

AUDITORS' REPORT

Deloitte & Touche

Raimundo Fdez, Villaverde. 65
28003 Madrid

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
CORPORACIÓN FINANCIERA ALBA, S.A.:

1. We have audited the consolidated financial statements of the ALBA GROUP (consisting of Corporación Financiera Alba, S.A. and dependent companies), comprising the balance sheet as of December 31, 2002, the profit and loss account and the notes thereto for the year then ended, the preparation and contents of which are the responsibility of the Directors of the parent company. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.

2. As required by Spanish corporate law, for comparison purposes the Directors present, in addition to the 2002 figures for each item in the balance sheet and profit and loss account, the figures for the previous year. Our opinion refers only to the 2002 consolidated financial statements. On April 8, 2002 we issued our audit report on the 2001 consolidated financial statements, in which we expressed a favorable opinion.

3. In our opinion, the accompanying consolidated financial statements present, in all material respects, a true and fair view of the net worth and financial position of the Alba Group as of December 31, 2002 and of the results from its operations for the year then ended and contain the required information sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a consistent basis with those of the preceding year.

4. The accompanying consolidated directors' report for 2002 contains the explanations which the Directors consider appropriate about the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information contained in the directors' report is consistent with that contained in the consolidated financial statements for 2002. Our work as auditors was confined to checking the directors' report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the consolidated companies.

DELOITTE & TOUCHE ESPAÑA, S.L.,
Register R.O.A.C. n° S0692



Genaro Sarmiento

April 2, 2002

Deloitte & Touche España, S.L.,
Reg. Merc. Madrid. Tomo 13,650. Folio 188.
Sec. 8. Hoja M-54414

Domicilio Social:
Raimundo Fdez, Villaverde. 65, 28003 Madrid
Código de Identificación Fiscal B-79104469

CORPORACION FINANCIERA ALBA, S.A. AND DEPENDENT COMPANIES
2002 Consolidated Financial Statements and Management Report together with Auditors' Report
Translation of reports and consolidated financial statements originally issued in Spanish and prepared in accordance with generally
accepted accounting principles in Spain (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

2002 CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2001 AND 2002

ASSETS (000s of €)	2001	2002
FIXED ASSETS	810,320	866,696
Intangible fixed assets	27	24
Tangible fixed assets (Note 7)	139,062	161,732
Land and properties	165,244	192,162
Machinery and installations	2,620	2,891
Other tangible fixed assets	1,880	1,959
Depreciation	(30,682)	(35,280)
Investments	671,231	704,940
Holdings in companies consolidated by the equity method (Note 8)	533,399	606,585
Long-term securities (Note 9b)	177,312	162,609
Other investments	1,224	1,695
Provisions (Note 9b)	(40,704)	(65,949)
GOODWILL (Note 10)	57,850	126,934
CURRENT ASSETS	294,299	124,213
Stocks (Note 11)	113	340
Debtors	11,475	77,363
Clients from sales of goods and services	625	200
Government (Note 15)	9,090	71,593
Other debtors	1,760	5,570
Short-term investments (Note 14)	248,280	2,284
Parent company shares (Note 12c)	32,960	44,067
Liquid assets	1,471	129
Prepayments and accrued income	—	30
 TOTAL ASSETS	 1,162,469	 1,117,843

Notes 1 to 23 of the Report form an integral part of the consolidated Balance Sheet at December 31, 2002.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2001 AND 2002

SHAREHOLDERS' EQUITY AND LIABILITIES (en miles de €)	2001	2002
SHAREHOLDERS' EQUITY (Note 12)	879,339	911,688
Share capital	77,000	74,700
Premium	16,245	0
Other reserves of the parent company	130,931	98,465
Unrestricted reserves	33,948	33,489
Restricted reserves	82,868	50,250
Profit and loss brought forward	14,115	14,726
Consolidation reserves	440,888	565,860
Reserves in companies consolidated by global integration	532,269	735,575
Reserves in companies consolidated by equity method	(91,381)	(169,715)
Profit (loss) attributable to parent company (Note 5)	218,832	176,995
Consolidated profit and loss	218,638	176,897
Profit and loss attributable to minority interests	194	98
Interim dividend distributed during the financial year (Note 5)	(4,557)	(4,332)
MINORITY INTERESTS	789	691
PROVISIONS FOR RISKS AND EXPENSES (Note 13)	105,092	74,602
OTHER LONG-TERM CREDITORS	5,167	2,020
CURRENT LIABILITIES	172,082	128,842
Debts with credit institutions (Note 14)	166,196	103,098
Trade accounts payable	3,714	1,615
Government (Note 15)	1,587	23,407
Other non-trade accounts payable	585	722
 TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	 1,162,469	 1,117,843

Notes 1 to 23 of the Report form an integral part of the consolidated Balance Sheet at December 31, 2002.

**CONSOLIDATED PROFIT AND LOSS ACCOUNTS
 FOR THE YEARS ENDED ON
 DECEMBER 31, 2001 AND 2002**

EXPENSES (000s €)	2001	2002
Change in stocks (costs of sales) (Note 11)	1,094	166
Personnel expenses	6,853	7,457
Wages, salaries and similar items	5,291	6,003
Welfare charges	1,562	1,454
Allocations to depreciation and amortisation of fixed assets	10,645	5,010
Other operating expenses	4,295	4,204
Financial expenses	9,356	4,236
Changes in provisions for financial investments	38,560	27,157
Exchange losses	192	—
Consolidation goodwill write-offs (Note 10)	21,198	34,020
PROFIT FROM ORDINARY ACTIVITIES	322,032	149,229
Extraordinary expenses and losses	100,537	1,530
NET EXTRAORDINARY PROFIT	—	30,247
CONSOLIDATED PRE-TAX PROFIT	221,930	179,476
Corporate income tax (Note 15)	3,292	2,579
CONSOLIDATED PROFIT FOR THE YEAR	218,638	176,897
Minority interests	194	98
CONSOLIDATED PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY ...	218,832	176,995

Notes 1 to 23 of the Report form an integral part of the consolidated Profit and Loss Account for 2002.

**CONSOLIDATED PROFIT AND LOSS ACCOUNTS
 FOR THE YEARS ENDED ON
 DECEMBER 31, 2001 AND 2002**

INCOME (000s €)	2001	2002
Net turnover (Note 18a)	11,507	12,128
Net rentals	9,846	12,051
Net sales of stocks	1,661	77
OPERATING LOSS	11,380	4,709
Income from equity holdings (Note 9d)	2,136	4,139
Other interest income (Note 9d)	9,057	622
Profit on financial investments (Note 9b)	8,030	11,368
Exchange gains (Note 9d)	—	1,453
NET FINANCIAL LOSS	28,885	13,811
Profit from companies consolidated		
by the equity method (Note 8)	77,378	103,763
Profits on disposal of holdings consolidated		
by the equity method (Note 8)	306,117	98,006
Profits on tangible fixed-assets disposals (Note 7)	—	1,169
Extraordinary income and profits	435	30,608
NET EXTRAORDINARY LOSS.....	100,102	—

Notes 1 to 23 of the Report form an integral part of the consolidated Profit and Loss Account for 2002.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2002

1. Activities

Corporación Financiera Alba, S.A. (Alba) is a holding company with controlling and influencing interests in a number of companies active in various industries, which are detailed below. Also included among its primary activities are the development and acquisition of real estate for lease or sale, and the development of and participation in start-up businesses.

Given the business of Alba, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to its net assets, financial situation or results. For this reason a specific breakdown of information regarding environmental issues has not been included in the present report.

2. Subsidiaries

Shown below is the information for 2002 for the subsidiaries, all of which, with the exception of Unipsa Correduría de Seguros, S.A., are consolidated by the global integration method. All these companies meet the for the preparation of Consolidated Annual Accounts of the Royal Decree for the preparation of Consolidated Annual Accounts, Section 2, sub-section 1, for consideration as subsidiaries. In all cases, the related investments are permanent and projected to continue.

