17.3%
Stock market capitalisation (at 31/12)	**3,189**	3,108

www.acerinox.es

ACS's various divisions showed an excellent operating performance thanks to the strength of demand in their respective sectors of activity. Sales were 12,114 million euros with net profit of 609 million euros, 12% and 34% more than the previous year respectively. As part of its strategy to grow in the concessions, real estate and energy sectors, ACS increased its shareholding in Abertis to 24.8% and in Urbis to 24.5% and acquired a 24.5% stake in Unión Fenosa which, after the success of the takeover bid launched on an additional 10% of capital concluded in 2006, has now risen to 34.5%.

The Construction area obtained sales of 5,725 million euros, an increase of 9.5% vs. 2004, of which, within domestic activity, 2,809 million euros came from civil works projects and 2,361 million euros from building projects. The remaining 555 million euros came from international sales. This division's net profit came to 239 million euros and represented 8% year-on-year growth.

The Industrial Services area was favoured by strong demand for electricity generation and hydrocarbon processing infrastructure. Sales were 4,077 million euros with net profit of 179 million euros, 16.8% and 19.4% more than the previous year respectively.

The Services and Concessions division, that includes environmental and waste treatment activities, transport and logistics (buses and harbours) and infrastructure development, had sales of 2,420 million euros, an increase of 9.9%, and net profit of 212 million euros with growth of 35.6%.

Equity accounted results saw profit of 145 million euros, growth of 53.5% from 2004, due to the increased shareholding in Abertis and the incorporation of Unión Fenosa to the scope of consolidation in the last quarter of 2005.

New orders amounted to 15,105 million euros, 22% more than in 2004, taking the Group's total orderbook to 26,868 million euros.

ACS made investments worth over 4,200 million euros, of which 2,423 million euros went on acquiring 24.5% of Unión FENOSA, 834 million euros on increasing the shareholding in Abertis and 69 million euros on purchasing shares in the property company Urbis. Including these investments, ACS's debt now stands at 4,265 million euros. In 2006, the success of the takeover bid launched on an additional 10% of Unión Fenosa led to ACS paying a further 1,000 million euros to attain a shareholding of 34.5% in the company.

Key figures

(in millions of euros unless otherwise indicated)	**2005**	2004
Shareholders' equity	**2,635**	2,019
Net debt	**4,265**	1,423
Total sales	**12,114**	10,818
Net profit	**609**	452
ROE	**26.2%**	24.4%
Stock market capitalisation (at 31/12)	**9,602**	5,928

Through its shareholding in ACS, Alba has an indirect interest in three listed companies: Abertis, Unión Fenosa and Urbis. At December 31, 2005, the market value of these shareholdings amounted to 1,056 million euros, as shown in the following table.

	Capitalisation (millions of euros)	ACS's shareholding	Alba's indirect shareholding	Value of indirect shareholding (millions of euros)
Abertis	12,311	24.8%	4.44%	548
Unión Fenosa	9,578	24.5%	4.39%	421
Urbis	1,979	24.4%	4.37%	87
Total				1,056

Last year's key figures for these three companies are detailed below.

Abertis

At December 31, 2005, Abertis, dedicated to the management of private transport and communications infrastructure management, operated 1,535 kms of highway in Spain and the country's largest network of radio and TV broadcasting and distribution sites. With the acquisition of TBI in November 2004, Abertis now operates, among others, the airports of Luton, in London, Belfast, Cardiff and Stockholm and through its subsidiary SABA manages over 83,000 parking spaces, mainly in Spain, Italy and Portugal.

In 2005, Abertis' highways saw traffic growth of 2.3%, which together with the increase in tolls resulted in growth of 4.7% in revenues to 1,156 million euros. The telecommunications division saw revenues rise 3.3%

to 282 million euros and TBI's main airports, in the UK and Sweden, which account for 74% of Abertis' airport traffic, recorded an increase in traffic of 14%.

On December 12, 2005, the French state chose a consortium headed by Abertis as acquirer of its 75.65% stake in SANEF, a company that operates 1,771 kilometres of highway in the north-west of France and Normandy, for 4,028 million euros. In 2006 the consortium acquired this shareholding and launched a takeover bid on the rest of capital acquiring control of 100% of the company.

Abertis obtained revenue of 1,906 million euros in 2005, with net profit of 511 million euros. At December 31, the market value of ACS' investment in Abertis amounted to 3,057 million euros.

