AUDITORS' REPORT

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Translation of a report and financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (Note 24). In the event of a discrepancy, the Spanish-language version prevails

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, 2004, 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 2004 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 2004 consolidated financial statements. On April 2, 2004 we issued our audit report on the 2003 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, 2004 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 2004 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 2004. 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

Register R.O.A.C. nº S0692

Gerardo Sarmiento

April 1, 2005

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2004 CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2004 AND 2003

ASSETS (000s of €)	2004		2003	
FIXED ASSETS		**1,002,188**		**876,899**
Intangible fixed assets	**25**		**30**	
Tangible fixed assets (Note 7)	**152,340**		**154,749**	
Land and properties	190,602		188,274	
Machinery and installations	3,095		3,025	
Other tangible fixed assets	2,003		1,954	
Depreciation	(43,360)		(38,504)	
Investments	**849,823**		**722,120**	
Holdings in companies consolidated by the equity method (Note 8)	794,822		641,706	
Long-term securities (Note 9-b)	122,123		144,551	
Other investments	1,721		1,754	
Provisions (Note 9-b)	(68,843)		(65,891)	
GOODWILL (Note 10)		**257,209**		**179,209**
CURRENT ASSETS		**48,823**		**72,674**
Stocks (Note 11)	**454**		**563**	
Debtors	**27,057**		**47,435**	
Clients from sales of goods and services	520		141	
Government (Note 15)	25,586		44,622	
Other debtors	990		2,764	
Provisions	(39)		(92)	
Short-term investments	**175**		**3,088**	
Parent company shares (Note 12-c)	**18,033**		**21,115**	
Liquid assets	**2,965**		**444**	
Prepayment and accrued income	**139**		**29**	
TOTAL ASSETS		**1,308,220**		**1,128,782**

Notes 1 to 24 of the Report form an integral part of the consolidated Balance Sheet at December 31, 2004.

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2004 AND 2003

SHAREHOLDERS' EQUITY AND LIABILITIES
(000s of €)

	2004		2003	
SHAREHOLDERS' EQUITY (Note 12)		**1,047,263**		**881,398**
Share capital	**66,800**		**67,520**	
Other reserves of the parent company	**106,896**		**46,741**	
Unrestricted reserves	9,604		18,425	
Restricted reserves	19,430		26,672	
Profit and loss brought forward	77,862		1,644	
Consolidation reserves	**660,123**		**588,636**	
Reserves in companies consolidated by global integration	794,999		758,009	
Reserves in companies consolidated by equity method	(134,876)		(169,373)	
Profit (loss) attributable to parent company (Note 5)	**217,405**		**182,502**	
Consolidated profit and loss	217,405		182,480	
Profit and loss attributable to minority interests	—		22	
Interim dividend distributed during the financial year (Note 5)	**(3,961)**		**(4,001)**	
MINORITY INTERESTS		**—**		**669**
PROVISIONS FOR RISKS AND EXPENSES (Note 13)		**22,443**		**23,696**
OTHER LONG-TERM CREDITORS		**2,085**		**2,010**
CURRENT LIABILITIES		**236,429**		**221,009**
Debts with credit institutions (Note 14)	**230,872**		**218,227**	
Trade accounts payable	**4,379**		**1,696**	
Government (Note 15)	**487**		**390**	
Other non-trade accounts payable	**691**		**696**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,308,220**		**1,128,782**

Notes 1 to 24 of the Report form an integral part of the consolidated Balance Sheet at December 31, 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED ON DECEMBER 31, 2004 AND 2003

EXPENSES (000s of €)	2004	2003
Change in stocks (costs of sales)	222	123
Personnel expenses	8,466	7,793
Wages, salaries and similar items	6,774	6,244
Welfare charges	1,692	1,549
Allocations to depreciation and amortisation of fixed assets	4,872	4,907
Variation in operating provisions	(89)	92
Other operating expenses	3,064	3,650
Financial expenses	8,983	5,934
Changes in provisions for financial investments	4,168	4,655
NET FINANCIAL INCOME	76,266	79,864
Consolidation goodwill write-offs (Note 10)	14,722	10,127
PROFIT FROM ORDINARY ACTIVITIES	236,851	155,478
Extraordinary expenses and losses	—	743
NET EXTRAORDINARY PROFIT	—	52,121
CONSOLIDATED PRE-TAX PROFIT	236,851	207,599
Corporate income tax (Note 15)	19,446	25,119
CONSOLIDATED PROFIT FOR THE YEAR	217,405	182,480
Minority interests	—	22
CONSOLIDATED PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY	217,405	182,502

Notes 1 to 24 of the Report form an integral part of the consolidated Profit and Loss Account for 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED ON DECEMBER 31, 2004 AND 2003

INCOME (000s of €)	2004	2003
Net turnover	12,003	11,459
Net rentals (Note 18-a)	11,414	11,353
Net sales of stocks	589	106
OPERATING LOSS	4,532	5,106
Income from equity holdings (Note 9-d)	2,589	4,492
Other interest income (Note 9-d)	3,072	231
Profits on financial investments (Note 9-b)	83,630	84,770
Exchange gains	126	960
Profits from companies consolidated by the equity method (Note 8)	153,785	87,520
Profits on disposal of holdings consolidated by the equity method (Note 8)	26,054	3,327
Profits on tangible fixed-assets disposals	—	2,572
Extraordinary income and profits	—	50,292

Notes 1 to 24 of the Report form an integral part of the consolidated Profit and Loss Account for 2004.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2004

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 2004 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 requirements of the Royal Decree for the preparation of Consolidated Annual Accounts (Real Decreto para la Formulación de Cuentas Anuales Consolidadas), 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	
Alba Inmobiliaria, S.A.… … … … Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	—	100.00	83,785
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	Securities investment	—	100.00	3,565
Fondarte, S.A. … … … … … … Castelló, 77, 5.ª planta 28006 Madrid	Real estate investment	—	100.00	635,752
Unipsa Correduría de Seguros, S.A. Lagasca, 88 28001 Madrid	Insurance brokerage	82.57	—	10,922

Inversiones Aramayona, S.A. and Alaro, S.A. were wound up in 2004 and their net assets distributed to their shareholders, Inversiones Arta, S.A. and Inversiones Finalba, S.A.

Grupo Alba's shareholding in Unipsa Correduría de Seguros, S.A. has been recorded by the equity method due to the different nature of the Company's business.

3. Affiliated companies

Shown below is the information for 2004 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 its business.

Affiliated company	Registered office	Activity	Total percentage Interest
Acerinox, S.A. … … … … … … … … … …	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of stainless stell products	10.40
Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102 (Madrid)	Construction and services	15.54
Carrefour, S.A. … … … … … … … … … …	6, Av. Raymond Poincaré 75016 París (Francia)	Retail trade	3.39
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

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 (Código de Comercio), the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas), 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 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 be audited 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 2004 has changed compared to 2003 as described below:

- As a result of their complete divestment Quavitae, S.A. and Rablin, S.A. no longer form part of the scope of consolidation. This also applies to Havas, S.A., due to the shareholding in this company being reduced to 0.63%.

- Variations in shareholdings:

Acerinox, S.A.	3.84%
Actividades de Construcción y Servicios, S.A.	2.22%
Carrefour, S.A.	0.04%
Prosegur Compañía de Seguridad, S.A.	(0.01)%

5. Distribution of Profits

The distribution of consolidated profits for 2004, as proposed by the Board of Directors, is as follows (000s of €):

Distribution Bases	
Profit (Loss)	217,405
Distribution	
To Reserves	209,485
To Dividends	7,920
Total	217,405

On November 11, 2004 an interim dividend for 2004 was paid of €0.06 per share for the 66,571,332 shares, excluding treasury stock, each with a face value of €1 in circulation at the time. This was recorded in the consolidated balance sheet as a decrease under Shareholders' Equity. In addition, a final dividend of €0.06 per share is being proposed to the General Meeting of Shareholders.

