

REVIEW OF CONSOLIDATED FINANCIAL PERFORMANCE

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

More detailed information can be found in the consolidated financial statements and notes thereto, audited by Ernst & Young, S.L., in the final section of this report.

Mela Ferrer
Mixte collage on paper (*detail*)
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Balance sheet





The changes in Alba's principal balance sheet items during 2007 are as follows:

Investment property at year-end, including leased properties, stands at 275.3 million euros. The change with respect to the previous year is due to the sale of an office building in Madrid, a bank building in Tarragona and a warehouse in Palma de Mallorca for 73.9 million euros and the acquisition of an office in Madrid for 3.1 million euros. The Company recorded a fair value gain of 37.2 million euros on its investment properties, based on appraisals carried out by independent experts. This amount is recorded in the income statement under *Change in the fair value of investment property*.

Tangible fixed assets, which in 2006 consisted mainly of Alba's registered offices, are up from 12.5 to 34.7 million euros, due to full consolidation of IslaLink (which has fixed assets of 22.8 million euros) since February 2007.

Investments in associates are up 834.6 million, from 1,947.9 to 2,782.5 million euros. This increase is due mainly to the investments made in ACS, Acerinox, Prosegur and Clínica Baviera during the year and the consolidation of these companies' results.

Non-current available-for-sale financial assets are up 73.7 million euros, due to the acquisition of 26.09% of Isofotón for 150 million euros. The investment in Prosegur, which in 2006 was classified in *Non-current available-for-sale financial assets*, has been transferred to *Investments in associates* now that it is accounted for using the equity method.

Deferred expenses relate in their entirety to the activities of IslaLink.

Balance sheet

Current available-for-sale financial assets have decreased from 16.7 to 0.7 million euros, due to the disposal of the investments in Celtel International BV and Spirent Plc.

Held-for-trading financial assets have decreased due to the sale of liquid short-term financial assets to finance period investments.

Other current assets are up from 2.0 to 10.4 million euros, due to full consolidation of IslaLink.

Share capital stands at 64.1 million euros, down 1.0 million euros compared to the previous year. This decrease is due to the cancellation of 1,000,000 shares, as approved by the shareholders at the General Meeting held on May 30, 2007.

The Company's *Reserves* are up 1,420.9 million at 2,331.2 million euros, mainly due to the distribution of 2006 profit.

Treasury shares includes the cost of own shares held at December 31, 2007, amounting to 96.5 million euros and representing 3.10% of the Company's share capital (1,985,991 shares).





Profit for the year is 525.3 million euros.

For all the reasons just given, *Shareholders' equity* at year-end is 2,825.1 million euros, up 18.6% on the previous year.

At the end of 2007, *Provisions* stand at 24.3 million euros. This includes provisions recorded to cover probable or certain expenses, losses or liabilities arising from litigation in progress relating to the company's business.

Other non-current liabilities relate entirely to IslaLink. *Current liabilities*, which include bank loans and other payables, are up by a significant amount, at 448.7 million euros, due to the increase in borrowing to finance investments during the year.



Balance sheet

Consolidated balance sheets before profit distribution

ASSETS

Millions of euros	At December 31, 2007	At December 31, 2006	At December 31, 2005
Investment property	275.3	276.8	252.8
Tangible fixed assets	34.7	12.5	21.3
Tangible fixed assets, net	310.0	289.3	274.1
Investments in associates	2,782.5	1,947.9	1,082.7
Non-current available-for-sale financial assets	150.4	76.7	788.8
Other investments	3.8	1.9	1.9
Investments	2,936.7	2,026.5	1,873.4
Total fixed assets	3,246.7	2,315.8	2,147.5
Deferred expenses	16.9	-	-
Current available-for-sale financial assets	0.7	16.7	-
Held-for-trading financial assets	49.2	261.4	69.9
Other current assets	10.4	2.0	11.8
TOTAL ASSETS	3,323.9	2,595.9	2,229.2