Key figures
(in millions of euros unless otherwise indicated)

	2005	2004
Shareholders' equity	**3,036**	2,904
Total Sales	**1,906**	1,549
EBITDA	**1,204**	1,050
Net profit	**511**	489
Stock market capitalisation (at 31/12)	**12,311**	8,934

www.abertis.com

Unión Fenosa

On September 23, 2005, ACS acquired Banco Santander's 22% stake in Unión Fenosa for 2,219 million euros and subsequently acquired further shares on the market taking its total interest to 24.5%. In 2006, the success of the takeover bid launched by ACS to acquire a further 10% took its stake in Fenosa to 34.5%.

Unión Fenosa is Spain's third largest electric utility, with an installed capacity of 9,952 MW, generation of 41,390 GWh in 2005 and some 8.5 million customers. With the start-up of the gas liquification plant at Damietta, in Egypt, the gas business is becoming increasingly important and in 2005 54 tankers each with capacity for 135,000 m^3 of liquified natural gas were chartered from that country. In Spain some 39,000 GWh of gas were sold, 10% of the market.

Unión Fenosa obtained revenue of 6,099 million euros in 2005, with net profit of 824 million euros. At December 31, the market value of ACS' 24.5% stake in Unión Fenosa amounted to 2,347 million euros.

Key figures
(in millions of euros unless otherwise indicated)

	2005	2004
Shareholders' equity	**5,067**	3,318
Total Sales	**6,099**	4,465
EBITDA	**1,477**	1,229
Net profit	**824**	377
Stock market capitalisation (at 31/12)	**9,578**	5,877

www.unionfenosa.es

Urbis

Urbis, in which ACS holds a 24.4% interest, carries out real estate development and the renting of offices and shopping centres. Housing development is the company's core business, accounting for 80% of sales and 70% of its gross operating margin. Urbis has a total of 400,000 m^2 of rented space with a market value of close to 900 million euros, including the ABC de Serrano shopping centre, the “Urbis Center” in Pozuelo, La Torre Urbis and La Esquina del Bernabeu.

Urbis obtained revenue of 889 million euros in 2005, with net profit of 148 million euros. At December 31, the market value of ACS’ 24.4% stake in URBIS amounted to 483 million euros.

Key figures
(in millions of euros unless otherwise indicated)

	2005	2004
Shareholders’ equity	**875**	769
Total Sales	**889**	627
EBITDA	**271**	188
Net profit	**148**	107
Stock market capitalisation (at 31/12)	**1,979**	1,357

www.urbis.es

www.grupoacs.com

In 2005 Prosegur made several acquisitions in both Spain and Latin America which have strengthened its position in high growth segments and increased its presence in America. These acquisitions and strong organic growth in sales resulted in an increase of 24.8% in sales revenue to 1,387 million euros.

The corporate security area, involving surveillance and cash transport activities and which represents the bulk of Group sales, saw sales revenue rise 25.7%. Part of this growth was due to the good business performance, with organic growth of 11.9%, and part to the acquisitions made during the year. The household security area saw organic growth of 11.2% to 81.3 million euros, thanks to the good performance of the alarms business.

By geographical areas, sales in Spain performed particularly well with sales revenues up from 610 million euros in 2004 to 755 million euros in 2005 due to the incorporation of new companies to the scope of consolidation. The most important acquisitions include Nordés, market leader in surveillance systems, and CEES, specialist in surveillance services in Spain and Portugal. Europe, with sales revenue of 992 million euros, accounts for 71.5% of the Group total.

Latin American activities also had a good year. In Brazil sales grew 72% to 183 million euros thanks to the incorporation of the assets of Preserve, in April, and of Transpev, in May 2005. Argentina, Chile and Peru enjoyed growth of 30%, 23% and 20%, respectively.

The incorporation of new companies to the Group with the consequent costs of integration and the costs associated with the launch of the new corporate identity campaign caused a slight reduction in operating margins, from 12.8% in 2004 to 11% in 2005. However, net profit grew 81% to 66 million euros. Despite the acquisitions made during the year, debt remained below 2x operating cash flow.

