

BESTINVER INTERNACIONAL,
FONDO DE INVERSIÓN

Annual Accounts and Directors' Report

31 December 2010

(With Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of
discrepancy, the original Spanish-language version prevails.)

Auditors' Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

To the Unit Holders of Bestinver Internacional, Fondo de Inversión
and Bestinver Gestión, S.A., Sociedad Gestora de Instituciones
de Inversión Colectiva (the "Fund Management Company")

We have audited the annual accounts of Bestinver Internacional, Fondo de Inversión (the "Fund"), which comprise the balance sheet at 31 December 2010, the income statement and the statement of changes in Fund assets for the year then ended and the notes thereto. The Fund Management Company's directors are responsible for the preparation of the annual accounts in accordance with the financial information reporting framework applicable to the Fund (specified in note 2(a) to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying annual accounts for 2010 present fairly, in all material respects, the assets and financial position of Bestinver Internacional, Fondo de Inversión at 31 December 2010, and the results of its operations for the year then ended, in accordance with the applicable financial information reporting framework and, in particular, with the accounting principles and criteria set forth therein.

The accompanying directors' report for 2010 contains such explanations as the directors of the Fund Management Company consider relevant to the situation of Bestinver Internacional, Fondo de Inversión, the evolution of its business and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2010. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Fund.

KPMG Auditores, S.L.

Pedro González Millán

8 March 2011

BESTINVER INTERNACIONAL,
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Balance Sheets

31 December 2010 and 2009

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

	2010	2009
Current assets		
Receivables (note 5)	4,537,279.92	1,687,547.52
Investments (note 6)		
Internal portfolio		
Debt securities	69,000,000.00	34,000,000.00
External portfolio		
Equity instruments		
External portfolio	1,128,678,319.32	742,291,839.81
Interest on the investment portfolio	1,763.29	217.22
Total investments	1,197,680,082.61	776,292,057.03
Cash in hand and at banks (note 7)	3,503,166.56	12,669,156.79
Total assets	1,205,720,529.09	790,648,761.34
Fund assets attributed to unit holders or shareholders (note 8)		
Repayable funds attributed to unit holders or shareholders		
Unit holders	964,101,248.00	484,219,018.98
Reserves	5,941,977.26	5,941,977.26
Profit for the year	226,950,529.93	290,393,999.12
	1,196,993,755.19	780,554,995.36
Current liabilities		
Payables (note 9)	8,726,773.90	10,093,765.98
Total fund assets and liabilities	1,205,720,529.09	790,648,761.34
Other memorandum accounts		
Tax loss carryforwards	-	277,652,616.57
Total other memorandum accounts	-	277,652,616.57

The accompanying notes form an integral part of the annual accounts for 2010.

BESTINVER INTERNACIONAL,
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Income Statements
for the years ended
31 December 2010 and 2009

(Expressed in Euros with two decimal places)
(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

	2010	2009
Other operating expenses		
Management fee (note 9)	(16,767,721.71)	(9,461,758.38)
Custody fee (note 9)	(383,414.22)	(216,268.74)
Other	(46,559.46)	(34,637.21)
Results from operating activities	(17,197,695.39)	(9,712,664.33)
Finance income	14,281,631.67	9,866,823.82
Finance expenses	(3,073,474.57)	(1,829,736.77)
Changes in the fair value of financial instruments		
Internal portfolio transactions	-	15,876.87
External portfolio transactions	212,221,890.98	377,833,731.86
	212,221,890.98	377,849,608.73
Exchange losses	(203,719.58)	(301,878.00)
Impairment and gains/(losses) on disposal of financial instruments		
Losses on internal portfolio transactions	-	(225,155.21)
Gains/(losses) on external portfolio transactions	23,214,326.42	(85,124,298.29)
	23,214,326.42	(85,349,453.50)
Net finance income	246,440,654.92	300,235,364.28
Profit before income tax	229,242,959.53	290,522,699.95
Income tax (note 10)	(2,292,429.60)	(128,700.83)
Profit for the year	226,950,529.93	290,393,999.12

The accompanying notes form an integral part of the annual accounts for 2010.