In order to comply with the requirements of Section 216 of the Spanish 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 21, 2004, adopted the resolution appearing in Note 23-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 (Plan General de Contabilidad) and the Royal Decree for the preparation of Consolidated Annual Accounts are 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 in 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.

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 that cause an increase in productivity, capacity or efficiency or an extension in the useful life of an asset are capitalised as an increase in the 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 in accordance with the following percentages:

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

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

Investment 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 still existing.

e) Stocks (Note 11)

Stocks are stated either at the lower of cost or realisable value and in the latter case the necessary allocations are made to provisions.

f) Parent company shares (Note 12c)

Shares held in the parent company are recorded on the asset side of the Balance Sheet and 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 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 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.

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, 2004 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 related monetary or financial flow 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

The largest investment in this caption relates to property intended to be let. At December 31, 2004 Alba had 102,447 m^2 of floor area available for rent, with an occupancy rate of 94%.

Changes in the tangible fixed asset accounts and their related accumulated depreciation for the year 2004 were as follows (000s of €):

	Land and Properties	Machinery and installations	Other tangible fixed assets	Total tangible fixed assets
COST:				
Balance at 1/1/2004 … … … … …	188,274	3,025	1,954	193,253
Purchases … … … … … … … …	2,328	70	55	2,453
Sales … … … … … … … … … …	—	—	(6)	(6)
Balance at 12/31/2004 … … … …	190,602	3,095	2,003	195,700
ACCUMULATED DEPRECIATION:				
Balance at 1/1/2004 … … … … …	(34,856)	(2,066)	(1,582)	(38,504)
Allocations … … … … … … … …	(4,532)	(167)	(163)	(4,862)
Reductions … … … … … … …	—	—	6	6
Balance at 12/31/2004 … … … …	(39,388)	(2,233)	(1,739)	(43,360)

Additions correspond to improvements made to certain buildings intended for rental.

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

8. Holdings in companies consolidated by the equity method

The changes in this heading during 2004 are reflected in the following table (000s of €):

Company	Consolidated values at 01/01/04	Group share in earnings	Dividends received	Acquisitions and disposals: Purchase/(sale) cost	Acquisitions and disposals: Goodwill	Consolidation reserves	Transfers (Note 9-b)	Consolidated values at 12/31/04
Acerinox, S.A.… … … … … … …	109,845	31,501	(5,033)	95,895	(34,634)	(11,943)	—	185,631
Actividades de Construcción y Servicios, S.A. … … … … …	245,008	71,527	(14,079)	100,652	(63,187)	(5,377)	—	334,544
Carrefour, S.A. … … … … … …	237,228	47,025	(17,603)	(5,784)	5,089	(9,976)	—	255,979
Havas, S.A. … … … … … … …	27,166	—	(576)	(21,114)	—	—	(5,476)	—
March Gestión de Fondos. S.G.I.I.C., S.A. … … … … …	1,297	68	—	—	—	—	—	1,365
March Gestión de Pensiones. S.G.F.P., S.A. … … … … … …	949	12	—	—	—	—	—	961
Prosegur Compañía de Seguridad, S.A. … … … … …	12,332	1,078	(801)	(3)	10	(16)	—	12,600
Quavitae, S.A. … … … … … …	3,266	—	—	(3,266)	—	—	—	—
Rablin, S.A. … … … … … … …	1,175	—	—	(1,175)	—	—	—	—
Unipsa Correduría de Seguros, S.A.	3,440	2,574	(2,272)	—	—	—	—	3,742
TOTALS … … … … … … … …	641,706	153,785	(40,364)	165,205	(92,722)	(27,312)	(5,476)	794,822

The variations in consolidation reserves are due to the movements recorded in Shareholders' Equity in our corporate holdings. In the case of Acerinox, S.A., this relates to the fixed asset valuation criteria for foreign companies, which changed from the historical to the closing exchange rate, as well as to the depreciation of the dollar. For Carrefour, S.A. the differences corresponded mainly to retirement of treasury stock purchased at more than fair book value and to translation differences.

The largest divestments were the sale of 3.61% of Havas, S.A., generating a profit of €24.5 million, and that of Quavitae, S.A., resulting in profit of €2.7 million. These were recorded in the caption "Profits on disposals of holdings consolidated by the equity method" on the accompanying 2004 Profit and Loss Account.

9. Securities portfolio

a) Notification of equity holdings

Notice has been given when equity holdings in listed investee companies have been taken, changed or divested if the consequent percentage stake increases to more, or decreases to less, than a multiple of 5 percent. In relation to unlisted companies, such notice is issued when the total holding initially exceeds 10 percent and 5 percent tranches thereafter.

In the year, Corporación Financiera Alba, S.A. provided notification to:

Acerinox, S.A.	
that it had reached a shareholding of	10.43%
Actividades de Construcción y Servicios, S.A.	
that it had reached a shareholding of	15.55%

It also provided notification of divestments as follows:

Inversiones Aramayona, S.A.	
sold the shareholding in Quavitae, S.A. of	21.53%
Inversiones Finalba, S.A.	
sold the shareholding in Rablin, S.A. of	40.00%

b) Long-term securities

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

Company	Registered Office	Percentage share of capital	Capital and Reserves	Profit/ (Loss) for the year	Net Book Cost	Market Value 31-12-04
Vodafone Group, plc	The Courtyard, 2-4 London Road Newbury Berkshire RG 14 (United Kingdom)	0.07	n.s.	n.s.	10,869	98,064
Havas, S.A. … … …	2, Allée de Longchamp, Suresnes (France)	0.63	n.s.	n.s.	5,476	11,259
Spirent, plc … … …	Spirent House, Crawley Business Quarter Fleming Way, Crawley, West Sussex (United Kingdom)	0.68	n.s.	n.s.	6,264	6,678
Xfera Móviles, S.A.	C/ Ribera del Sena, s/n (Madrid)	11.29	331,958	(30,723)	—	n.a.
Celtel… … … … … International B.V.	Scorpius 112, 2132 LR Hoofddorp (Holland)	3.32	523,542	150,070	26,524	n.a.
Palio, ltd. … … …	Löwenstrasse, 1 Zürich (Switzerland)	16.98	n.a.	n.a.	1,753	n.a.
Princes Gate … …	1585 Broadway New York (United States)	3.17	n.a.	n.a.	1,566	n.a.

n.s. = not significant, for being listed companies; n.a. = not applicable

The movements in long-term securities during 2004 are summarized below (000s of €):

	Equity Investment	Provision	Net cost
Balance at 1/1/04	144,551	(65,891)	78,660
Additions/allocations	16,238	(5,319)	10,919
Reductions/reversals	(44,142)	1,151	(42,991)
Transfers	5,476	—	5,476
Applications	—	1,216	1,216
Balance at 12/31/04	122,123	(68,843)	53,280

Additions correspond to the following acquisitions:

Xfera Móviles, S.A.	5,448
Celtel International B.V.	10,098
Broadnet, S.A.	343
Others	349
TOTAL	16,238

Reductions were as follows:

	Cost	Profit	
Vodafone Group, plc	12,829	63,526	Sale of 0.06%
Banco Urquijo, S.A.	23,710	15,694	Sale of 9.98%
Princes Gate	4,893	3,808	
Others	2,710	602	
TOTAL	44,142	83,630	

Transfers correspond to the reclassification of the remaining shareholding in Havas, S.A. (0.63%) from "Holdings in companies consolidated by the equity method" to "Long-term securities" (see Note 8).