Key figures
(in millions of euros unless otherwise indicated)

	2005	2004
Shareholders' equity	**319**	264
Total Sales	**1,387**	1,112
EBITDA	**153**	143
Net profit	**66**	37
Stock market capitalisation (at 31/12)	**1,192**	895

www.prosegur.es

MARCH GESTION DE FONDOS
MARCH GESTION DE PENSIONES

Both managers saw solid growth again in 2005. Total assets under management amounted to 1,212.3 million euros at the end of the period, an increase of 29.8% compared to 2004. As a result, 2005 was the third consecutive year with growth of over 20%.

Firstly, March Gestión de Fondos S.G.I.I.C. increased assets under management by 31.9% to 1,063.8 million euros. This was thanks to healthy performance in both investment funds, where growth equalled 36.9% to 651.4 million euros, and in Sicav open-ended investment companies, of which assets increased to 412.4 million euros, or 24.8% year-on-year.

Investment fund growth was significantly impacted by the favourable reception of the Fondo March Monetario Dinámico, created in November 2004 and with assets of 150.7 million euros at the end of 2005. Also worth highlighting is the 82% growth in equity funds in 2005.

Once again, special emphasis was placed on the quality of management of the institutions mentioned above in 2005. As a result, over 80% of the investment funds under management have outperformed their benchmark indices.

Pension fund assets managed by March Gestión de Pensiones S.G.F.P. amounted to 148.5 million euros, growth of 16.0% in year-on-year terms. Specifically, individual system pension funds grew 20.9% with assets of 97.7 million euros at the end of the year. In relation with employment system pension funds, a new fund belonging to an entity outside the Grupo Banca March was incorporated, being the largest of its kind among those funds managed by March Gestión de Pensiones.

www.bancamarch.es

UNIPSA

In 2005 the volume of premiums brokered by UNIPSA and its investee companies amounted to 344.5 million euros, an increase of 19.4% in year-on-year terms and well above growth for the insurance sector as a whole of 7.7%.

Consolidated revenue came to 9.5 million euros vs. 7.7 million euros in 2004, an increase of 23.4%. Net profit came to 4.4 million euros and represented 37.5% year-on-year growth from 2004's 3.2 million euros.

These figures illustrate the good results obtained during the year compared to the sector, enabling Unipsa to increase its market share and consolidate its position as one of the country's leading insurance brokers.

Unipsa, the parent company of the Insurance Group and whose activity is centred on the country's industrial and commercial sector, brokered premiums totalling 144.3 million euros, an increase of 20.5% from the previous year, with consolidated revenues from the provision of services rising 23.4%.

GDS brokered 88.3 million euros of premiums, an increase of 15.3% from 2004. Revenue from the provision of services rose by 39.2%.

March Correduría de Seguros brokered a total of 42 million euros in premiums, a 2.1% increase on the previous year. However, revenue from the provision of services fell 1.9% due to the creation of the March Vida insurance company that writes insurance premiums directly without the intervention of the brokerage, thereby reducing the latter's business volume. Excluding the impact of the new insurance company, March Correduría de Seguros would have recorded growth of 4.3% in the volume of premiums brokered and of 9% in revenue from the provision of services.

Correduría de Seguros Carrefour has been very successfully integrated in the network of stores and is now present in all the chain's hypermarkets.

Urquijo Correduría de Seguros brokered a total of 16.6 million euros in premiums with 1.8 million euros in revenue from the provision of services, a 5.9% increase on the previous year.

In 2005, March Vida wrote premiums worth 28.1 million euros, with a good claims ratio of around 20%.

Key figures
(in millions of euros)

	2005	2004
Volument of premiums brokered	**344.5**	288.5
Consolidated revenues	**9.5**	7.7
Profit before taxes	**5.8**	4.0
Net profit	**4.4**	3.2

www.unipsa.com

REAL ESTATE ACTIVITIES

Alba’s rental assets, consisting mainly of office buildings in Madrid and Barcelona, have a surface area of around 100,000 m^2. Based on a recent appraisal by C.B. Richard Ellis their market value is 252.8 million euros.

Income from Alba’s rental assets in 2005 totalled 15.0 million euros, an increase of 6.9% on the previous year.

One million euros was invested during the year in carrying out improvements to the structures and facilities of various properties that required this.

Demand has picked up somewhat in 2005 so there has been a certain decline in available space, basically in city centres. Available space has also declined in percentage terms in areas not included in business districts or prime areas.

The occupancy rate for Alba property was very high, reaching 97.3% at the end of the year.