Subsidiary	Activity	Percent interest		Net book value before consolidation (000s of €)
		Direct	Indirect	
Alaró, S.A. 19-21, Bd. du Prince Henri L-1724-Luxembourg	Securities investment	—	100.00	22,588
Alba Inmobiliaria, S.A. Castelló, 77, 5. ^a planta 28006 Madrid	Securities investment	—	100.00	80,320
Inversiones Aramayona, S.A. Vicente Goicoetxea, 6, 7. ^o 01008 Vitoria-Gasteiz	Securities investment	—	100.00	63,863
Inversiones Artá, S.A. Castelló, 77, 5. ^a planta 28006 Madrid	Securities investment	100.00	—	89,325
Inversiones Finalba, S.A. Castelló, 77, 5. ^a planta 28006 Madrid	Securities investment	100.00	—	28,308
Fianteira, S.A. Castelló, 77, 5. ^a planta 28006 Madrid	Real estate investments	—	77.92	3,754
Fondarte, S.A. Castelló, 77, 5. ^a planta 28006 Madrid	Securities investments	—	100.00	635,752
Unipsa Correduría de Seguros ... Núñez de Balboa, 70 bis 28006 Madrid	insurance brokerage	82.57	—	10,922

Grupo Alba has a majority interest in Unipsa Correduría de Seguros, S.A. This holding has been recorded by the equity method given the differentiated nature of the company's business.

3. Affiliated companies

Shown below is the information for 2002 for the affiliated companies recorded by the equity method. All these companies meet the requirements for consideration as affiliates as provided for in the Royal Decree for the preparation of Consolidated Annual Accounts, Article 5: considerable influence in the management, holdings in share capital, and permanent nature of the holdings, contributing to their business.

Affiliated company	Registered office	Activity	Total percentage interest
Acerinox, S.A.	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of stainless steel products	6.33
Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102 (Madrid)	Construction and services	22.34
Carrefour, S.A.	6, Av. Raymond Poincaré 75016 París (Francia)	Retail trade	3.27
Havas, S.A.	84, Rue de Villiers Levallois-Perret Cedex (Francia)	Advertising and Communications	4.30
March Gestión de Fondos. S.G.I.I.C., S.A.	Castelló, 74 (Madrid)	Management of collective investment institutions	35.00
March Gestión de Pensiones. S.G.F.P., S.A.	Castelló, 74 (Madrid)	Pension fund management	35.00
Prosegur Compañía de Seguridad, S.A.	Pajaritos, 24 (Madrid)	Surveillance, cash transportation and alarms	5.23
Quavitae, S.A.	Fuencarral, 123 (Madrid)	Senior citizen care	20.00
Rablin, S.A.	Gaztambide, 49 (Madrid)	Securities investment	40.00

4. Bases of Presentation of the Annual Accounts

The consolidated annual accounts have been prepared in accordance with the provisions of the Spanish Commercial Code, the Spanish Public Limited Companies Act, and the Royal Decree for the preparation of Consolidated Annual Accounts, and provide a true and fair view of the net worth, financial position and results of Grupo Alba.

The consolidated Profit and Loss Accounts present some differences with respect to the standard forms established by Royal Decree 1815/1991 for the presentation of consolidated annual accounts, given the absence of an adapted version of these standard forms that takes into account that Income from the Sale of Securities, while not regular, constitutes ordinary income for a holding company such as Alba.

The annual accounts have been prepared by the Board of Directors for their submission to audit and subsequent approval by the General Meeting of Shareholders, and are based on the accounting records of Alba and its subsidiaries, as well as the audited annual accounts of the affiliated companies.

The scope of consolidation for 2002 has been changed as compared with 2001 as shown below:

– Additions:	
Acerinox, S.A.	6.33%
Prosegur Compañía de Seguridad, S.A.	5.23%
– Disposals:	
Sogecable, S.A.	–5.01%
– Changes in holdings:	
Actividades de Construcción y Servicios, S.A.	–0.59%
Carrefour, S.A.	–0.02%
Havas, S.A.	0.33%

5. Distribution of Profits

The distribution of consolidated profits for 2002, as proposed by the Board of Directors, is as follows (000s of €):

<u>Distribution Bases</u>	
Profit (Loss)	176,995

<u>Distribution</u>	
To Reserves	168,310
To Dividends:	
Interim dividend.....	4,332
Final dividend	4,353

Total	176,995

The interim dividend amounted to 6 percent of the nominal value of each share and has been recorded in the accompanying consolidated balance sheet as a decrease in shareholders' equity.

In order to comply with the requirements of Section 216 of the Public Limited Companies Act with regard to the distribution of interim dividends, the Board of Directors of the parent company, in its meeting of September 25, 2002, adopted the resolution which appears in Note 22-c.

6. Valuation standards

The principal valuation criteria used in preparing the consolidated Annual Accounts, in accordance with the provisions of the Spanish General Chart of Accounts and the Royal Decree for the preparation of Consolidated Annual Accounts, have been as follows:

a) Consolidation goodwill (Note 10)

The procedure followed for establishing the amount of goodwill on consolidation consisted of comparing acquisition value with the underlying book value of the holding at the date of inclusion within the scope of consolidation.

Alba writes off goodwill based on the income from its investees, and in all cases within the legally established maximum period of 20 years.

In 2002 goodwill write-offs included extraordinary provisioning that corresponded to the internal estimate of the reduction in value of certain goodwill items. This resulted mainly from uncertainties over the current economic environment and particularly over the Latin American business sectors and markets. The most significant items concerned are those of Acerinox, S.A. and Prosegur Compañía de Seguridad, S.A.

b) Transactions between companies included within the scope of consolidation

Transactions between the companies included within the scope of consolidation have been eliminated in the consolidation process.

c) Tangible fixed assets (Note 7)

Tangible fixed assets are stated at their acquisition cost, which includes additional expenses arising until the particular asset is operational; neither interest nor exchange differences are included. Expansion, modernisation or improvement costs which cause an increase in productivity, capacity or efficiency, or an extension of the useful life of an asset, are capitalised as an increased cost of the particular asset. Maintenance and upkeep expenses incurred during the year are charged to the Profit and Loss account.

The straight-line depreciation method is used, distributing the cost of the asset over its estimated useful life as indicated below:

	Yearly % depreciation rates
Buildings and other structures	2 to 6
Machinery and installations	8 to 24
Transport equipment	16
Furniture and fixtures	10
Data processing equipment	25

With regard to assets which are purchased second-hand, depreciation rates equal to twice the percentages indicated above are applied.

d) Short and long-term securities (Note 9)

Investments securities are stated at the lower of cost or market value. In the latter case, the necessary allocations to depreciation provisions are made. For listed securities, market value is considered to be the lower of the average official market price for the last quarter of the year and the year-end market price. For unlisted securities, market value is considered to be equal to the year-end underlying book value adjusted for the amount of unrealised capital gains existing at the moment of acquisition and currently subsisting.

e) Stocks (Note 11)

Stocks are stated either at cost or for their realisable value, whichever is lower, and in the latter case the necessary allocations are made to provisions.

f) Parent company shares (Note 12-c)

Shares held in the parent company are recorded on the assets side of the balance sheet, stated at their acquisition price.

g) Provisions for risks and expenses (Note 13)

This represents the estimated amount necessary to meet sundry risks and litigation in progress.

h) Corporate income tax (Note 15)

Expenses arising from the corporate income tax for the year are calculated pursuant to the provisions of the Spanish General Chart of Accounts and applicable tax laws, i.e., taking into account the permanent and temporary differences between earnings as per the books and the taxable base for corporate income tax, less available deductions and credits against tax payable.

The Group's share in the earnings of affiliated companies is recorded net of corporate income tax. Some of these companies have recognised deferred tax assets and tax credits in respect of tax loss carryforwards whose recovery is regarded as certain.

i) Foreign currency transactions

The purchase price of assets denominated in foreign currencies is accounted for in € after conversion at the exchange rate applicable on the date of acquisition of the assets. This valuation is maintained as long as it does not exceed the amount resulting from application of the year-end exchange rate to the market value of the assets. Otherwise, an allocation for the difference is made to the appropriate provision.

At December 31, 2002 there were no accounts receivable or payable of material amounts denominated in foreign currency.

j) Income and expenses

Income and expenses are recorded on an accrual basis, i.e., when the related real flow of goods and services occurs, irrespective of the time the monetary or financial flow related thereto takes place.

In keeping with the prudence principle, only the profits actually obtained at year-end are recorded. Foreseeable risks or losses are recorded as soon as they are known.

7. Tangible fixed assets

At December 31, 2002 Alba had 112,673 m² of floor area available for rent, with an occupancy rate of 99%.

Changes in the tangible fixed asset accounts and their related accumulated depreciation for the year 2002 were as follows (000s of €):

	Land and Properties	Machinery and installations	Other tangible fixed assets	Total tangible fixed assets
COST:				
Balance at 1/1/2002	165,244	2,620	1,880	169,744
Purchases	30,465	271	93	30,829
Sales	(3,547)	—	(14)	(3,561)
Balance at 12/31/2002	192,162	2,891	1,959	197,012
ACCUMULATED DEPRECIATION:				
Balance at 1/1/2002	(27,459)	(2,102)	(1,121)	(30,682)
Allocations	(4,566)	(115)	(289)	(4,970)
Reductions	358	—	14	372
Balance at 12/31/2002	(31,667)	(2,217)	(1,396)	(35,280)

The most significant addition was the purchase of six floors of office space with a floor area of 6,550 square metres and 113 parking spaces in the Master's 1 building located in the AZCA real estate complex in Madrid. The acquisition involved expenditure of €28.560 million.