BESTINVER INTERNACIONAL,
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Statement of Changes in Fund Assets for the year ended 31 December 2010

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

A) Statement of Recognised Income and Expense for the year ended 31 December 2010

	2010
Profit for the year	226,950,529.93
Total recognised income and expense	226,950,529.93

B) Statement of Total Changes in Fund Assets for the year ended 31 December 2010

	Unit holders	Reserves	Profit/(loss) for the year	Total
Adjusted balance at 31 December 2009	484,219,018.98	5,941,977.26	290,393,999.12	780,554,995.36
Total recognised income and expense	-	-	226,950,529.93	226,950,529.93
Transactions with unit holders				
Subscriptions	298,827,046.86	-	-	298,827,046.86
Redemptions	(109,338,816.96)	-	-	(109,338,816.96)
Distribution of profit for the year	290,393,999.12	-	(290,393,999.12)	-
Balance at 31 December 2010	964,101,248.00	5,941,977.26	226,950,529.93	1,196,993,755.19

The accompanying notes form an integral part of the annual accounts for 2010.

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Statement of Changes in Fund Assets for the year ended 31 December 2009

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

A) Statement of Recognised Income and Expense for the year ended 31 December 2009

	2009
Profit for the year	290,393,999.12
Total recognised income and expense	290,393,999.12

B) Statement of Total Changes in Fund Assets for the year ended 31 December 2009

	Unit holders	Reserves	Prior years' profit/(loss)	Profit/(loss) for the year	Total
Adjusted balance at 31 December 2008	537,735,349.63	5,882,557.49	132,239,679.88	(283,594,593.83)	392,262,993.17
Total recognised income and expense	-	-	-	290,393,999.12	290,393,999.12
Transactions with unit holders					
Subscriptions	176,816,135.55	-	-	-	176,816,135.55
Redemptions	(78,977,552.25)	-	-	-	(78,977,552.25)
Application of loss for the year	(283,594,593.83)	-	-	283,594,593.83	-
Other movements	132,239,679.88	59,419.77	(132,239,679.88)	-	59,419.77
Balance at 31 December 2009	484,219,018.98	5,941,977.26	-	290,393,999.12	780,554,995.36

The accompanying notes form an integral part of the annual accounts for 2010.

BESTINVER INTERNACIONAL,
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Notes to the Annual Accounts

31 December 2010

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

(1) Nature and Principal Activities

Bestinver Internacional, Fondo de Inversión (hereinafter the Fund) was incorporated in Spain on 8 October 1997 under the name of Bestinver Internacional, Fondo de Inversión Mobiliaria. On 5 February 2004 the Fund changed its name to the current one, in accordance with the third additional provision of Law 35/2003 of 4 November 2003.

The Fund is regulated by Law 35/2003 of 4 November 2003, which came into force on 5 February 2004, Royal Decree 1309/2005 of 4 November 2005, governing collective investment undertakings (CIUs), Law 44/2002 of 22 November 2002, Law 26/2003 of 17 July 2003, Royal Decree Law 1/2010 of 2 July 2010, which approves the Revised Spanish Companies Act, Law 3/2009 of 3 April 2009 on structural changes to trading companies, and the circulars issued by the Spanish National Securities Market Commission (CNMV) which, together with additional standards, regulate collective investment undertakings. These regulations govern the following, inter alia:

- Maintenance of minimum fund assets of Euros 3,000,000.
- Maintenance of at least 3% of assets in cash, deposits or demand deposits at the custodian bank, or a credit institution if the custodian bank does not have this status, or in one-day public debt repurchase agreements. Equity not invested in assets included in the aforementioned liquidity ratio must be invested in the eligible financial assets or instruments foreseen by Article 36 of the Regulation implementing Law 35/2003 of 4 November 2003.
- Investments in derivatives are regulated by Ministerial Order EHA/888/2008 of 27 March 2008, Circular 3/1998 and Royal Decree 1309/2005 of 4 November 2005, which sets forth and develops certain limitations on the use of these instruments. The CNMV is authorised to amend the limitations specified in the abovementioned Order where market circumstances so dictate.
- Establishment of maximum percentages of investment concentration and indebtedness.
- The securities portfolio must be entrusted to the custodian.
- Requirement to file the financial statements reflecting the prior month's performance with the CNMV on the last calendar day of the month following that referred to in the financial statements.