The most significant allocation to provisions for the securities portfolio relates to the holdings in Xfera Móviles, S.A., totaling €5 million, while the most important reversal was €0.9 million in relation to Spirent, plc.

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 … … … … …	4,903,555	16,000,000	214,785

d) Financial income

Nearly all of the income from equity holdings was in respect of the dividends paid by Vodafone Group, plc (€2.6 million).

The total of €3.1 million under the heading "Other interest income" on the 2004 Profit and Loss Account relates to premium income from put and call option contracts that were not exercised on expiration.

10. Goodwill on consolidation

Changes in goodwill on consolidation during 2004 are shown in the following table (000s of €):

	ACS	Acerinox	Carrefour	Prosegur	Total
Balance at 1/1/2004 … … … … …	89,024	50,139	18,965	21,081	179,209
Additions (reductions) (Note 8)	63,187	34,634	(5,089)	(10)	92,722
Amortization … … … … … … …	(8,338)	(4,506)	(708)	(1,170)	(14,722)
Balance at 12/31/2004 … … … …	143,873	80,267	13,168	19,901	257,209

11. Stocks

The changes occurring during 2004 are shown below (000s of €):

	Investment	Provision	Net
Balance at 1/1/04	2,299	(1,736)	563
Retirements	(222)	113	(109)
Balance at 12/31/04	2,077	(1,623)	454

12. Shareholders' Equity

At December 31, 2004 share capital was represented by 66,800,000 bearer shares with a par value of €1 each, fully 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 25, 2004 agreed to grant the Board of Directors the authority 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.

Corporación Financiera Alba, S.A. forms part of Banca March Group, which owns more than 50% of its share capital. This group is defined pursuant to Bank of Spain Circular 5/1993 of March 25, 1993, Rule 2, Section 2 as a consolidated group of credit institutions formed by two more companies that are consolidable due to their business, in which a group of private individuals acting systematically in collaboration control various Spanish credit institutions.

In this case, control of the Banca March group is exercised by Mr. Juan, Mr. Carlos, Ms. Gloria and Ms. Leonor March Delgado, who jointly control 100% of the share capital of Banca March, S.A., without any doing so individually as a result of either their shareholding or any agreement.

The direct and indirect owners of the Company are detailed below:

Without any doing so individually, Banca March, S.A. and shareholders at year-end jointly controlled	62.38%
Arnhold and S. Bleichroeder Adviser LLC is an American investment advisor providing services to various firms that in accordance with information reported to the CNMV do not individually reach 5% of share capital but together represent	10.94%

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

	Subscribed capital	Unrestricted reserves	Restricted reserves	Profit and loss brought forward	Consolidation reserves and consolidation differences	Profit/(Loss)	Interim dividend	Total
BALANCE AT JANUARY 1, 2004	67,520	18,425	26,672	1,644	588,636	182,502	(4,001)	881,398
Distribution of 2003 results ……	—	—	—	76,218	98,321	(178,540)	4,001	—
Final dividend for 2003 ………	—	—	—	—	—	(3,962)	—	(3,962)
Profit for 2004 ………………	—	—	—	—	—	217,405	(3,961)	213,444
Retirement of capital …………	(720)	(16,063)	—	—	478	—	—	(16,305)
Equity method accounting process (Note 8) ………………	—	—	—	—	(27,312)	—	—	(27,312)
Transfer of reserves ……………	—	7,242	(7,242)	—	—	—	—	—
BALANCE AT DECEMBER, 31, 2004 ………	66,800	9,604	19,430	77,862	660,123	217,405	(3,961)	1,047,263

The restricted reserves at December 31, 2004 included (000s of €):

Legal reserve of the parent company …………………………………	13,504
In respect of shares in the parent company …………………………	5,792
Others …………………………………………………………………	134
TOTAL…………………………………………………………………	19,430

The legal reserves of the subsidiaries equalled €23.109 million and are included in the column "Consolidation reserves and conversion differences".

b) Breakdown of consolidation reserves

Consolidation reserves include the results of companies reported by the equity method that have been contributed to the consolidated group by each since its inclusion in the group, less dividends distributed and amortization of goodwill.

The distribution of this balance at December 31, 2004 was as follows (000s of €):

Companies consolidated by global integration	
Corporación Financiera Alba, S.A.	(47,969)
Alba Inmobiliaria, S.A.	(47,086)
Inversiones Artá, S.A.	(73,013)
Fondarte, S.A.	(301,909)
Inversiones Finalba, S.A.	1,266,936
Fianteira, S.A.	(1,960)
SUBTOTAL	794,999
Companies consolidated by equity method	
Acerinox, S.A.	(11,796)
Actividades de Construcción y Servicios, S.A.	39,461
Carrefour, S.A.	(138,207)
March Gestión de Fondos, S.G.I.I., S.A.	36
March Gestión de Pensiones, S.G.F.P., S.A.	5
Prosegur Compañía de Seguridad, S.A.	(16,891)
Unipsa Correduría de Seguros, S.A.	(7,484)
SUBTOTAL	(134,876)
TOTAL	660,123

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, 2004	956,758	1.42%	22.04
Acquisitions	557,321		
Retirements	(719,781)		
At December 31, 2004	794,298	1.19%	22.70

On May 25, 2004 the General Meeting of Shareholders resolved to retire 719,781 shares.

Transfers have been made to the reserve for parent company shares in the legally required amount (Note 12-a). The acquisitions made during the year reflect the considerable discount of Alba's trading price in relation 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 Sheet at December 31, 2004.

On May 22, 2002 the General Meeting of Shareholders and the Board of Directors of Corporación Financiera Alba, S.A. approved a Company stock option plan for executive directors and senior officers, covering a total of 20 persons and 552,000 shares. The exercise price of each option per share was set at €22.38, from which the amount already paid by each person participating could be deducted, equaling €1.413 per share. These rights could be exercised within the six-month period following May 23, 2005.

In the meeting of the Board of Directors on March 20, 2002, it was agreed to lock up the 552,000 shares the option plan represented in one of the subsidiaries of Alba. After 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 that occurred during 2004 in the provisions for risks and expenses accounts (000s of €):

Balance at 1/1/04	23,696
Allocations	844
Reverseals	(35)
Applications	(2,062)
Balance at 12/31/04	22,443

Allocations include financial adjustments from updating the provision for the 1991 corporate income tax inspection assessment (see Note 15).

14. Debts with credit institutions

The composition of this heading at December 31, 2004 is given below, distributed according to maturity (000s of €):

Short-term financing	Balance drawn down	Maturity
Banca March, S.A.	59,917	13/01/2005
SCH	44,072	02/04/2005
Banesto	43,715	15/04/2005
BBVA	32,724	11/02/2005
Caja Madrid	20,000	28/04/2005
La Caixa	19,731	31/07/2005
Barclays	9,201	23/06/2005
TOTAL	229,360	
Limit granted	475,000	

The balance of the heading "Debts with credit institutions" on the accompanying consolidated Balance Sheet includes €1.512 million for financial expenses accrued at market interest rates and pending payment.

The financing from Banca March, S.A. and BBVA was renewed on maturity for one year. The remaining credit facilities are expected to be renewed on maturity.