The disposals correspond principally to the sale of a bank branch in Valladolid.

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

8. Holdings in companies consolidated by the equity method

The changes in this heading during 2002 are reflected in the following table (000s of €):

Company	Consolidated values at 01/01/02	Group share in earnings	Dividends received	Net acquisitions, disposals and transfers	Consolidation differences		Consolidated values at 12/31/02
					Goodwill	Taken to reserves	
Acerinox, S.A.	—	11,115	(2,174)	155,262	(62,774)	—	101,429
Actividades de Construcción y Servicios, S.A.	208,907	40,516	(8,561)	(5,499)	—	(16,703)	218,660
Carrefour, S.A.	242,720	46,069	(14,807)	—	—	(57,602)	216,380
Havas, S.A.	54,873	1,485	(2,381)	6,023	(1,747)	(8,204)	50,049
March Gestión de Fondos.							
S.G.I.I.C., S.A.	1,272	3	—	—	—	—	1,275
March Gestión de Pensiones.							
S.G.F.P., S.A.	946	4	—	—	—	—	950
Prosegur Compañía de							
Seguridad, S.A.	—	2,124	(598)	50,273	(40,254)	(958)	10,587
Quavita, S.A.	3,395	90	—	—	—	(48)	3,437
Rablin, S.A.	745	265	—	—	—	(123)	887
Sogecable, S.A.	17,516	—	—	(17,516)	—	—	—
Unipsa Correduría de Seguros, S.A.	3,025	2,092	(1,840)	—	—	(346)	2,931
TOTALS	533,399	103,763	(30,361)	188,543	(104,775)	(83,984)	606,585

The consolidation differences included in Reserves are due to the movements recorded in Shareholders' Equity in our corporate holdings, fundamentally due to exchange differences (Latin America).

The breakdown of the sales made during 2002 of equity-recorded holdings, which has been recorded in the heading "Profits on disposals of holdings consolidated by the equity method", is as follows (000s of €):

	% sold	Profit
Sogecable, S.A.	5.01	93,059
Actividades de Construcción y Servicios, S.A.	0.59	4,947
Total		98,006

9. Securities portfolio

a) Acquisitions of equity holdings

Notice has been given when changes in equity holdings have meant that the resulting percentage stake exceeded a multiple of 5 percent in listed companies. In relation to unlisted companies, such notice is issued when the total holding initially exceeds 10 percent and 5 percent tranches thereafter.

Notices of acquisitions:

Notice given by	Recipient
Fondarte, S.A.	Prosegur Compañía de Seguridad, S.A. Acerinox, S.A.

Notices of disinvestments:

Notice given by	Recipient
Inversiones Aramayona, S.A.	Optimus Zero, S.A.
Inversiones Artá, S.A.	Sogecable, S.A.

b) Long-term securities

Given below is information relative to companies not included within the scope of consolidation because they are not considered as meeting the requirements set down in the Royal Decree for the preparation of Consolidated Annual Accounts, excluding those of scarce significance (000s of €):

Company	Registered Office	Percentage of capital held	Capital and Reserves	Profit/ (Loss) for the year	Net Book Cost
Xfera Móviles, S.A.	C/ Ribera del Sena, s/n (Madrid)	7.11	497,474	(124,071)	33,821
Vodafone Group, plc	The Courtyard, 2-4 London Road Newbury Berkshire RG 14 (Reino Unido)	0.23	240,094	(39,364)	36,136
Banco Urquijo	C/ Príncipe de Vergara, 131 (Madrid)	9.98	232,372	10,306	23,710
MSI, S.A.	Scorpius 112, 2132 LR Hoofddorp (Holanda)	2.67	223,212	(23,914)	15,653
Palio, Ltd,	Löwenstrasse, 1 Zürich (Suiza)	16.98	N,A,	N,A,	3,774
Princes Gate	1585 Broadway New York (Estados Unidos)	3.17	N,A,	N,A,	6,406

Banco Urquijo, S.A.

On February 19, 1998 Grupo March sold 70% of the shares of Banco Urquijo, S.A. to the Luxembourg company Kredietbank S.A. Luxembourgeoise (hereinafter KBL). Consequently, Grupo Alba sold 54.55% of the shares of Banco Urquijo, S.A., that is, 70% of Grupo Alba's 77.29% stake in the said Bank. In 2001 Alba exercised part of the put option signed in 1998 over a holding of 12.76%. The parties to the transaction simultaneously granted another call and put option for the remaining holding (9.98%). The put option may be exercised between January 1, 2004 and December 31, 2006. The transfer price for the shares will be fixed according to the profit attributed to Banco Urquijo and certain stock market indices, with a minimum valuation for the whole of Banco Urquijo of €50.574 million.

The movements in long-term securities during 2002 are summarised below (000s of €):

	Equity Investment
Balance at 1/1/02	177,312
– Additions	31,308
– Sales	(3,628)
– Transfer of Acerinox (Note 8).....	(42,383)
	162,609

The most significant additions correspond to Spirent, PLC (€15.150 million), Princes Gate (€5.711 million), Xfera Móviles, S.A. (€2.133 million) and Broadnet Consorcio, S.A. (€197,000).

The profit obtained on disposals is as follows (000s of €):

	Profit
Vodafone	7,883
Liquidation of assets associated with sale of Banco Urquijo, S.A.....	3,839
Princes Gate	(453)
Miscellaneous	99
	11,368

The movements in the provisions for the long-term securities portfolio are as follows (000s of €):

	Provision
Balance at 1/1/02	(40,704)
– Additions	(29,438)
– Reversals	2,488
– Retirements	1,705
	(65,949)

The most significant provisions correspond to the holdings in Spirent PLC (€13.503 million) and in Xfera Móviles, S.A. (€8.822 million).

c) Foreign currency investments

Shown below is the par value of investments in securities and other similar financial investments made in foreign currencies:

	US\$	Swiss Francs	Pound Sterling
Non-consolidated companies	24,609,824	16,000,000	7,532,200

d) Financial income

Nearly all of the income from equity holdings was in respect of the dividend received from our holdings in Vodafone Group, PLC (€3.656 million) and in Spirent, PLC (€426,000).

The heading “Other financial revenues” of the 2002 Profit and Loss Account, which totalled €622,000, records the income on short-term financial investments.

The heading “Exchange gains” corresponds to the results obtained from the different £ / € hedge contracts maturing prior to December 31, 2002.

10. Goodwill on consolidation

Changes during 2002 in goodwill on consolidation are shown in the following table (000s of €):

	ACS	Acerinox	Prosegur	Havas	Total
Balance at 1/1/02	57,850	—	—	—	57,850
Additions for acquisitions					
in the year (Note 8)	—	62,774	40,254	1,747	104,775
Amortisation	(3,121)	(11,139)	(18,013)	(1,747)	(34,020)
Decrease on sale of shares	(1,671)	—	—	—	(1,671)
Balance at 12/31/02	53,058	51,635	22,241	—	126,934

11. Stocks

The changes occurring during 2002 are shown below (000s of €):

	Investment	Provision	Net
Balance at 1/1/02	781	(668)	113
Additions	1,550	(1,209)	341
Retirements	(166)	52	(114)
Balance at 12/31/02.....	2,165	(1,825)	340

12. Shareholders' Equity

At December 31, 2002 share capital was represented by 74,700,000 bearer shares with a par value of €1 each, totally subscribed and paid up, all of which are listed on the continuous market of the Spanish Stock Exchanges (Sociedad de Interconexión Bursátil Española).

The shareholders of Corporación Financiera Alba, S.A. in their General Meeting of May 26, 1999 agreed to grant to the Board of Directors the power to increase share capital one or more times, up to a maximum total of 50% of share capital, against cash contributions within a maximum period of five years.