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The Fund was entered into the pertinent CNMV administrative register under number 1,230.

The sole statutory activity of the Fund consists of raising funds, assets or rights from the public, to manage and invest these in assets, rights, securities and other financial instruments, provided that the return for the investor is based on the overall performance of the Fund.

The Fund is managed by Bestinver Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva. The securities are deposited with Santander Investment, S.A., the Fund's custodian.

(2) Basis of Presentation

(a) Fair presentation

These annual accounts have been prepared by the directors of Bestinver Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva to present fairly the Fund assets and the financial position of the Fund at 31 December 2010 and the results of its operations and changes in Fund assets during the year then ended.

In accordance with prevailing Spanish legislation, these annual accounts for 2010 also include, for each individual caption in the balance sheet, the income statement, the statement of changes in Fund assets and the notes thereto, comparative figures for the previous year, which formed part of the 2009 annual accounts approved by the board of directors of the Fund Management Company on 28 April 2010.

These annual accounts have been prepared on the basis of the auxiliary accounting records of the Fund, in accordance with the classification and presentation standards set forth in Circular 3/2008 of 11 September 2008 and other CNMV circulars.

(b) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in Euros with two decimal places, the Fund's functional and presentation currency.

(c) Judgements and estimates used

In 2010 there has been no change in the judgements and accounting estimates used by the Fund, except those arising due to application of accounting principles (see section (a) of this note).

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(3) Distribution of Profit

The directors of the Fund Management Company will propose to the board of directors that the profit for the year ended 31 December 2010 be passed on to the unit holders.

On 28 April 2010 the board of directors of the Fund Management Company agreed to pass the profit for the year ended 31 December 2009 on to unit holders.

(4) Significant Accounting Principles

The accompanying annual accounts have been prepared in accordance with the accounting principles set forth in Circular 3/2008 of 11 September 2008 and other CNMV circulars.

The main accounting principles applied in the preparation of the annual accounts are as follows:

(a) Income and expenses

Income and expenses are recognised on an accruals basis.

In accordance with these criteria, and for the purpose of calculating the net asset value, income and expenses are accrued on a daily basis, as follows:

- Financial assets and financial liabilities accrue interest at the effective interest rate.
- The above-mentioned principle does not apply to interest on investments that are doubtful, past-due or in litigation, which is recognised in the income statement upon collection.
- Dividend income is recognised in the income statement when entitlement to the dividend becomes effective.
- The remaining income and expenses relating to a specific period are accrued on a straight-line basis over the period.

(b) Recognition, measurement and classification of financial instruments

Financial assets and financial liabilities are recognised when the Fund becomes party to a contract or legal transaction, under the terms thereof.

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Investments in foreign currency are translated at the spot exchange rate at the transaction date.

Collective investment undertakings generally derecognise the whole or part of a financial asset when that asset expires or the contractual rights over the cash flows have been transferred, and when the risks and rewards of ownership have been substantially transferred. A financial liability is derecognised when the obligation is extinguished.

Financial instruments are measured and classified as follows:

- Receivables

- Financial assets included in this category are initially measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, i.e. the fair value of the consideration given plus costs directly attributable to the transaction.
- Financial assets considered as receivables are subsequently measured at amortised cost. Accrued interest is accounted for in the income statement using the effective interest method. However, items that are expected to be collected within one year can be measured at their nominal amount, provided that the effect of not discounting the cash flows is not significant.
- Impairment losses on receivables are determined based on estimated future cash flows, discounted at the effective interest rate calculated on recognition. Impairment and reversals of impairment are recognised as an expense or income in the income statement.

- Financial assets at fair value through profit or loss

- Financial assets in the collective investment undertakings portfolio are initially measured at fair value. In the absence of evidence to the contrary, fair value is the transaction price, i.e. the fair value of the consideration given, including explicit costs directly attributable to the transaction. Initial measurement does not include interest on deferred payments, which is considered to accrue even when not expressly stated in the contract, at a market rate of interest.
- On initial measurement of assets, explicit interest receivable accrued since the last settlement is recognised in interest on the investment portfolio under assets in the balance sheet, and cancelled when the interest falls due.