15. Tax matters

Alba Inmobiliaria, S.A., Fondarte, S.A., Inversiones Artá, S.A. and Inversiones Finalba, S.A. have filed under the rules for holding companies of foreign securities and together with Corporación Financiera Alba, S.A. and Unipsa, Correduría de Seguros, S.A. are subject to the corporate group taxation system.

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

Consolidated profit for the year attributable to the parent company …		217,405
Consolidation adjustments … … … … … … … … … … … … … …		(225,324)
Book results of companies under consolidated tax regime … … … …		(7,919)
Permanent differences … … … … … … … … … … … … … … … …		(50,628)
Corporate income tax … … … … … … … … … … …	19,446	
For dividends and capital gains under rules for holding companies of foreign securities … … …	(34,988)	
For dividends distributed between companies in the consolidated tax group … … … … … …	(34,456)	
Others … … … … … … … … … … … … … … … …	(630)	
Timing differences … … … … … … … … … … … … … … … … …		(59,328)
Contribution to alternative pension plan … … … …	1,082	
Reversal of provisions for deferred profits … … …	(52,468)	
Intra-group transactions in the consolidated tax group … … … … … … … … … … … … … …	(7,942)	
Taxable income … … … … … … … … … … … … … … … … … …		(117,875)

The amount for the "Reversal of provision for deferred profits" results from a sale-purchase operation in 2002 on shares in Vodafone Group plc, generating a profit of €203.555 million that was cancelled in the accounting consolidation process. The operation generated prepaid tax of €66.563 million that appeared under the "Government" item on the asset side of the accompanying Balance Sheet. The changes in the items in this operation have been as follows:

	2002	2003	2004	Balance remaining
COST:				
Gains cancelled … … … … … …	203,555	(79,157)	(52,468)	71,930
Prepaid tax… … … … … … … …	66,563	(23,024)	(18,364)	25,175

The balance remaining shall be entered in the consolidated accounts on the date the shares in Vodafone Group, plc are sold to third parties outside the Alba Group.

In 2002, the consolidated tax group obtained €90.5 million profit on the sale of assets that were included in the deduction for the reinvestment of extraordinary profits, in accordance with section 36^{ter} of the Corporate Income Tax Act (Ley del Impuesto sobre Sociedades). The proceeds of the sale equalled €112.5 million and were fully reinvested in the same year. The legal period for keeping the investment ends in 2005.

Tax losses exist in the amount of €230.5 million that may be carried forward until the year 2019 as well as credits from double taxation payments for €15.1 million that can be applied until 2011.

Financial years 2000 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 these 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 €8.7 million.

16. Guarantees provided to third parties and other contingent liabilities

Shown below is a breakdown of guarantees and contingent liabilities at December 31, 2004 (000s of €):

Counterguarantee for bank bonds on behalf of Xfera Móviles, S.A. …	35,318
Bonds posted in respect of tax audits (Note 15) … … … … … … …	7,015
Guarantees given in sale of the holding in Banco Urquijo, S.A. … …	6,813
Other guarantees… … … … … … … … … … … … … … … … … …	2,279
Total …	51,425

The Spanish Secretary of State for Telecommunications decided as of June 23, 2004 to reduce the *aval*-type guarantee for the license of Xfera Móviles, S.A. from €467.8 million to €176.1 million. This decision implied a reduction in the commitment of Alba of €29.4 million.

17. Average number of employees

The average number of persons employed during 2004, according to category, was as follows:

Degree holders … … … … … … … … … … … … … … … … … …	20
Administrative assistants … … … … … … … … … … … … … …	22
Others …	2
Total …	44

18. Income and Expenses

a) Net turnover:

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

Madrid …	9,437
Barcelona …	1,544
Rest of Spain … … … … … … … … … … … … … … … … … … …	433
Total …	11,414

b) Transactions with companies consolidated by the equity method:
The volume of such transactions during the year was €0.2 million, for office rentals.

c) Contribution by companies to consolidated earnings (000s of €):
The contribution of the companies included in the scope of consolidation to the net consolidated profit for the year was as follows:

	Contribution to consolidated income
Corporación Financiera Alba, S.A.	(397)
Alba Inmobiliaria, S.A.	22,273
Inversiones Artá, S.A.	38,607
Inversiones Finalba, S.A.	24,937
Fianteira, S.A.	259
Fondarte, S.A.	(7,337)
Companies consolidated by global integration	78,342
Actividades de Construcción y Servicios, S.A.	63,189
Acerinox, S.A.	26,996
Carrefour, S.A.	46,316
March Gestión de Fondos, S.G.I.I.C., S.A.	68
March Gestión de Pensiones, S.G.F.P., S.A.	12
Prosegur Compañía de Seguridad, S.A.	(92)
Unipsa Correduría de Seguros, S.A.	2,574
Consolidated by equity method	139,063
TOTAL	217,405

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 members of the Board of Directors (000s of €):

Salaries (executive directors) … … … … … … … … … … … … … … …	1,669
Board of Directos remuneration (at €30,000 per director) … … … …	330
Co-chairpersons additional remuneration (at €78,000 per co-chairperson)	156
TOTAL …	2,155

Directors receive no additional remuneration for participation in Board committees.

Furthermore, contributions to alternative life, accident and health insurance plans of €0.66 million were made in respect of directors who also hold executive positions.

Pursuant to article 127 ter 4 of the Public Limited Companies Act, brought into effect by Act 26/2003 of July 17, 2003, amending the Securities Market Act 24/1988, of July 28, 1988 (Ley del Mercado de Valores) and the Consolidated Text of the Public Limited Companies Act, companies that members of the board hold shares in, with a type of business that is the same as or similar or complementary to that of the Company object, are shown below. This also shows the functions that, if appropriate, the corresponding directors exercise at these.

Name	Company	Activity	Shareholding	Functions
Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	Banking	1.536%	Director
Alfredo Lafita Pardo	Diana. Sdad, Capital Riesgo, S.A.	Venture capital	-	Director
Manuel Soto Serrano	Banco Santander Central Hispano	Banking	0.003%	4th Vice-chairman
Manuel Soto Serrano	Mercapital Serv, Financieros, S.L.	Development capital	-	Non-executive Vice-Chairman

20. Post-balance sheet events

Subsequent to year-end and prior to the formulation of the accounts the merger of all subsidiaries except Unipsa Correduría de Seguros commenced in the aim of rationalizing the businesses of these firms. The merger brings the benefits of financial savings in administrative control expenses, since five companies can be administered for the cost of one, in financial expenses—interest, custodian fees, securities transaction fees, dividends and so on—and in a more efficient allocation of human resources plus the elimination of the Boards of Directors, by bringing together all the indirect shareholdings of the parent company into one company. The merger shall prevent a clear duplication of expenses in the areas of accounting, payrolls, social security, tax management, Boards of Directors, securities portfolio costs, notary fees and registration expenses, audit reports and in general any order made to third parties, so considerably simplifying the present structure.

21. Remuneration of auditors

The amount of fees accruing to Deloitte was €62,500. This corresponded entirely to the audit services for the 2004 Company and consolidated group annual accounts.

22. Transition to International Financial Reporting Standards, or "IFRS"

In accordance with the IFRS validated by the European Union and applicable in Spain, the Alba Group must present its consolidated accounts for 2005 in accordance with the abovementioned accounting standards.

These new accounting standards envisage the need to present figures for 2004 together with the financial statements for 2005 using the same accounting criteria and for accounting purposes.