The direct and indirect shareholders in the company in accordance with information from the Comisión Nacional del Mercado de Valores (the Spanish Securities Exchange Commission) as at February 20, 2003 are as follows:

Banca March, S.A.	25.860 %
Juan March Delgado	14.460 %
Carlos March Delgado	12.504 %
Other Directors	0.017 %
Fidelity International Limited	1.980 %
The Egerton European Dollar Fund Limited	1.280 %

a) Changes in shareholders' equity (000s of €):

	Share capital	Premium	Unrestricted reserves	Restricted reserves	Profit and loss brought forward	Consolidation reserves and conversion differences	Profit/(loss)	Interim dividend	Total
BALANCE AT									
JANUARY 1, 2002	77,000	16,245	33,948	82,868	14,115	440,888	218,832	(4,557)	879,339
Distribution of 2001 results ...	—	—	—	—	611	209,115	(218,832)	4,557	(4,549) ⁽¹⁾
Profit for 2002... ..	—	—	—	—	—	—	176,995	—	176,995
Interim dividend for 2002 (Note 5)... ..	—	—	—	—	—	—	—	(4,332)	(4,332)
Retirement of capital	(2,300)	—	—	(49,322)	—	(159)	—	—	(51,781)
Equity method accounting process (Note 8)	—	—	—	—	—	(83,984)	—	—	(83,984)
Transfer for reserves for purchases of parent company shares	—	(16,245)	(459)	16,704	—	—	—	—	—
BALANCE AT									
DECEMBER 31, 2002... ..	74,700	—	33,489	50,250	14,726	565,860	176,995	(4,332)	911,688

(1) Dividend for 2001 paid in June 2002.

The restricted reserves at December 31, 2002 included €31.368 million in respect of shares in the parent company, €2.300 million in respect of retired capital and €16.448 million in respect of the legal reserve of the parent company. The legal reserves of the subsidiary companies amounted to €13.786 million.

b) Breakdown of consolidation reserves and conversion differences

The consolidation reserves for each company include the contribution to the results of the consolidated group since its inclusion into the said group, dividends distributed, amortisation of goodwill and conversion differences that have arisen.

At December 31, 2002 the balances were as shown below (000s of €):

Companies consolidated by global integration	Reserves
Corporación Financiera Alba, S.A.	(64,856)
Alba Inmobiliaria, S.A.	(21,429)
Inversiones Artá, S.A.	1,131
Fondarte, S.A.	(315,661)
Inversiones Finalba, S.A.	1,224,104
Fianteira, S.A.	(168)
Alaró, S.A.	(394)
Inversiones Aramayona, S.A.	(87,152)
<hr/>	
Companies consolidated by equity method:	
Actividades de Construcción y Servicios, S.A.	6,193
Carrefour, S.A.	(174,154)
Havas, S.A.	9,401
March Gestión de Fondos. S.G.I.I., S.A.	10
March Gestión de Pensiones. S.G.F.P., S.A.	2
Prosegur Compañía de Seguridad, S.A.	(958)
Quavitae, S.A.	(1,855)
Rablin	(110)
Unipsa Correduría de Seguros, S.A.	(8,244)
<hr/>	
TOTAL	565,860

c) Parent company shares

Movements in own shares are summarised as follows:

	Number of shares	Percentage of share capital	Average acquisition price €/share
At January 1, 2002	1,505,774	1.96%	21.89
Acquisitions	2,940,196		
Retirements	(2,300,000)		
	2,145,970	2.87%	20,53
At December 31, 2002.....			

On May 22, 2002 the General Meeting of Shareholders resolved to retire 2,300,000 shares.

Transfers have been made to the reserve for parent company shares for the legally required amount (Note 12-a). The acquisitions made during the year reflect the considerable discount of Alba's trading price with respect to the liquidation value of the shares. In any evaluation of the company's net worth, the balance shown under this heading should be deducted from the amount of shareholders' equity shown in the consolidated balance sheets at December 31, 2002.

On May 31, 2000 the General Meeting of Shareholders and the Board of Directors of Corporación Financiera Alba, S.A. resolved to set up a stock option plan for executive directors and senior officers, covering a total of 20 persons. The total number of options represents 0.74% of the share capital of Corporación Financiera Alba, S.A. The exercise price of each option was set at €28.26 per share, of which the abovementioned shareholders have paid 5%. These rights may be exercised within the six-month period following May 31, 2003.

In addition, on May 22, 2002 the General Meeting of Shareholders and the Board of Directors of Corporación Financiera Alba, S.A. agreed to set up a stock option plan for executive directors and senior officers. The number of options corresponding to each shareholder is the same as the amount that would have been subscribed by each shareholder in the option plan approved on May 31, 2000 and represents 0.74% of the share capital of the company. The exercise price is €22.38 per share. These rights may be exercised within the six-month period following May 31, 2005.

In the meeting of the Board of Directors on March 20, 2002, it was agreed to lock up the 552,000 shares equal to the amount of the option plan in one of the subsidiaries of Alba. Once the General Meeting of Shareholders on May 22, 2002 approved the option plan, the 552,000 shares were locked up in Fondarte, S.A.

13. Provisions for Risks and Expenses

Shown below are the changes occurred during 2002 in the provisions for risks and expenses accounts (000s of €):

Balance at 1/1/02	105,092
Allocations	1,014
Reversals and retirements	(31,504)
	<hr/>
Balance at 12/31/02	74,602
	<hr/>

The allocations item corresponds principally to the interest accrued in the year on the provisions made in previous years. The reversals relate fundamentally to a reduction in the internal estimate of the provision recorded in the previous year.

14. Debts with credit institutions and short-term financial investments

The composition of this heading at December 31, 2002 is given below, distributed according to maturity (000s of €):

Short-term financing	Limit granted	Balance drawn down	Maturity
Banco Urquijo, S.A.	18,000	10,001	28/12/2003
Caja Madrid	15,025	8,348	15/02/2003
BSCH	60,000	32,970	02/04/2003
BBVA	91,152	49,618	11/02/2003
Banca March, S.A.	60,000	1,357	14/01/2003
	244,177	102,294	

The balance of the heading “Debts with credit institutions” of the accompanying consolidated balance sheet includes €804,000 for financial expenses accrued at market interest rates and pending payment.

The financing from Banca March, S.A. and BBVA has been renewed for one year.

The heading “Short-term financial investments” on the accompanying consolidated balance sheet, which equals €2.284 million, records the short-term investments made to optimise the return on cash surpluses.

15. Tax matters

Corporación Financiera Alba, S.A., Inversiones Artá, S.A., Alba Inmobiliaria, S.A., Fondarte, S.A., Inversiones Finalba, S.A., Fianteira, S.A. and Unipsia Correduría de Seguros, S.A. are subject to the corporate group taxation system. In 2002, Alba Inmobiliaria, S.A., Fondarte, S.A. and Inversiones Finalba, S.A. filed under the rules for holding companies of foreign securities, under which Inversiones Artá, S.A. has filed since the previous year.

The reconciliation of the said group's taxable income with book income is given below (000s of €):

Accounting result of companies under consolidated tax regime	215,998
Permanent differences	
Withholdings on foreign dividends	2,579
Under rules for holding companies of foreign securities for dividends received	(21,570)
Inclusion of profits under transitional rules on reinvestment of extraordinary profits	3,216
For dividends distributed by the companies in the consolidated tax group to the parent company	(97,665)
Others	3,063
Timing differences	
Contribution to alternative pension plans	1,362
Provision for deferred profits	203,555
Intra-group transactions in the consolidated tax group	(58,055)
Others	(86)
	<hr/>
Taxable income	252,397
Corporate income tax payable (35%)	88,339
Deductions	
For double taxation of dividends	(5,123)
For reinvestment of extraordinary profits	(15,932)
	<hr/>
Net tax payable	67,284
Of which	
Withholdings	66,563
Corporate income tax of Unipsa, Correduría de Seguros, S.A.	721
	<hr/> <hr/>

The intra-group operations of the consolidated tax group correspond to share transactions in the framework of the restructuring of the securities portfolio, the results of which will not be known until they take effect with regard to third parties.

The provision for deferred profits corresponds to the cancellation in the accounting consolidation process of the profit obtained, €203.555 million, in a transaction of shares in Vodafone Group, PLC that generated withholding tax of €66.563 million, recorded in the heading "Government" in the assets of the balance sheet at December 31, 2002. The results of this will be reflected in the consolidated balance sheet when taking effect with regard to third parties.

In the year, the consolidated tax group obtained €90.50 million profit on the sale of assets that has been included in the deduction for the reinvestment of extraordinary profits (section 36^{ter} of the Corporate Income Tax Act). The value of the sale equalled €112.473 million and this was fully reinvested in the year.

Tax losses exist in the amount of €51.357 million, which may be carried forward until the year 2016.