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- Any pre-emptive or similar rights acquired are included in the initial valuation and deducted from the value of the assets upon their sale.
- These assets are subsequently measured at fair value, without deducting any transaction costs incurred on their disposal. Any changes in the fair value are recognised in the income statement.
- The fair value of financial assets is calculated as follows:
 - (1) Listed equity instruments: fair value is the market value, which is considered to be the amount resulting from applying the official closing exchange rate at the reference date, where this is available, or the immediately preceding business day. Where no official closing price is available, the weighted average exchange rate is used. The portfolio assets are measured in the most representative market in terms of trading volume. If the instrument ceases to be listed, the last established exchange rate or another irrefutable price is used.
 - (2) Listed debt securities: fair value is a listed price in a market, provided that the market in question is active and the prices are obtained consistently. Where listed prices are not available, the fair value is the most recent transaction price, provided that there have been no significant changes in economic circumstances since that transaction took place. Where significant variations have occurred, the fair value should reflect the change in conditions using current prices or interest rates and risk premiums for similar instruments as a reference. If the most recent transaction price relates to a forced transaction or involuntary liquidation, the price should be adjusted.

Where there is no active market for the debt instrument, valuation techniques are applied, including prices supplied by intermediaries, issuers or information sources; use of recent market transactions carried out on an arm's length basis between knowledgeable, willing parties, where available; present fair value of another substantially similar instrument; and discounted cash flow and option pricing models, as applicable.

- (3) Securities as yet unlisted: fair value is estimated based on changes associated with similar listed securities from previous issues of the same entity, taking into consideration any differences in profit-sharing rights.

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- (4) Unlisted securities: fair value is calculated using the measurement criteria included in rules 6, 7 and 8 of CNMV Circular 4/1997 of 26 November 1997.
- (5) Deposits with credit institutions in accordance with sections e) and j).6 of article 36.1 of the CIU regulation and repurchase agreements: fair value is calculated in line with the price equivalent to the internal rate of return on the investment based on prevailing market rates at any given time, without prejudice to other considerations, such as early termination conditions or credit risk of the entity.
- (6) Shares of other collective investment undertakings: where a net asset value at the reference date is calculated, the shares are measured at this amount. Where no net asset value is calculated at the reference date, either because the publication date of the net asset value of the CIU is not a business day or because the net asset value calculation frequency differs, the last available net asset value is used. However, in the case of CIUs traded in a market or multilateral trading facility, the shares are measured at their listed price at the reference date, provided that this price is representative.

In the particular case of investments in hedge funds, funds of hedge funds and similar foreign CIUs as per section j) of article 36.1 of the CIU regulation, estimated net asset values may be used for both preliminary calculations of the final net asset value and for mid-range values within the range of final net asset values or values not subject to recalculation or confirmation.

- (7) Derivative financial instruments: fair value is the market value, which is considered to be the amount resulting from applying the official closing exchange rate. If the market is not sufficiently liquid or the derivative is not traded on a regulated market or multilateral trading facility, fair value is determined by applying recognised measurement methods or models established in the regulations of collective investment undertakings in relation to derivative instruments.

- Financial liabilities at fair value through profit or loss

Financial liabilities in this category are initially and subsequently measured applying the criteria described for financial assets at fair value through profit or loss.

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- Debts and payables

Financial liabilities in this category are initially measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, i.e. the fair value of the consideration received, adjusted to take into account any costs directly attributable to the transaction. These liabilities are subsequently measured at amortised cost. Accrued interest is accounted for in the income statement using the effective interest method. However, items that are expected to be settled within one year can be measured at their nominal amount, provided that the effect of not discounting the cash flows is not significant.

Investments in foreign currency are translated at the spot exchange rate at the measurement date or, where this is not available, at the rate prevailing on the last business day preceding the measurement date.

All investments are recognised under current assets, although certain investments may be held for more than one year.