To comply with these requirements, the Alba Group has developed an IFRS transition plan that in accordance with applicable legislation should conclude in 2005.

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

Included below is additional information on the parent company drawn from its 2004 annual accounts that does not include the effects of consolidation. These annual accounts are subject to approval by the Shareholders in General Meeting and their entry in 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, 2004 AND 2003

ASSETS (000s of €)	2004		2003	
FIXED ASSETS		**284,666**		**287,091**
Intangible fixed assets	**25**		**29**	
Tangible fixed assets	**152,160**		**154,550**	
Land and properties	190,599		188,271	
Other installations, furniture and fittings	3,095		3,025	
Other fixed assets	1,543		1,540	
Depreciation	(43,077)		(38,286)	
Investments	**132,481**		**132,512**	
Holding in Group companies	128,555		128,555	
Holding in Affiliated companies	2,205		2,205	
Long-term guarantee deposits given	1,721		1,752	
CURRENT ASSETS		**6,501**		**7,324**
Debtors	**562**		**174**	
Clients from sale of good and services	520		125	
Government	—		77	
Sundry debtors	81		64	
Provisions	(39)		(92)	
Short-term investments	**46**		**52**	
Own shares	**5,792**		**5,691**	
Liquid assets	**101**		**1,406**	
Prepayment and accrued income	**—**		**1**	
TOTAL ASSETS		**291,167**		**294,415**

CORPORACION FINANCIERA ALBA, S.A. BALANCE SHEETS AT DECEMBER 31, 2004 AND 2003

SHAREHOLDERS' EQUITY AND LIABILITIES (000s of €)	2004		2003	
SHAREHOLDERS' EQUITY		**203,901**		**194,488**
Share capital	**66,800**		**67,520**	
Reserves	**29,034**		**45,098**	
Legal reserve	13,504		16,448	
Reserve for own shares	5,792		5,691	
Other reserves	9,738		22,959	
Profit and loss brought forward	**77,862**		**1,644**	
Unallocated income	77,862		1,644	
Profit (loss) for the year	**34,199**		**84,269**	
Interim dividend distributed during the financial year	**(3,994)**		**(4,043)**	
PROVISIONS FOR RISKS AND EXPENSES		**10,387**		**10,559**
LONG-TERM CREDITORS		**2,047**		**1,972**
Long-term guarantee deposits received	**2,047**		**1,972**	
CURRENT LIABILITIES		**74,832**		**87,396**
Debts with credit institutions	**72,707**		**85,285**	
Loans and other debts	72,707		85,285	
Trade accounts payable	**1,427**		**1,304**	
Payable to Group companies	**—**		**184**	
Other non-trade accounts payable	**698**		**623**	
Government	171		107	
Other debts	97		87	
Pending remunerations	430		429	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**291,167**		**294,415**

b) CORPORACION FINANCIERA ALBA, S.A.
PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

DEBIT (000s of €)	2004	2003
EXPENSES		
Personnel expenses	**2,716**	**2,544**
Wages and salaries	2,256	2,149
Welfare charges	460	395
Allocations to depreciation and amortisation of fixed assets	**4,801**	**4,823**
Variation in operating provisions	**(89)**	**92**
Other operating costs	**2,151**	**2,486**
External services	2,128	2,657
Taxes other corporate income tax	23	(171)
OPERATING PROFIT	**2,010**	**1,579**
Financial and similar expenses	**2,454**	**1,851**
For debts with Group companies	34	13
For debts with third parties	2,420	1,838
FINANCIAL INCOME	**32,107**	**80,689**
PROFIT FROM ORDINARY ACTIVITIES	**34,117**	**82,268**
Extraordinary expenses	**—**	**486**
EXTRAORDINARY PROFIT	**—**	**2,091**
PRE-TAX PROFITS	**34,117**	**84,359**
Corporate income tax	**(82)**	**90**
PROFIT FOR THE YEAR	**34,199**	**84,269**

b) CORPORACION FINANCIERA ALBA, S.A.
PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

CREDIT (000s of €)	2004	2003
INCOME		
Net turnover	**11,589**	**11,524**
Rental income	11,589	11,524
Income from equity holdings	**34,456**	**82,165**
In Group companies	34,456	82,165
Other interest and similar income	**105**	**375**
From Group companies	—	168
Other interest income	2	91
Profits on financial investments	103	116
Profits on disposal of tangible fixed assets	**—**	**2,572**
Other extraordinary profits	**—**	**5**

c) PROPOSED DISTRIBUTION OF 2004 PROFITS (000s of €)

	2004
Basis of Distribution	
Net profit	34,199
Unallocated income	77,862
Total	112,061
Distribution	
– To unallocated income	104,073
– To dividends	7,988
Total	112,061

On November 11, 2004 an interim dividend for 2004 was paid of €0.06 per share, excluding treasury stock, for 66,571,332 shares each with a face value of €1 in circulation at the time. This was recorded in the consolidated balance sheet as a decrease under Shareholders' Equity. In addition, a final dividend of €0.06 per share is being proposed to the General Meeting of Shareholders.

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 21, 2004, adopted the following resolution:

"In view of the results at August 31 and pursuant to the same dividend policy as in previous years, the distribution this coming November of an interim dividend is proposed, and to such end and for this purpose the Board unanimously resolved:

to present the following financial statement in compliance with the provisions of Section 216 of the Public Limited Companies Act, referring as required to the individual and not consolidated financial situation of Corporación Financiera Alba:

		000s of €
1. Amount to be distributed		*3,995*
2. Available profit calculation:		
2.1. Profit carried forward at Aug, 31, 2004		*7,594*
With the following breakdown:		
– Ordinary profit	*7,524*	
– Extraordinary profit	*70*	
TOTAL	*7,594*	
2.2. Deductions		*—*
– Losses brought forward	*—*	
– Allocation to the legal reserve (stands at 20% of share capital)	*—*	
– Corporate tax income	*—*	
Total available profit		*7,594*

According to the Balance Sheet at August 31, 2004, the Company's available liquid assets amounted to €147.786 million.

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

In addition, in accordance with the above, the board unanimously resolves:

to pay an interim dividend against 2004 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 Vadell, managing director Mr. Isidro Fernández Barreiro, director Mr. Enrique Piñel López and general secretary Mr. José Ramón del Caño Palop 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 for every share with the right to receive dividends. This figure is equal to 6% of the par value and will be subject, where applicable, *to 15% 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 Vadell, managing director Mr. Isidro Fernández Barreiro, director Mr. Enrique Piñel López and general secretary Mr. José Ramón del Caño Palop are likewise granted authority for any one of them to fix the specific day of the month of November on which the interim dividend shall be distributed, to publish the relevant notices and, in short, to take all such actions as may be necessary for said purpose."

24. 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.

CONSOLIDATED REPORT OF THE DIRECTORS 2004

1. Company business and financial position

The consolidated Annual Accounts at December 31, 2004 provide a true and fair view of the net worth, financial position, earnings and business performance of the Company and have been prepared by the Company Board of Directors.

During the 2004 financial year Grupo Alba business consisted of:

- Management of controlling and influencing interests in a series of companies conducting 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

Subsequent to year-end and prior to the formulation of the accounts the merger of all subsidiaries except Unipsa Correduría de Seguros commenced in the aim of rationalizing the businesses of these firms. The merger brings the benefits of financial savings in administrative control expenses, since five companies can be administered for the cost of one, in financial expenses—interest, custodian fees, securities transaction fees, dividends and so on—and in a more efficient allocation of human resources plus the elimination of the Boards of Directors, by bringing together all the indirect shareholdings of the parent company into one company. The merger shall prevent a clear duplication of expenses in the areas of accounting, payrolls, social security, tax management, Boards of Directors, securities portfolio costs, notary fees and registration expenses, audit reports and in general any order made to third parties, so considerably simplifying the present structure.