Financial years 1999 and following of Corporación Financiera Alba, S.A. are subject to audit by the tax authorities. It is estimated that any additional taxes that might arise as a result of said tax audits would not be material. The tax audit assessment issued in respect of corporate income tax for 1991 has been appealed to the Spanish Supreme Court and is fully secured by a provision of €8.265 million.

The breakdown of the heading "Government" in the balance sheet at December 31, 2002 is as follows (in 000s of €):

	ASSETS
Receivable for VAT	2,913
Receivable for corporate income tax	2,117
Deferred tax assets	66,563
	71,593
TOTAL	71,593
	LIABILITIES
Payable for personal income tax	363
Payable for corporate income tax	22,963
Social Security bodies	81
	23,407
TOTAL	23,407

16. Guarantees provided to third parties and other contingent liabilities

AShown below is a breakdown of guarantees and contingent liabilities at December 31, 2002 (000s of €):

Counterguarantee for bank bonds on behalf of Xfera Móviles, S.A. (Note 20)	204,961
Bonds posted in respect of tax audits (Note 15)	7,015
Guarantees given to KBL in connection with the sale of the holding in Banco Urquijo, S.A. (Note 9)	9,210
Other guarantees	2,266
	223,452
Total	223,452

17. Average number of employees

The average number of persons employed during 2002, according to category, was as follows:

Degree holders	21
Administrative assistants	20
Others	2
Total	<u>43</u>

18. Income and Expenses

a) Net turnover:

The geographical breakdown of the net turnover is as follows (000s of €):

Madrid	9,395
Barcelona	2,130
Rest	603
Total	<u>12,128</u>

b) Transactions with companies consolidated by the equity method:

All transactions with companies included within the scope of consolidation are carried out at market prices.

The volume of such transactions during the year was €212,000 for rentals.

c) Contribution by companies to consolidated earnings (000s of €):

The contribution of the companies included in the scope of consolidation to the consolidated profit for the year was as follows:

	Contribution to consolidated income	Minority interests
Corporación Financiera Alba, S.A.	5,366	—
Alaro, S.A.	(28)	—
Alba Inmobiliaria, S.A.	4,857	—
Inversiones Aramayona, S.A.	5,650	—
Inversiones Artá, S.A.	87,322	—
Inversiones Finalba, S.A.	2,136	—
Fianteira, S.A.	(1,953)	98
Fondarte, S.A.	5,557	—
	<hr/>	<hr/>
Companies consolidated by global integration ...	108,907	98
Actividades de Construcción y Servicios, S.A.	37,395	—
Acerinox, S.A.	(24)	—
Carrefour, S.A.	44,891	—
Havas, S.A.	(739)	—
March Gestión de Fondos. S.G.I.I.C., S.A.	3	—
March Gestión de Pensiones. S.G.F.P., S.A.	4	—
Prosegur Compañía de Seguridad, S.A.	(15,889)	—
Quavitae, S.A.	90	—
Rablin, S.A.	265	—
Unipsa Correduría de Seguros, S.A.	2,092	—
	<hr/>	<hr/>
Consolidated by equity method ...	68,088	—
	<hr/>	<hr/>
TOTAL ...	176,995	98

The contribution to consolidated profit from equity-recorded companies includes the corresponding proportional share of profits and goodwill amortisation.

19. Remuneration of the Board of Directors

The company has recorded the following amounts as remuneration earned by the members of the Board of Directors (000s of €):

Salaries	1,355
Board of Directors remuneration (€30,050 per director)	360
Co-chairpersons remuneration	156
	<hr/>
TOTAL	1,871

In addition, contributions to alternative pension and insurance plans of €483,000 were made in respect of Directors who also hold executive positions.

At December 31, 2002 no advances or loans had been made to members of the Board of Directors.

20. Post-balance sheet events

After the close of the year and prior to the preparation of these accounts, the following event has occurred:

- **Xfera guarantees**

The management is currently preparing a draft proposal aimed at reducing the guarantees granted to secure the commitments and obligations assumed by Xfera Móviles, S.A., and counter-guaranteed by the company, related to its individual type B2 licence. This proposal is based on a reduction from the €2,687,184,000 currently guaranteed to €467,797,000.

21. Remuneration of auditors

The amount of fees accruing to Deloitte & Touche in 2002 was €53,000. This corresponded entirely to the audit services for the company and consolidated group annual accounts.

22. Information on the parent company (Corporación Financiera Alba, S.A.)

Included below is additional information on the parent company drawn from its 2002 annual accounts, which do not include the effects of consolidation. These annual accounts are subject to approval by the Shareholders in General Meeting and to filing with the Companies Registry:

- a) Balance sheets
- b) Profit and loss accounts
- c) Proposed distribution of profits

a) CORPORACION FINANCIERA ALBA, S.A. BALANCE SHEETS
 AT DECEMBER 31, 2001 AND 2002

ASSETS (000s of €)	2001	2002
FIXED ASSETS	328,814	293,784
Intangible fixed assets	29	23
Tangible fixed assets	138,637	161,308
Land and properties	165,052	191,970
Other installations, furniture and fittings	2,620	2,891
Other fixed assets	1,562	1,566
Depreciation	(30,597)	(35,119)
Investments	190,148	132,453
Holdings in Group companies	190,186	128,555
Holdings in Affiliated companies	2,205	2,205
Long-term guarantee deposits given	1,222	1,693
Provisions	(3,465)	—
CURRENT ASSETS	35,946	42,539
Debtors	2,166	11,069
Clients from sale of goods and services	289	177
Accounts receivable from Group companies	—	7,303
Government	1,864	3,065
Sundry debtors	13	524
Short-term investments	16	52
Own shares	32,800	31,368
Liquid assets	962	48
Prepayment and accrued income	2	2
TOTAL ASSETS	364,760	336,323

**CORPORACION FINANCIERA ALBA, S.A. BALANCE SHEETS
 AT DECEMBER 31, 2001 AND 2002**

SHAREHOLDERS' EQUITY AND LIABILITIES

(000s €)

	2001	2002
SHAREHOLDERS' EQUITY	229,269	283,672
Share capital	77,000	74,700
Premium	16,245	—
Reserves	116,816	83,740
Legal reserve	16,448	16,448
Reserve for own shares.....	32,800	31,368
Other reserves	67,568	35,924
Profit and loss brought forward	14,115	14,726
Unallocated income.....	14,115	14,726
Profit (loss) for the year	9,650	114,920
Interim dividend distributed during the financial year	(4,557)	(4,414)
PROVISIONS FOR RISKS AND EXPENSES	9,700	10,328
LONG-TERM CREDITORS	1,571	1,981
Long-term guarantee deposits received	1,571	1,981
CURRENT LIABILITIES	124,220	40,342
Debts with credit institutions	36,965	38,270
Loans and other debts	36,965	38,270
Trade accounts payable	3,474	1,415
Payable to Group companies	82,716	—
Other non-trade accounts payable	1,065	657
Government	646	115
Other debts	87	87
Pending remuneration	332	455
 TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	 364,760	 336,323

**b) CORPORACION FINANCIERA ALBA, S.A.
 PROFIT AND LOSS ACCOUNTS
 FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002**

DEBIT (000s of €)	2001	2002
EXPENSES		
Personnel expenses	2,320	2,406
Wages and salaries	1,935	2,027
Welfare charges	385	379
Allocations to depreciation and amortisation of fixed assets	4,043	4,901
Other operating costs	2,356	2,415
External services	2,343	2,201
Taxes other than corporate income tax	13	214
OPERATING PROFIT	1,280	2,417
Financial and similar expenses	2,824	2,467
For debts with Group companies	2,230	1,836
For debts with third parties	594	631
FINANCIAL INCOME	5,642	89,351
Changes to provisions for tangible fixed assets and controlling interest portfolio	(2,668)	—
PROFIT FROM ORDINARY ACTIVITIES ...	9,590	113,831
Extraordinary expenses	9,057	652
EXTRAORDINARY PROFIT	—	2,019
PRE-TAX PROFITS	726	115,850
Corporate income tax	(8,924)	930
PROFIT FOR THE YEAR	9,650	114,920

CORPORACION FINANCIERA ALBA, S.A.
PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002

CREDIT (en miles de €)	2001	2002
INCOME		
Net turnover	9,999	12,139
Rental income	9,999	12,139
Income from equity holdings	7,570	90,436
In Group companies	7,570	90,436
Other interest and similar income	896	1,382
Other interest income	36	146
Profits on financial investments	860	1,236
Profits on disposal of controlling interests	—	22,063
Profits on disposal of tangible fixed assets	—	1,876
Other extraordinary profit	193	795
EXTRAORDINARY LOSS	8,864	—

c) PROPOSED DISTRIBUTION OF 2002 PROFITS (000s of €)

	2002
<u>Basis of Distribution</u>	
Net profit	114,920
Unallocated income	14,726
	129,646
<u>Distribution</u>	
– To unallocated income	120,846
– To dividends	8,800
	129,646

An interim dividend of 6 percent of the par value of each share was distributed against earnings for 2002, causing a decrease to shareholders' equity recorded in the balance sheet at December 31, 2002.