EQUITY AND LIABILITIES

Millions of euros	At December 31, 2007	At December 31, 2006	At December 31, 2005
Share capital	64.1	65.1	66.5
Reserves	2,331.2	1,420.9	1,639.3
Treasury shares	(96.5)	(18.8)	(22.7)
Interim dividend	(3.8)	(3.9)	(3.9)
Profit for the year	525.3	918.3	444.3
Minority interests	4.8	-	2.1
Shareholders' equity	2,825.1	2,381.6	2,125.6
Provisions	24.3	41.0	21.3
Other non-current liabilities	23.8	-	-
Non-current liabilities	2.0	2.1	2.6
Financial debt	410.3	147.9	54.3
Other short-term debt	38.4	23.3	25.4
Current liabilities	448.7	171.2	79.7
TOTAL EQUITY AND LIABILITIES	3,323.9	2,595.9	2,229.2

Profit and loss account

In 2007, Alba obtained *Net profit* of 525.3 million euros, down 42.8% on 2006 (918.3 million euros). This decline is due to the significant gains posted in 2006 on the sale of the investment in Carrefour. Excluding non-recurring gains on asset sales in both years, Alba's consolidated profit in 2007 was up 24.8%. Earnings per share went from 14.15 euros to 8.26 euros.

Income from the *Share of profit of associates* increased sharply, from 365.6 million euros in 2006 to 423.3 million in 2007, due to the investees' good financial performance, the increase in the shareholding in ACS and Acerinox, and the inclusion of Clínica Baviera and Prosegur in the scope of consolidation.

Lease income and other items includes 4.2 million euros from Islalink's undersea cable. Lease income from investment properties was 15.1 million euros, similar to the previous year. At December 31, 2007, occupancy was 97.8% for a floor area of 83,182 square metres.

According to appraisals by independent experts, at December 31, 2007, the fair value of investment property was 275.3 million euros, down 0.6% on 2006 due to the sales of the year. The change of the year has been credited to *Change in the fair value of investment property*.

The change in *Net financial expenses*, which fell from 15.7 million euros to 2.3 million euros, is due mainly to higher borrowing to finance investments made during the period.

The *Gain on sale of assets*, which includes the gain on asset disposals during the year, was 72.1 million euros, mainly due to the sale of various investment properties and of the shareholdings in March Unipsa Correduría de Seguros, March Gestión de Fondos and March Gestión de Pensiones. In 2006 this item amounted to 555.3 million euros, mainly due to the sale of the investment in Carrefour. It should be noted that this is a non-recurring item, which includes gains resulting from management of the investment portfolio.

Operating expenses fell sharply to 22.4 million euros, compared to 34.6 million euros in 2006.

Amortisation and depreciation was 2.6 million euros, compared to 0.9 million euros in 2006, due to the full consolidation of IslaLink.



Consolidated profit and loss accounts (1)

Millions of euros	2007	2006	2005
Share of profit (loss) of associates	423.3	365.6	121.8
Lease income and other items	19.6	15.6	24.5
Change in the fair value of investment property	37.2	16.8	18.8
Finance income	16.5	22.3	29.3
Gain (loss) on sale of assets	72.1	555.3	312.6
Sum	568.7	975.6	507.0
Operating expenses	(22.4)	(34.6)	(27.8)
Financial expenses	(18.8)	(6.6)	(4.4)
Amortisation and depreciation	(2.6)	(0.9)	(1.1)
Provisions for liabilities and charges	-	(15.4)	-
Corporate income tax	-	0.2	(28.6)
Minority interests	0.4	-	(0.8)
Sum	(43.4)	(57.3)	(62.7)
Net profit	525.3	918.3	444.3
Net earnings per share (euros)	8.26	14.15	6.77

⁽¹⁾ In these profit and loss accounts, items are grouped according to management criteria and so do not necessarily coincide with the figures in the Financial Statements.