- (c) Cash sale and purchase of securities

Cash sale and purchase transactions are recognised on the transaction date, which is generally the day on which derivatives and equity instruments are contracted and debt securities and currency market transactions are settled. In the latter two cases, the period of time between contracting and settlement is accounted for using the criteria described in section d) below.

However, for the sale and purchase of units or shares of collective investment undertakings, the completion date is considered to be the date the transaction is confirmed, even when the number of units or shares to be allocated is not known. The transaction is not measured until the units or shares are allocated. Amounts delivered prior to the completion date are recognised in subscription requests pending allocation of units under receivables in the balance sheet. Acquisitions are debited from the relevant asset account at fair value, in accordance with the criteria described in section b) above. Gains or losses on sales transactions are recognised in the income statement at the order completion date.

- (d) Acquisition and sale of assets with a resale or repurchase agreement

Assets purchased with a resale agreement are recognised under assets in the balance sheet at the amount disbursed, irrespective of the nature of the underlying instruments. The difference between this amount and the resale price is deferred using the effective interest rate.

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In accordance with section (b) point (5) above, differences in fair value arising on assets acquired with a resale agreement are recognised in changes in the fair value of financial instruments in the income statement. In the event the asset acquired with a resale agreement is transferred outright, the criteria described in section (b) above for the recognition and measurement of financial liabilities are applicable.

(e) Foreign currency

Balances receivable and payable in foreign currency are measured at the spot exchange rate at the measurement date or, where this is not available, at the rate prevailing on the last business day preceding the measurement date. Exchange differences are recognised as follows:

- Exchange gains and losses arising on the financial instruments portfolio are recognised together with valuation gains and losses (see note 4 (b)).
- Exchange gains and losses arising on debits, credits or cash balances are recognised under exchange differences in the income statement.

(f) Underlying value of units

The net asset value of Fund units is calculated daily by dividing the Fund assets by the number of units at the calculation date, in accordance with CNMV Circular 6/2008 of 26 November 2008.

(g) Income tax

Income taxes are calculated based on profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable credits and deductions. The effects of timing differences, where applicable, are included in deferred tax assets or liabilities.

Provision for income tax is made on a daily basis for the purposes of calculating the net asset value of each unit.

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Notes to the Annual Accounts

(5) Receivables

Details at 31 December 2010 and 2009 are as follows:

	Euros	
	2010	2009
Taxation authorities		
Withholdings and payments on account (note 10)	2,554,038.63	1,530,419.38
Other receivables	1,983,241.29	157,128.14
	4,537,274.65	1,687,547.52

Other receivables mainly comprise balances receivable on the sale of securities, which were settled in early 2011.

In 2010 and 2009 the Fund has not acquired any rights to reimbursement of fees on investments in hedge funds.

All receivables are expressed in Euros at 31 December 2010 and 2009.

At 31 December 2010 and 2009 receivables fall due within one year.

(6) Investments

Details of the investment portfolio at 31 December 2010 and 2009 are attached as Appendix I, which forms an integral part of this note.

The fair value of financial assets is calculated based on listed market prices.

(a) Maturity of financial assets

All debt securities held by the Fund at 31 December 2010 and 2009 mature within one year.

(b) Amounts denominated in foreign currencies

Details of monetary financial assets denominated in foreign currencies are as follows:

	Euros					
	2010			2009		
	US Dollars	Pounds Sterling	Swiss Francs	US Dollars	Pounds Sterling	Swiss Francs
Equity instruments	35,591,450.26	58,169,996.26	235,158,423.92	28,917,994.25	47,303,139.13	151,202,775.43

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Securities positions with the custodian amount to Euros 69,001,763.29 at 31 December 2010 (Euros 34,000,217.22 at 31 December 2009).

In 2010 the Fund carried out securities purchase and sale transactions with the custodian amounting to Euros 12,398,500,000.00 and Euros 12,363,500,000.00, respectively (Euros 6,408,336,055.13 and Euros 6,377,500,000.00, respectively, in 2009).

(7) Cash

Details at 31 December 2010 and 2009 are as follows:

	Euros	
	2010	2009
Custody accounts	3,503,166.56	12,669,156.79

Custody accounts and other cash accounts include interest accrued at 31 December 2010 and 2009 and yield interest at market rates.