In order to comply with the requirements of Section 216 of the Public Limited Companies Act with regard to the distribution of interim dividends, the Board of Directors of the parent company, in its meeting of September 25, 2002, adopted the following resolution:

“In view of the results at August 31 and pursuant to the same dividend policy, the distribution this coming November of an interim dividend is proposed, and to such end and in compliance with the provisions of Section 216 of the Public Limited Companies Act the following financial statement is presented, referring, as required, to the individual, not consolidated, financial situation of Corporación Financiera Alba

	<u>000s €</u>
1. Amount to be distributed	4,482
2. Available profit calculation:	
2.1. Profits carried forward at Aug. 31, 2002	115,838
With the following breakdown:	
– Ordinary profit	91,880
– Extraordinary profit	23,958
	115,838
2.2. Deductions	6,910
– Losses brought forward	0
– Allocation to the legal reserve	0
<i>(stands at 20% of share capital)</i>	
– Corporate income tax	6,910
	108,928

3. Liquid Assets

According to the balance sheet at August 31, 2002, the Company's available liquid assets amounted to €198.295 million.

The above shows that the proposed interim dividend is less than available profits and that the Company's liquid assets exceed the amount of such dividend.

Consequently, the board unanimously resolves to pay an interim dividend against 2002 earnings of €0.06 per share, not including the amount that would correspond to the own shares held by the company as treasury stock on the day the said interim dividend is paid.

Toward such end, Vice Chairman of the Board Mr. Pablo Vallbona Vadel, Managing Director Mr. Isidro Fernández Barreiro and Director-Secretary Mr. Enrique Piñel López are hereby given joint and several powers to determine the total sum to be distributed, subject to the agreed maximum, the specific amount of which shall be determined according to the number of shares entitled to the dividend payment.

The interim dividend is maintained at €0.06 per share with the right to receive dividends. This figure is equal to 6% of the par value and will be subject, where applicable, to the 18% withholding in respect of personal income tax or corporate income tax, depending on the legal personality of the recipient.

Vice Chairman of the Board Mr. Pablo Vallbona Vadel, Managing Director Mr. Isidro Fernández Barreiro and Director-Secretary Mr. Enrique Piñel López are likewise authorised so that any one of them can fix the specific day of the month of November on which the dividend shall be distributed, publish the relevant notices and, in short, take all such actions as may be necessary for said purpose.

23. Explanation added for translation to English

These consolidated financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

REPORTS OF THE DIRECTORS 2002

1. Company business and financial position

The consolidated Annual Accounts at December 31, 2002 provide a true and fair view of the net worth, financial position, earnings and business performance of the Company, and have been prepared, on this date, by the Company Board of Directors

During the 2002 financial year Grupo Alba business consisted of:

- Management of controlling and influencing interests in a series of companies carrying on business in different sectors of the economy.
- Development of and participation in start-up businesses.
- Lease or sale of real estate.

2. Significant post-balance sheet events

After the close of the year and prior to the preparation of these accounts, the following events have occurred:

- **Xfera guarantees**
The management is currently preparing a draft proposal aimed at reducing the guarantees granted to secure the commitments and obligations assumed by Xfera Móviles, S.A., and counterguaranteed by the company, related to its individual B2 type licence. This proposal is based on a reduction from the €2,687,184,000 currently guaranteed to €467,797,000.

3. Projected evolution of the Company

Alba's priority objective is to assure that the companies in which it has holdings obtain maximum returns, enhance their competitiveness and strengthen their human, financial and technological potential. In addition, the company's financial structure, its size and flexibility will allow us to pursue future business opportunities as they arise.

4. Research and development activities

The nature of the Company's specific businesses and the absence of manufacturing activity make direct R&D investment unnecessary.

5. Acquisitions and disposals of treasury stock

Shown below are the changes in the number of shares of treasury stock recorded under assets in the accompanying balance sheets:

	Number of shares	Porcentaje of share capital	Average acquisition price €/share
Balance at January 1, 2002	1,505,774	1.96%	21.89
Acquisitions	2,940,196		
Retirements	(2,300,000)		
Balance at December 31, 2002	2,145,970	2.87%	20.53

Transfers have been made to the Reserve for shares in the controlling company, as well as to the Capital reduction reserve, for the legally required amount.

6. Audit committee report

The audit and compliance committee in the year 2002 met on five occasions, on which it was concerned with its four essential functions:

- Internal control and risk identification system
- Preparation and approval of financial reporting
- External audit of the annual accounts
- Compliance with legal and internal regulations

a) With respect to the internal control and risk identification system, it should be highlighted that the committee meetings were attended by the administrative director, who is responsible for the company's internal control, and who provided information on the matters relating to this subject.

The company has a series of operational regulations that establish internal control criteria and that are due to be updated in 2003. In addition, in 2002 no important event relating to this subject was noted.

b) With regard to the preparation and approval of financial reporting, the audit committee analysed, prior to its submission, the quarterly financial reporting to be sent to the CNMV, as well as the supplementary information leaflets published.

The administrative director of the company, who is responsible for the preparation of the abovementioned financial information, participated in this analysis, in order to explain to the committee the accounting procedure followed to prepare the aforesaid financial reports, the different options implemented and the decisions and criteria adopted, in agreement with external auditors.

The committee ratified the abovementioned reporting, upon inclusion of certain suggestions that it put forward.

Another of the meetings served essentially to examine the annual accounts, prior to acceptance of their preparation by the board of directors.

c) In respect of the external audit of the annual accounts, the external auditor attended the abovementioned meeting and provided extensive information about

the audit work conducted, the most important issues raised and the criteria applied.

In addition, the external auditor explained the programme for audit work for the 2002 reporting period, for which the budget was approved in another of the meetings.

The committee also deliberated the renewal of the appointment of the auditor and recommended this to the board of directors for its proposal to the shareholders.

d) Lastly, regarding regulatory compliance, the audit committee closely followed the initiatives on corporate governance norms arising in the year (the Commercial Companies' Code, the Financial System Reform Measures Act and the work of the Aldama Commission). The audit committee noted that the company standards were largely in harmony with the recommendations and suggestions proposed, without prejudice to the possible introduction of modifications to the articles of association and internal regulations, if necessary, to adapt better to the aforesaid norms and recommendations.

CORPORATE GOVERNANCE REPORT 2002

When referring to corporate governance within CORPORACIÓN FINANCIERA ALBA, S. A, it is helpful to start with the Regulations of the Board of Directors which were approved in the Board meeting of March 29, 2000. Their structure and principles are inspired by the codes on good corporate governance that are generally accepted in the international markets and they incorporate the recommendations made by the so-called "Olivencia Report or Code" published in 1998, which whilst not binding has nevertheless come to be a framework generally accepted by Spanish listed companies.

Moreover, it is worth noting that they also adopt many of the principles and recommendations in the Report of the Special Committee for the Encouragement of Transparency and Security in the Markets and in Listed Companies (the "Aldama Report"), published on January 8, 2003.

The Regulations of the Board of Directors have come to complete the provisions of the Articles of Association and are complemented by the provisions of the Internal Rules of Conduct applicable to activities connected with the stock market.

The following are amongst the most significant aspects of the Regulations of the Board of Directors:

- a) Bearing in mind that as a general rule the Board delegates the ordinary management of the Company to the Managing Director, save of course for certain powers reserved to it by law or by the Articles of Association, its actions focus on the general function of supervising the management.
- b) The overriding criterion when it comes to the actions of the Board is the maximisation of the company's value.
- c) The structure of the Board of Directors consists of: two Co-Chairmen, a Deputy Chairman, a Managing Director and various Directors. The Board has also formed an Audit and Compliance Committee and, as a result of Law 44/2002 of November 22, 1992 on Measures to Reform the Financial System (the "Financial Act"), this has now become a mandatory body in listed companies.
- d) The majority of the Board of Directors consists of Non-Executive Directors. This group of outside Directors is composed of Domanial Directors

(proposed by the owners of a significant, stable interest in the company) and Independent Directors (well-respected and experienced professionals).