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	Percentage of share capital	Average acquisition price €/share
Balance at January 1, 2004 … … … … … …	956,758	1.42%	22.04
Acquisitions… … … … … … … … … …	557,321		
Retirements … … … … … … … … … …	(719,781)		
Balance at December 31, 2004 … … … …	794,298	1.19%	22.70

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

I. Introduction

This report on the functions and activities of the Audit Committee of Corporación Financiera Alba, S.A., has been prepared in accordance with listed company corporate governance recommendations and, in particular, those contained 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 Audit Committee was created by the Board of Directors on March 29, 2000, in accordance with the recommendations of the Olivencia Code. It was initially called the Audit and Compliance Committee.

Subsequently, the Financial System Reform Measures Act 44/2002 of 22 November 2002 (Medidas de Reforma del Sistema Financiero, or "Financial Act"), established the obligatory existence of such a committee at listed companies and certain requirements in respect of its composition, competences and rules of operation.

In compliance with the abovementioned act, Corporación Financiera Alba, S.A. amended its Articles of Association and the Regulations of its Board of Directors, establishing the competences and rules of functioning of the committee, as stated below.

II. Functions of the Audit Committee

In accordance with Additional Provision 18 of the Securities Market Act (Ley del Mercado de Valores) (brought into force by the Financial System Reform Measures Act 44/2002 of 22 November 2002), article 47 of the Articles of Association of Corporación Financiera Alba, S.A. attributes the following functions to the Audit Committee, without prejudice to others that the Board of Directors may assign to it:

– Provision of information to the General Shareholders' Meeting on issues that shareholders raise in this in areas of its competence.

– Recommendations to the Board of Directors for the appointment of external account auditors, to be submitted to the General Shareholders' Meeting.

– Supervision of internal audit functions, if these exist at the business organisation.

– Knowledge of the financial information processes and internal control systems of the Company.

– Relations with external auditors, for receiving information on those issues that could jeopardise their independence and any others relating to the account auditing process, as well as other information envisaged in applicable account auditing legislation and technical auditing standards.

III. Composition

The committee is an internal body of the Board and so is composed of Company directors. Members must mostly be external directors without executive functions and appointed by the Board of Directors. Its chairman must be chosen from among the external directors. In accordance with legislation and Company articles, the chairman should be replaced every four years and former holders of the chair may be re-elected as from one year after ceasing to exercise this function.

After the introduction of the legal framework relating to the Audit Committee and amendments to Company articles and Regulations of the Board of Directors, the members of this committee were appointed again by the Board of Directors on 22 May 2003. The members appointed were the same as those previously forming what had been called the Audit and Compliance Committee.

The directors that formed part of this committee in 2004 consisted of Mr. Manuel Soto Serrano as chairman, Mr. Francisco Verdú Pons and Mr. Enrique Piñel López as members and Mr. José Ramón del Caño Palop as committee secretary. The chairman has the status of independent director. The first of the other two mentioned is an external director and significant shareholder in the Company and the second is an executive director.

IV. Functioning and activity

The internal functioning of the committee is governed by the provisions of article 47 of the Company articles and those of articles 29 and 34 of the Regulations of the Board of Directors. These govern all matters relating to its meetings, convening, quorum, adoption of agreements, minutes, relations with the board and Company management, the ability to seek information on any aspect of the Company and advice from external professionals.

The audit committee met on five occasions in 2004. On these occasions, within the abovementioned areas it concerned itself with the matters below, having availed itself of the documentation and information necessary for this purpose:

- Review of periodic financial reporting for its submission to the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, hereinafter "CNMV").
- External audit of the annual accounts.
- Internal control and risk identification system.
- Compliance with legal and internal regulations.

a) Review of periodic financial reporting

With regard to the periodic financial reporting, prior to its submission the audit committee analysed the quarterly and half-yearly financial reporting that is sent to the CNMV and made available publicly, as well as the supplementary information leaflets published.

The head of finance of the Company, responsible for the preparation of the abovementioned financial information, participated in this analysis. This was in order to explain to the committee the accounting procedure followed to prepare the aforesaid financial reports and the decisions and criteria adopted.

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

In addition, one meeting served to examine the annual accounts, prior to acceptance of their preparation by the Board of Directors.

b) External audit of the annual accounts and relations with the external auditor

In respect of the external audit of the annual accounts, it should be highlighted that the external auditor attended the abovementioned meeting and provided considerable information on the audit work performed, the most important issues raised and the criteria followed. The audit report for the Annual Accounts contained no qualifications or notices of relevant risks to the Company and considered as adequate the internal controls of the Company. For performance of their functions, the external auditors benefited from the collaboration of relevant staff at the Company.

In addition, the programme for audit work for the 2004 reporting period was explained. The budget for this was approved in another of the meetings. Furthermore, potential implications of the application of International Financial Reporting Standards for Corporación Financiera Alba were examined.

Additionally, in accordance with legal and internal regulations, the Audit Committee ensured observance of the independence of the external auditors in the performance of their functions and with regard to conflicts of interest or constraints affecting them in the course of their actions.

Lastly, in this respect, the committee also considered the renewal of the appointment of the auditor, recommending this to the Board of Directors for it to be proposed to shareholders.

c) Internal control and risk identification system

In respect of the internal control and risk identification system, it should be highlighted that responsibility for internal control within the Company rests with the financial management function. This has a set of operating regulations that establish the internal control criteria. These are contained in the "Operating Manual" and among other issues relate to investments and disinvestments, budgets and cost controls, consolidation, the IT system, administrative controls and filing.

The Audit Committee has been assigned competences in this area. It evaluates if the Company has adequate organisation, personnel and processes to identify and control its main operating, financial and legal risks. It is also authorised to investigate any aspect relating to the internal control and risk identification system that it deems appropriate. In this respect, the external auditors were entrusted with the task of conducting a detailed examination of the internal control system of the Company and in particular the Operating Manual, on the basis of which they concluded that in their opinion its internal control system was satisfactory.

In 2004 no significant event in relation to this subject was noted.

d) Compliance with regulations

In respect of compliance with legal and internal regulations, a more detailed description is offered than in the previous points given that, in accordance with article 26 c) of the Regulations of the Board of Directors, the Audit Committee is required to provide a report in this respect.

Firstly, it is worth mentioning that the Company has an organisation in place that is adequate for ensuring compliance with applicable regulations, notably including the existence of a financial management function and legal and tax advisory services. These ensure observance of the applicable internal and external regulations in each of their respective competences. In addition, on the subject of the Board, its Regulations envisage the Secretariat having responsibility for ensuring that its actions are formally and materially legal, comply with the articles of association and that the governance procedures and regulations are respected.

In addition, the functions of this Committee include ensuring the existence of an effective internal procedure for monitoring compliance by the Company with the laws and provisions regulating its activity and verifying that the necessary procedures have been established to ensure that the management team and employees respect internal regulations. Furthermore, it should be mentioned that the head of finance, entrusted with internal control of the Company, attends the Committee meetings and provides it with information on relevant subjects in this area.

With regard to the existence of internal procedures, as mentioned in the previous section, the Company has a series of operating standards in the Operating Manual that establish internal control criteria.

Bearing in mind the above, the Committee considers that the Company has an adequate organisation and system of regulations in place for ensuring compliance with applicable internal rules and legislation.