At 31 December 2010 and 2009 all cash in hand and at banks is available for use.

In 2010 finance income of Euros 194,676.31 has been accrued with the custodian in respect of interest on asset acquisition (see note 6) and other interest on accounts with the custodian (Euros 127,177.72 in 2009).

All balances are expressed in Euros at 31 December 2010 and 2009.

At 31 December 2010 and 2009 all cash balances fall due within one year.

(8) Fund Assets

Details of fund assets for 2010 and 2009 and movement are disclosed in the statement of changes in fund assets.

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Details of movement in unit holders during the years ended 31 December 2010 and 2009 are as follows:

	Number of units	Euros
At 1 January 2009	37,448,764.31	537,735,349.63
Transfer of profit/(loss) for the year	-	(283,594,593.83)
Transfer of prior years' profit/(loss)	-	132,239,679.88
Subscriptions	11,620,601.12	176,816,135.55
Redemptions	5,705,703.13	(78,977,552.25)
At 31 December 2009	43,363,662.30	484,219,018.98
Transfer of profit/(loss) for the year	-	290,393,999.12
Subscriptions	14,944,006.81	298,827,046.86
Redemptions	(5,427,577.43)	(109,338,816.96)
At 31 December 2010	<u>52,880,091.68</u>	<u>964,101,248.00</u>

All units are represented by certificates with no nominal value, which confer upon the unit holders the right to ownership of the Fund.

The number of units is unlimited and their subscription or redemption depends on supply and demand. The subscription or redemption price is established daily in line with the net asset value of the unit, calculated on the basis of the Fund's assets in accordance with CNMV Circular 6/2008 of 26 November 2008.

At 31 December 2010 and 2009, the net asset value of Fund units is calculated as follows:

	Euros	
	2010	2009
Fund assets	1,196,993,755.19	780,554,995.36
Number of units	52,880,091.68	43,363,662.30
Net asset value	<u>22.64</u>	<u>18.00</u>

At 31 December 2010 and 2009 none of the Fund's unit holders have a significant number of units.

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(9) Payables

Details at 31 December 2010 and 2009 are as follows:

	Euros	
	2010	2009
Taxation authorities		
Income tax (note 10)	2,292,429.60	128,700.83
Other payables		
Payables for acquisition of securities	1,338,956.97	6,626,907.89
Fees and commissions	5,047,180.08	3,305,160.97
Other	29,154.94	18,291.80
Other	19,052.31	14,704.49
	8,726,773.90	10,093,765.98

Payables for acquisition of securities were settled in the opening months of 2011.

Details of fees and commissions payable at 31 December 2010 and 2009 and accrued during the years then ended are as follows:

	Euros			
	2010		2009	
	Payable	Total accrued	Payable	Total accrued
Management	4,934,393.92	16,767,721.71	3,172,528.30	9,461,758.38
Custody	112,786.16	383,414.22	132,632.67	216,268.74
	5,047,180.08	17,151,135.93	3,305,160.97	9,678,027.12

As mentioned in note 1, the Fund is managed by Bestinver Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva. The Fund pays an annual management fee for this service of 1.75% of the Fund's assets, calculated on a daily basis.

The custody fee is calculated daily, as follows:

Fund assets	Fee
From Euros 0 to Euros 30,050,605.00	0.125%
From Euros 30,050,605.00 to Euros 60,101,210.00	0.0625%
More than Euros 60,101,210.00	0.040%

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All payables are expressed in Euros at 31 December 2010 and 2009.

At 31 December 2010 and 2009 payables fall due within one year.

(10) Taxation

The Fund is taxed at a rate of 1%, in accordance with the fiscal regime provided for in Royal Decree 4/2004 of 5 March 2004 governing corporate income tax, as well as other applicable tax regulations.