- e) The procedure for holding Board meetings is also regulated so that effective participation in them is encouraged (regular meetings, time periods for convening them, conduct of the sessions etc).
- f) The Regulations contain provisions relating to the appointment, re-appointment, removal, rights and obligations of the Directors. Of particular note are:
 - Access to information and the possibility of seeking external advice in certain circumstances.
 - The establishment of a list of obligations centered on Director duties of loyalty and diligence (confidentiality, non-competition, avoidance of conflicts of interest, abstentions from deliberations that affect them etc).
 - The Directors' remuneration system which consists of a fixed annual emolument that is disclosed in the Annual Report for the financial year.
- g) The commitment to transparency with the financial markets.

These Regulations of the Board of Directors are going to be updated on the same date in which the Annual General Meeting will be held this year, in order to incorporate provisions of the "Financial Act" (basically relating to the existence of the Audit Committee) and provisions from the "Aldama Report" (especially in relation to the existence of a Nominations and Remuneration Committee, the definition of Directors' duties of loyalty and diligence and the Annual Report on Corporate Governance). However, in order to incorporate these provisions and recommendations in full, not only are the Regulations of the Board of Directors going to be amended in order to bring them up to date, but the Articles of Association and the Internal Rules of Conduct are going to be amended as well. This scheme of internal corporate regulations is going to be completed with Regulations for General Shareholders' Meetings (to be put to the General Meeting for approval) which, following the recommendations of the "Aldama Report", will regulate everything connected with the convening of the general meeting, preparation, information, attendance, conduct of it and the exercise of voting and other non-financial rights of the shareholders. Finally, and also following the recom-

mentations of the “Aldama Report”, the Company will incorporate into its website those aspects indicated in the Report which were not already posted there, enabling the shareholders and the markets to have a complete scenario of the company and its corporate governance.

Furthermore, and before starting to examine the aspects which following the “Aldama Report” it is thought that the Report on Corporate Governance should contain, it should be pointed out that the Company has complied with its obligation to provide periodic financial information and to notify significant events and the acquisition of its own shares in accordance with the current regulations and that the report issued by the auditors on the Company’s annual accounts does not contain any reservations or qualifications.

A. Ownership structure of the Company

1. Share Capital

Since the General Meeting held in May 2002 the share capital of Corporación Financiera Alba, S.A. has been 74,700,000 euros, represented by 74,700,000 shares with a nominal value of 1 euro each, fully subscribed and paid up.

2. Significant interests in the share capital

Corporación Financiera Alba, S.A. forms part of Grupo March, which owns more than 50% of its share capital.

Major shareholders in Corporación Financiera Alba (with interests of more than 5%) at the date of preparation of the annual accounts, according to the corresponding declarations made to the Comisión Nacional del Mercado de Valores [Spanish Securities Markets Commission], were as follows:

Banca March	25.86 %
Juan March Delgado	14.46 %
Carlos March Delgado	12.50 %

There are no shareholders’ agreements nor any blocking measures in the Articles of Association.

B. Administrative structure of the Company

1. Composition of the Board of Directors

In accordance with its Articles of Association the Board of Directors is made up of a number of members that may not be less than five nor more than fifteen who are elected by the General Meeting of Shareholders – save in cases of cooption – for a term of four years.

During 2002 the Board of Directors has retained almost the same composition as in the previous year, being made up of eleven members with only one Director leaving and one Director joining in September.

2. Chairman of the Board

In accordance with the provisions of the Articles of Association and the Regulations of the Board of Directors, the chair is held by two Directors chosen by the Board who act alternately and in successive calendar years as Chairman.

The Chairman, or the person acting as such, has a casting vote in the event that a vote of the Board of Directors results in a tie.

3. Directors

During 2002 the Board of Directors has had the same number of members as in the previous year, namely eleven members.

In accordance with the provisions of the Regulations of the Board of Directors, the majority of the members of the Board are Non-Executive Directors.

As well as the Managing Director, those Directors who carry out management responsibilities within the Company or one of its subsidiaries are considered to be executive Directors. The non-executive Directors are made up on the one hand of the Directors proposed by the holders of significant, stable interests in the share capital (owner Directors) and on the other hand by well-respected professionals who are not connected to the management team or to the major shareholders (independent Directors). However, all the Directors have the same rights, duties and obligations.

The independent Directors are subject to a special disqualification regime given that the following persons cannot be proposed or appointed as an independent Director:

- a) Persons who hold or have in the last two years held executive positions in the Company;
- b) Relations of a person who is or in the last two years has been an executive Director or senior executive of the Company;
- c) Persons who directly or indirectly, through companies in which they hold a significant interest, have made payments to or received payments from the Company that could compromise their independence;
- d) Persons having other relationships with the Company which in the judgement of one third of the Directors could compromise their independence.

Similarly the Board elects the Directors to form part of the Audit and Compliance Committee from amongst its members.

4. Functions of the Board of Directors

The Board of Directors is the Company's representative body and its powers are not limited in any way save for the limitations derived from the powers of the General Meeting. Similarly the Board of Directors is the Company's supreme decision-making body and as we have already indicated, given that its policy is to delegate the everyday management to the Managing Director and the management team, its activity is focused on the general function of management supervision. However, those powers that by operation of law or by the Articles of Association are reserved to the direct decision of the Board are not delegated, nor are the following powers:

- a) The approval of the overall strategies of the Company;
- b) The appointment and dismissal of the Company's senior executives;
- c) The approval of the policy on treasury stock;
- d) The monitoring and evaluation of the management performance of Directors and Executives;
- e) The identification of the main risks faced by the Company and the monitoring of the appropriate internal control and reporting systems;

f) The monitoring to ensure that the reporting and disclosure policies comply with the applicable rules and provide shareholders, markets and public opinion with all the data and information needed for forming an opinion on the Company;

g) Investment and disinvestment policies in relation to Company assets.

5. Meetings of the Board of Directors

The Regulations of the Board of Directors provide that the Board should normally meet once each quarter, but they also contemplate that it may meet whenever the Chairman considers it necessary for the proper operation of the Company and when members representing a quarter of the Board so request.

6. Audit and Compliance Committee

a) Setting up of the Committee

Following the recommendations of the "Olivencia Code", an Audit and Compliance Committee was formed within the Board of Directors in 2000 in accordance with the provisions of the Regulations of the Board of Directors. This Committee is now mandatory as a result of the provisions of the "Financial Act".

b) Composition

The members of this Committee have been Mr Manuel Soto Serrano as its Chairman and Mr Francisco Verdú Pons and Mr Enrique Piñel López as its members.

c) Areas of activity

The activities of the Company's Audit and Compliance Committee are focused on four main areas:

- Risk identification and internal control system
- Review and approval of financial information
- External audit of the annual accounts
- Compliance with legal provisions and internal regulations

The Regulations of the Board of Directors develop the functions of the Audit and Compliance Committee in detail for each of the four areas mentioned.

d) Meetings

The Audit and Compliance Committee met five times during the 2002 financial year and worked on the four aforementioned areas in its meetings, as set out in the Individual Management Report of Corporación Financiera Alba, S.A.

7. Nominations and Remuneration Committee

During 2002 Corporación Financiera Alba, S.A. did not have such a Committee given that in view of the Company's shareholding structure and the limited number of executive Directors and senior executives it did not seem necessary.

However, and following the recommendations of the "Aldama Report", at this year's Annual General Meeting the Board of Directors intends to form this Committee. Its functions will focus on the appointment, ratification, re-appointment and removal of the Directors and on the remuneration applicable to them and any changes to it.

8. Identification and positions of the Board members

During 2002 the Board of Directors of Corporación Financiera Alba, S.A. has been made up of the following members:

Name	Position	Initial Appointment- Re-election	Character
Mr Carlos March Delgado	Co-Chairman	6-22-1988 5-31-2000	Owner Director
Mr Juan March Delgado	Co-Chairman	10-8-1973 5-22-2002	Owner Director
Mr Pablo Vallbona Vadell	Deputy Chairman	6-26-1990 5-22-2002	Executive
Mr Isidro Fernández Barreiro ...	Managing Director	5-28-1994 5-22-2002	Executive
Mr Alfonso Álvarez Tolcheff ...	Director	5-26-1998 5-22-2002	Owner Director
Mr Nicholas Brookes	Director	5-26-1999	Independent
Mr Miguel Fluxá Roselló	Director	5-26-1998 5-22-2002	Independent
Mr Alfredo Lafita Pardo	Director	6-22-1988 5-31-2000	Independent
Mr Luis Angel Rojo Duque ...	Director	9-25-2002	Independent
Mr Manuel Soto Serrano	Director	5-26-1999	Independent
Mr Francisco Verdú Pons	Director	5-26-1998 5-22-2002	Owner Director
Mr Enrique Piñel López	Director- Secretary ¹	2-22-1989 5-22-2002	Executive

(1) Mr Enrique Piñel López was re-elected as a Director on May 22, 2002 but ceased to be a Director on September 25, 2002, whilst still retaining his position as Secretary to the Board.