Lastly, in relation to this area of activity, the Audit Committee closely followed the initiatives and provisions relating to corporate governance standards arising in the year, as well as the steps to be taken for the Company to adapt to these. In this respect, the Committee in particular examined the draft amendments prepared to the Regulations of both the General Meeting and the Board of Directors in order to adapt these to the provisions of the Transparency Act 26/2003 of 17 July 2003 (Ley de Transparencia), as well as the amendment of the Internal Rules of Conduct pursuant to prior observations made by the CNMV.

In addition, the Committee also studied the draft of the Annual Corporate Governance Report subsequently adopted by the Board of Directors and the report prepared by the control body envisaged in the Internal Rules of Conduct on procedures taken to ensure compliance with this.

Furthermore, the Committee monitored the entry into operation in October of a new Company website that is fully compatible with applicable legislation.

In view of all the above, the Committee believes the situation of the Company's compliance with corporate governance regulations is satisfactory and that it complies not only with applicable regulatory requirements but also the recommendations published in this area.

ANNUAL CORPORATE GOVERNANCE REPORT 2004

Company name: CORPORACION FINANCIERA ALBA, S.A.
C.I.F. A28060903

Registered office: CASTELLO, 77 - 5ª PLANTA
MADRID
28006
ESPAÑA

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLIC LISTED COMPANIES

For a better understanding of the form and its subsequent completion, please read the instructions at the end of it.

A. Ownership structure

A.1. Complete the following table regarding Company share capital

Date last change	Share capital (€)	Number of shares
25-05-04	66,800,000.00	66,800,000

If there are different share classes, state this in the following table:

Class	Number of shares	Unit face value

A.2. Specify significant direct and indirect shareholders at year-end excluding members of its Board

Name or company name of shareholder	Number of shares directly owned	Number of shares indirectly owned	% of total share capital
Banca March, S.A. (see Section G)	18,029,947	23,644,587	62.387
Arnhold and S. Bleichroeder Adviser LLC (see Section G)	0	7,301,240	10.390

(*) Through:

Name or company name of direct shareholder	Number of shares directly owned	% of share capital
March de Patrimonio, S.A.	1,569,830	2.350
March de Inversiones, S.A.	182,180	0.273
Igalca, S.A.	158,026	0.237
Syndication agreement (see Section A.6)	21,734,551	32.537
MacArthur Foundation (see Section G)	187,040	0.280
Société Générale International Sicav (see Section G)	394,120	0.590
First Eagle Global Fund (see Section G)	3,219,760	4.820
First Eagle Global Fund (see Section G)	2,297,920	3.440
ASB Diversified International Equity (see Section G)	407,480	0.610
Utah Diversified International Equity (see Section G)	193,720	0.290
Other indirect shareholdings (see Section G)	601,200	0.900
Total	**30,945,827**	

State the year's most significant changes in the shareholder base:

Name or company name of direct shareholder	Operation date	Description of operation

A.3. Complete the following tables on members of the Board of Directors owning shares in the Company:

Name or company name of director	Date first appointed	Date last appointed	Number of shares directly owned	Number of shares indirectly owned (*)	% total of share capital
Mr. Juan March Delgado	08-10-73	22-05-2002	6,231,118	2,834,961	13 572
Mr. Carlos March Delgado	22-06-1998	25-05-2000	7,674,616	658,769	12.475
Mr. Enrique Píñel López	28-05-1994	22-05-2003	12,426	0	0.019
Mr. Manuel Soto Serrano	26-05-1999	22-05-2003	0	8,952	0.013
Mr. Pablo Vallbona Vadell	26-06-1990	22-05-2002	6,937	0	0.010
Mr. Nicholas Brookes	26-05-1999	22-05-2003	2,487	0	0.004
Mr. Luis Angel Rojo Duque	25-09-2002	25-09-2002	152	0	0.000
Mr. Alfonso Tolcheff Álvarez	26-05-1998	22-05-2002	1,519	0	0.002
Mr. Alfredo Lafita Pardo	22-06-1998	22-05-2004	0	0	0 000
Mr. Isidro Fernandez Barreiro	28-05-1994	22-05-2002	0	0	0.000
Mr. Francisco Verdú Pons	26-05-1998	22-05-2002	0	0	0.000

(*) Through:

Name or company name of direct shareholder	Number of shares directly owned
M.B. Inversiones, S.A.	1,504,936
Ampuero, S.A.	1,284
Jorge Juan 35, S.L.	111,247
Fundación Juan March	805,192
Instituto Juan March	411,103
Mª Antonia Juan Garau	1,199
Títulos Caspe, C.A.	385,693
Cosgaya, S.L.	1,328
Citadle, S.L.	15,022
Agropecuario Altarejos, S.L.	198,532
Tauton, S.L.	18,901
Encinalejo, S.L.	39,293
Ace Global, Simcav, S.A.	8,952
Total	**3,502,682**

% total share capital held by Board of Directors	26.095%

Complete the following tables on members of the board of Directors owning rights to Company shares.

Name or company name of director	Number of option rights directly owned	Number of option rights indirectly owned	Equivalent number of shares	% total of share capital
Mr. Pablo Vallbona Vadell	48,000	0	48,000	0.072%
Mr. Isidro Fernandez Barreiro	48,000	0	48,000	0.072%
Mr. Enrique Píñel López	48,000	0	48,000	0.072%

A.4. If applicable, state the family, trading, contractual or company relationships existing between significant shareholders to the extent known by the Company, unless of little significance or relating to ordinary trading business:

Names or company names of related shareholders	Type of relationship	Brief description
Banca March, S.A., Mr. Juan March Delgado and Mr. Carlos March Delgado	Family	Among, Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own 100% of Banca March, S.A. and have reached the shareholder agreement referred to in section A.6.

A.5. If applicable, specify the trading, contractual or company relationships existing between significant shareholders and the Company, unless of little significance or resulting to ordinary trading business:

Names or company names of related shareholders	Type of relationship	Brief description

A.6. State any agreements between shareholders that have been reported to the Company:

Participants in shareholder agreement	% of share capital affected	Brief description
Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado	62.380	Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own all the shares in Banca March, S.A., which also has a significant shareholding in Corporación Financiera Alba, S.A. The above persons on May 24, 2004 signed a shareholder agreement relating to the abovementioned banking institution that also affects Corporación Financiera Alba, S.A. given its shareholder position in Corporación Financiera Alba, S.A. The agreement lasts until March 31, 2015 and is the renewed version of the agreement signed on March 10, 1980 and amended on May 4, 1994. Taking into account the shareholdings of both Banca March, S.A. and the shareholders signing the agreement, they did and still do exercise joint and coordinated control of Corporación Financiera Alba, S.A. The abovementioned agreement does not set limits on the transferability of the shares in Corporación Financiera Alba, S.A. but does affect the exercise of voting rights of related shares belonging to signatories to the agreement.

If applicable, describe the coordinated activities between shareholders of which the Company is aware:

Participants in coordinated activities	% of share capital affected	Brief description of coordinated activities

State expressly if any of these agreements or coordinated activities have changed or been terminated in the year.

A.7. State if there is a private individual or legal entity that can exercise control over the company in accordance with article 4 of Spain's Securities Market Act (Ley del Mercado de Valores):

Name or company name
Banca March, S.A.