A reconciliation of accounting profit for 2010 and 2009 with the taxable income the Fund expects to declare after the annual accounts have been duly approved is as follows:

	Euros	
	2010	2009
Accounting profit for the year before tax	229,242,959.53	290,522,699.95
Offset of tax loss carryforwards	-	(277,652,616.57)
Taxable income	229,242,959.53	12,870,083.38
Tax at 1% and income tax expense (note 9)	2,292,429.60	128,700.83
Withholdings and payments on account (note 5)	(2,554,038.63)	(1,530,419.38)
Recoverable income tax	(261,609.03)	(1,401,718.55)

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2010 the Fund has open to inspection by the taxation authorities all applicable taxes since 1 January 2007. The directors of the Fund Management Company do not expect that significant additional liabilities would arise in the event of an inspection.

(11) Risk Management Policy

Financial risk factors

The Fund's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk in fair value and price risk), credit risk, liquidity risk and interest rate risk in cash flows. The Fund Management Company's global risk management programme with regard to the Fund focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Fund's profits.

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The measurement and analysis of financial risks allows the Management Company to identify, assess and mitigate them in close collaboration with its operational units.

The Fund Management Company's risk management is based on the nature of the risk assumed by the Fund, which is in turn determined by its strategic investment policy. The most significant characteristics during the year have been as follows:

- Interest rate risk: Interest rate risks arise from variation in interest rates and the resulting impact on the Fund's assets. The Management Company manages interest rate risk by varying the duration of investments.
- Currency risk: Exposure to currency risk is moderate. In 2010 exposure to foreign currencies was consistent with the Fund's risk profile. This risk is reduced by the fact that this exposure is to top-tier currencies (CHF, GBP and USD).
- Sector concentration risk: the Fund is particularly diversified in terms of sectors and there is therefore no sector concentration. Issuer concentration risk: concentration of individual issuers is reasonable. The Fund complies with diversification, dispersal and congruence restrictions on investments.
- Credit risk: Spot transactions are only contracted with financial institutions with a high credit rating on the investment grade scale. The Management Company has policies to limit the amount of risk with any one financial institution. The most objective information used to measure risk fluctuations is obtained by monitoring the credit rating of the country, issuer, issue, etc. on the basis of data provided by external agencies.
- Market risk: The Fund's year-end VaR reasonably represents the estimated expected loss, and is consistent with the different market risks assumed by the Fund and historical volatility and correlation rates. Volatility levels fell in 2010 overall, despite considerable fluctuations. The most significant drop was in February as the greater stability of markets was increasingly reflected in the sample. However, this was corrected in the second quarter of 2010 and an upward trend was observed in volatility until approximately half-way through the year, with a marked difference between the European (bear) and Spanish (erratic) markets.

At the 2010 year end volatility levels are lower (better) than at the 2009 year end.

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(12) Environmental Issues

The directors of the Fund Management Company consider that the environmental risks deriving from the Fund's activity are minimal, adequately covered and that no additional liabilities will arise therefrom. The Fund has not incurred any expenses or received any environment-related grants during the years ended 31 December 2010 and 2009.

(13) Auditors' Fees

The auditors of the annual accounts of the Fund are KPMG Auditores, S.L. Audit fees amounted to Euros 6,692.40 for the year ended 31 December 2010 (Euros 6,600.00 in 2009), irrespective of the invoice date.

(14) Information on Deferred Payments to Suppliers Third Additional Provision of Law 15/2010 of 5 July 2010: "Reporting Obligation"

At 31 December 2010, the legal maximum payment period has not been exceeded for any of the Fund's payables to suppliers.

BESTINVER INTERNACIONAL,
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Details of Investment Portfolio

31 December 2010

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

	<u>Initial measurement</u>	<u>Fair value</u>	<u>Interest</u>	<u>Accumulated losses/gains</u>
Internal portfolio				
Debt securities	69,000,000.00	69,000,000.00	1,763.29	-
External portfolio				
Equity instruments	<u>1,021,359,046.46</u>	<u>1,128,678,319.32</u>	<u>-</u>	<u>107,319,272.86</u>
Total	<u><u>1,090,359,046.46</u></u>	<u><u>1,197,678,319.32</u></u>	<u><u>1,763.29</u></u>	<u><u>107,319,272.86</u></u>