9. Directors' holdings in the company's share capital

DAccording to the information available to the Company, the individual interests of the members of the Board at the date of preparation of the annual accounts were as follows:

Juan March Delgado	14.460 %
Carlos March Delgado	12.504 %
Other Directors	0.017 %

10. Related-party transactions

None of the Directors have engaged in operations or transactions with Corporación Financiera Alba, S.A.

11. Remuneration

The remuneration system for Directors consists of a fixed annual emolument. As far as the remuneration of outside Directors is concerned, the Regulations of the Board of Directors contain the following guidelines: a) their remuneration must be tied to their actual dedication; b) they must be excluded from the employee welfare systems financed by the Company; and c) the amount of the remuneration received by independent Directors must be calculated in a way that offers incentives for their dedication whilst not becoming an impediment to their independence.

During the 2002 financial year the Company recorded the following remuneration earned by members of the Board of Directors (in thousands of euros):

Remuneration paid to the Board of Directors (at the rate of 30,050 euros per Director)	360
Remuneration to Co-chairmen	156

In addition Directors performing executive functions were paid salaries totaling 1,355 thousand euros and contributions were made to alternative extra pension and insurance schemes for them for a total amount of 483 thousand euros.

At December 31, 2002 no advances or loans had been made to members of the Board of Directors.

12. Directors' activities

The executive Directors do not carry on any significant activities outside the Company, the group companies or associated companies.

The other Directors are involved in the following main activities outside the Company:

Mr Juan March Delgado: Chairman of Fundación Juan March and Director of Banca March, S.A.

Mr Carlos March Delgado: Chairman of Banca March, S.A.

Mr Alfonso Alvarez Tolcheff: Managing Director of Banco Urquijo, S.A.

Mr Nicholas Brookes: Managing Director of Spirent plc.

Mr Alfredo Lafita Pardo: Director of Banco Guipuzcoano, S.A.

Mr Miguel Fluxá Roselló: Chairman of Viajes Iberia, S.A.

Mr Luis Ángel Rojo Duque: Professor of Economic Theory in the Universidad Complutense de Madrid.

Mr Manuel Soto Serrano: Director of Banco Santander Central Hispano, S.A.

Mr Francisco Verdú Pons: Managing Director of Banca March, S.A.

13. Remuneration of the external auditors

The amount of the fees earned by Deloitte & Touche in 2002 was 53,000 euros, all of which corresponded to audit services in respect of the Individual and Consolidated Annual Accounts.

C. Related-party transactions and intra-group transactions

During 2002 the Company did not engage in any transactions with its major shareholders or with its Directors or senior executives apart from its banking relationships with its main shareholder Banca March, one of several financial institutions with which the Company works.

Furthermore, and as regards its subsidiaries, Corporación Financiera Alba, S.A. entered into transactions with UNIPSA relating to its activities as an insurance broker. UNIPSA is also the lessee of a property owned by Corporación Financiera Alba, S.A. which is located in Barcelona, the rent for which amounted to 50,014.34 euros in 2002, and the Company sold it one floor of a building in Madrid for its head office at a price of 3,193,750 euros, which represented a profit for Corporación Financiera Alba, S.A. of 707,570.64 euros.

D. Risk control systems

It must be emphasised that when it comes to the risk identification and internal control system, the Administrative Department is in charge of the Company's internal control and it has a series of operating rules that lay down the internal control policy. These are being updated in the 2003 financial year. No material incident was detected in this regard during 2002.

Furthermore, the Audit and Compliance Committee has powers in this area, amongst others and it can therefore evaluate whether the Company has an adequate organisation, staff and procedures to enable the identification and control of the main operating, financial and legal risks. The Committee is also given the power to investigate any aspect of the risk identification and internal control system that it considers appropriate.

E. Functioning of the General Meeting

The General Meeting of Shareholders, as the Company's highest body, has the power to take decisions on those matters which the law and the Articles of Association attribute to it.

During 2002 the General Meeting operated strictly in accordance with the provisions of the Articles of Association and the Public Limited Companies Act [Ley de Sociedades Anónimas] and it must be emphasised in particular that the Articles of Association do not contain any "blocking" clauses and only 25 shares need be owned in order to be able to attend General Meetings.

As far as the shareholders' right to information is concerned, it must be stressed that in addition to the provisions contained in the legislation and the Articles of Association, the shareholders have complete information available to them on the Company, its business and the holding of the General Meeting itself through the Company's website.

Attendance at the Annual General Meetings over the last three years was as follows:

	2000	2001	2002
Quorum	62.52%	73.51%	72.41%
Present	45.38%	44.81%	46.09%
By proxy	14.37%	28.70%	26.32%

Lastly, it should be pointed out that in the Annual General Meeting to be held in 2003, Regulations that respond to the recommendations contained in the "Aldama Report" and which govern every aspect connected with the convening the Meeting, preparation, information, attendance, conduct of it and exercise of shareholders' voting and other non-financial rights are going to be put to the shareholders for approval at the meeting.

PROPOSED RESOLUTIONS

The Board of Directors submits the following proposed resolutions for approval by the shareholders in general meeting:

1. To approve the individual and consolidated annual accounts for the financial year ended December 31, 2002.
2. To approve the management performance of the Board of Directors during the year.
3. Approval of the proposed distribution of profits and dividend declaration.
4. To set at 12 the number of Directors of the Company; to nominate Mr Enrique Piñel López as Director; to ratify the nomination of Mr Luis Ángel Rojo Duque as Director; and to re-elect as Directors Mr Manuel Soto Serrano and Mr Nicholas Brookes.
5. To authorize the acquisition of the company's own shares within the limits and pursuant to the requirements established in the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas) and application of the shares acquired under this authorisation and previous authorizations of the compensation plans for the executive directors and managers based on grant of shares or stock options.
6. To renew, or in default thereof to appoint, the outside auditor of the company and of its consolidated group.
7. To approve the rules for general meetings.
8. To reduce the share capital by 2,100,000 euros, on retirement of own shares held as treasury stock, and to amend article 5 of the company Articles of Association.
9. To offer for sale to shareholders of the company a maximum of 72,048,000 shares in Vodafone plc with the delegation to the Board of

the authority to implement this sale offer, including setting the sale price in accordance with the change in the quoted price of the aforesaid company during the implementation period.

10. To reduce the share capital by up to a maximum 5,082,000 euros, through an offer to purchase 5,082,000 shares of the company, with the delegation to the Board of the authority to implement this reduction in share capital, including to set the purchase price in accordance with the change in the quoted price of the company during the implementation period, as well as to amend article 5 of the Articles of Association, pursuant to Article 170 of the Public Limited Companies Act.
11. To amend the following articles of the Articles of Association: 7 (nominal value of shares), 12 (exercise of rights in the event of pledging of shares), 15 (rules of general meetings), 16 (attendance at general meetings and voting rights), 19 (attendance cards), 21 (lock-up of shares), 22 (general meetings on the request of shareholders), 28 (structure of general meetings), 33 (age and status of directors), 34 (vice chairmen of the board), 44 (authority of the board), 46 (managing director), 47 (Audit Committee), 52 (auditors), 60 (lapsing of dividend entitlements); and to adapt the names of titles, chapters and articles to the aforesaid amendments and to authorise the Board of Directors to draft the amended text of the Articles of Association.
12. To authorize the Board of Directors to implement the resolutions adopted at the general meeting.
13. To approve the minutes of the general meeting.

CORPORACION FINANCIERA ALBA, S.A. AND DEPENDENT COMPANIES
2002 Consolidated Financial Statements and Management Report together with Auditors' Report
Translation of reports and consolidated financial statements originally issued in Spanish and prepared in accordance with generally
accepted accounting principles in Spain (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

CORPORACION FINANCIERA ALBA, S.A. AND DEPENDENT COMPANIES
2002 Consolidated Financial Statements and Management Report together with Auditors' Report
Translation of reports and consolidated financial statements originally issued in Spanish and prepared in accordance with generally
accepted accounting principles in Spain (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

CORPORACION FINANCIERA ALBA, S.A.

Castelló, 77, 5.º 28006 Madrid

Telephone 91 436 37 10. Telefax 91 575 67 37

www.corporacionalba.es