BESTINVER INTERNACIONAL,
FONDO DE INVERSIÓN

Details of Investment Portfolio

31 December 2009

(Expressed in Euros with two decimal places)

	<u>Initial measurement</u>	<u>Fair value</u>	<u>Interest</u>	<u>Accumulated losses/gains</u>
Internal portfolio				
Debt securities	34,000,000.00	34,000,000.00	217.22	-
External portfolio				
Equity instruments	<u>860,054,593.85</u>	<u>742,291,839.81</u>	<u>-</u>	<u>(117,762,754.04)</u>
Total	<u><u>894,054,593.85</u></u>	<u><u>776,291,839.81</u></u>	<u><u>217.22</u></u>	<u><u>(117,762,754.04)</u></u>

BESTINVER INTERNACIONAL,
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Directors' Report

2010

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

The Fund yielded a return of 25.75% in 2010, achieving a net asset value of Euros 22.64. Bestinver Internacional continues to have a very attractive listed PER of 7.3x, with the potential for 104%, up to Euros 46.27.

The Fund's assets rose by 53.3% during the year to Euros 1,196.99 million, and the number of unit holders grew by 24% to 10,322.

The Fund's benchmark index, the MSCI World Index, grew 17.16% in 2010. The other global stock markets ended the year in positive figures, with the exception of the Japanese, Portuguese and Spanish markets, which fell by 3.01%, 6.25% and 19.17%, respectively.

Bestinver Internacional F.I.'s net asset value rose 6.60% to Euros 19.19 in the first half of 2010. In the same period, the benchmark index, the MSCI World Index, increased by 4.39%.

In the first half of 2010 the market was highly volatile, affected by events relating to sovereign debt and the considerable deficits of various European Union countries.

During this period we received a takeover bid for the French multi-national personal protection equipment company Sperian. The buyer, ultimately, was the German multi-national Honeywell, which offered Euros 117 per share, 67% higher than the initial offer (Euros 70) and above our valuation.

In the second half of 2010 the Fund performed extremely well, up 17.99% on the first six months of the year. In the same period, the benchmark index (MSCI) grew by 12.24%.

The performance of our portfolio compared to the market demonstrates that, while the stock market may be inefficient in the short term, it tends to be efficient in the long term. This is the main premise on which our investment philosophy is based.

In 2010 we continued to create value for unit holders, increasing Bestinver Internacional's target price to Euros 46.27, up around 10% on the 2009 target of Euros 42.13. We increased the valuation of 28 companies and reduced it in a further 20.

Some of our major investments performed notably well this year. For example, BMW rose 67%, Virgin Media grew 62% and Schindler increased by 40% as a result of favourable business development by all of these companies, coupled with very attractive valuations.

As in 2009, the stock markets have been discriminatory, as good market opportunities do not last long. Companies with major competitive advantages and global businesses, such as Schindler, Fuchs and BMW, are already quoting at prices that clearly exceed the maximum for 2007, whereas the MSCI index is still 21% below this level.

The portfolio has performed well despite the poor results obtained by our main investments, with CRF/Cofide falling 15%, Esprinet down 29% and Debenhams dropping 9%.

We are confident that the value of these investments is much higher than their listed prices, and they therefore demonstrate the potential still offered by the portfolio. On a positive note, after the heavy declines suffered by some of our main investments, we are still able to find “new” ideas that allow us to contribute to creating portfolio value. In the last quarter we have added five new companies.

We continue to uphold a trend we anticipated some time ago: the data and results of the different countries and international companies represented in our portfolio reflect a completely different phase of the cycle, with much less damage to the economy than that suffered by countries affected by the bursting of the “property bubble” – the United States, United Kingdom and Spain – where the need for deleverage will make recovery a slow process.

Other significant events

The Fund does not invest in either derivatives or unlisted securities.

Related party transactions have been duly authorised by the supervisory body, in compliance with the established control procedures.

During 2010, Bestinver Gestión, S.A., S.G.I.I.C. exercised its right to attend and vote at the general shareholders’ meetings of the Spanish companies in which its managed funds have held an interest exceeding 1% of share capital for over one year. At all of these meetings, the vote has been to adopt the proposals of each company’s board of directors.