Observations
Corporación Financiera Alba, S.A. forms part of the Banca March Group, which owns more than 50% of its share capital. Control of the Banca March Group is exercised by Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado, who jointly control 100% of the share capital of Banca March, S.A. wi hout any of these doing so individually, as indicated in section A.6. There is a shareholder agreement signed between the abovementioned persons on May 24, 2004. Banca March, S.A. and its shareholders on December 31, 2004 jointly controlled 62.38% of Corporación Financiera Alba, S.A., without any of these doing so individually.

A.8 Complete the following tables regarding company treasury stock:

At year-end:

Number of directly owned shares	Number of indirectly owned shares(*)	% total of share capital
242,298	552,000	1,189

(*) Through:

Name or company name of direct shareholder	Number of directly owned shares
Fondarte, S.A.	552,000
Total:	**552,000**

List any of significant variations that have ocurred during the year, according to Royal Decree 377/1991:

Date	Number of directly owned shares	Number of indirectly owned shares	% total of share capital
Results in the year from treasury stock operations (000s of €)			o

A.9. Detail the conditions and period(s) of authorisation(s) granted by the general meeting for the board of directors to acquire or transfer the treasury stock described in section A.8.

The General Meeting has authorised the acquisition of Company treasury stock through sale-purchase transactions within legal limits, subject to requirements in applicable provisions.

The authorisation covers purchases by subsidiaries of Corporación Financiera Alba, S.A. within the limit indicated, as well as to apply the shares purchased by virtue of this authorisation and those granted previously to implement remuneration plans for executive directors and senior officers involving the allotment of shares or stock options.

The purchase price is based on the quoted stock market level the day it is carried out or if appropriate that authorised by the relevant stock market body.

Authorisations valid in 2004 were those agreed by the General Meetings of May 22, 2003 and May 25, 2004, respectively lasting until June 30, 2004 and June 30, 2005.

A.10. If applicable, state the restrictions on the exercise of voting rights established in law and the articles of association, as well as legal restrictions on the purchase or transfer of shareholdings in the Company:

There are no restrictions in law or the articles of association on the exercise of voting rights.

With regard to the right to attend General Meetings of Shareholders, the articles of association require ownership of at least 25 shares.

There are no legal restrictions on the purchase or transfer of shareholdings in the Company.

B. Structure of the Company's management

B.1. Board of Directors.

B.1.1. Specify the minimum and maximum number of directors envisaged in the articles of association.

Maximum number of directors	15
Minimum number of directors	7

B.1.2. Complete the following table with the members of the board:

Director name or company name	Representative	Post on Board	Date first appointed	Date last appointed	Appointment procedure
Mr. Juan March Delgado		Co-Chairman	08-10-73	22-05-2002	Annual General Meeting
Mr. Carlos March Delgado		Co-Chairman	22-06-1998	25-02-2004	Annual General Meeting
Mr. Pablo Vallbona Vadell		Vice-Chairman	26-06-1990	22-05-2002	Annual General Meeting
Mr. Isidro Fernandez Barreiro		Managing Director	28-05-1994	22-05-2002	Annual General Meeting
Mr. Enrique Píñel López		Director	28-05-1994	22-05-2003	Annual General Meeting
Mr. Nicholas Brookes		Director	26-05-1999	22-05-2003	Annual General Meeting
Mr. Manuel Soto Serrano		Director	26-05-1999	22-05-2003	Annual General Meeting
Mr. Alfredo Lafita Pardo		Director	22-06-1998	22-05-2004	Annual General Meeting
Mr. Luis Angel Rojo Duque		Director	28-09-2002	28-09-2002	Annual General Meeting
Mr. Alfonso Tolcheff Álvarez		Director	26-05-1998	22-05-2002	Annual General Meeting
Mr. Francisco Verdú Pons		Director	26-05-1998	22-05-2002	Annual General Meeting

Total number of directors	11

Specify any member living the Board of Directors during this period:

Name or company name of director	**Termination date**

B.1.3. Complete the following tables on members of the Board of Directors and their different types

Executive Directors

Name or company name of director	**Committee proposing appointment**	**Post in Company organisational chart**
Mr. Pablo Vallbona Vadell		Vice-Chairman
Mr. Isidro Fernandez Barreiro		Managing Director
Mr. Enrique Píñel López (see Section G)		Director

Domanial Directors

Name or company name of director	**Committee proposing appointment**	**Name or company name of significant shareholder they represent or that proposed their appointment**
Mr. Juan March Delgado		Banca March, S.A.
Mr. Carlos March Delgado		Banca March, S.A.
Mr. Francisco Verdú Pons		Banca March, S.A.

Independent Directors

Name or company name of director	**Committee proposing appointment**	**Profile**
Mr. Nicholas Brookes		Chairman De La Rue, plc; ex-Chief Executive of Spirent, plc
Mr. Alfredo Lafita Pardo		State lawyer, Director of Banco Guipuzcoano, S.A.
Mr. Luis Angel Rojo Duque		Professor of Economic Theory, ex-Governor of the Bank of Spain
Mr. Manuel Soto Serrano		Economist, Auditor, Director of BSCH.

Other External Directors

Name or company name of director	Committee proposing appointment
Mr. Alfonso Tolcheff Alvarez	

Detail the reasons for not being considered as domanial or independent director:
Mr. Alfonso Tolcheff Álvarez was appointed as Director mainly by virtue of his position as Managing Director of Banco Urquijo, a company in which the March Group had a majority shareholding at the time. This no longer applies and so he is considered as an external director but not included as either domanial or independent director.

Indicate any variation in the status of each director that occurred in the period if applicable:

Name or company name of director	Date of change	Previous status	Current condition
Mr. Enrique Piñel Lopez	01-01-2005	Executive Director	Non-Executive Director

B.1.4. Confirm if the types of director described in the previous point are compatible with the distribution established in Board Regulations:

The types of Director given in the above point correspond to proportions envisaged in Board Regulations.

B.1.5. If applicable, state the powers delegated to the managing director(s):

Name or company name of director	Brief description
Mr. Isidro Fernández Barreiro	The managing director has been delegated powers in the area of Company staff matters, as well with a broad scope in representing the Company and recruitment.

B.1.6. If applicable, name the members of the board that hold posts as directors or managers in other companies forming part of the group of the listed company:

Name or company name of director	Group company name	Post
Mr. Francisco Verdú Pons	Inversiones Arta, S.A.	Director
Mr. Francisco Verdú Pons	Alba Inmobiliaria, S.A.	Director

B.1.7. If appropriate, detail the Company directors who are members of the board(s) of directors of other companies listed on official securities markets in Spain outside the Group and of which the Company has been informed:

Name or company name of director	Listed company	Post
Mr. Pablo Vallbona Vadell	ACS, Actividades de Construcción y Servicios, S.A.	Vice-Chairman
Mr. Pablo Vallbona Vadell	Abertis Infraestructuras, S.A.	Vice-Chairman
Mr. Isidro Fernández Barreiro	ACS, Actividades de Construcción y Servicios, S.A.	Director
Mr. Isidro Fernández Barreiro	Prosegur, S.A.	Director
Mr. Alfredo Lafita Pardo	Banco Guipuzcoano, S.A.	Director
Mr. Alfredo Lafita Pardo	Zeltia, S.A.	Director
Mr. Manuel Soto Serrano	Banco Santander Central Hispano, S.A.	Third Vice-Chairman
Mr. Manuel Soto Serrano	Indra Systems, S.A.	Second Vice-Chairman
Mr. Manuel Soto Serrano	Cortefiel, S.A.	Director
Mr. Manuel Soto Serrano	Campofrío de Alimentación, S.A.	Director

B.1.8. Complete the following tables regarding total remuneration accruing to directors in the year:

a) At the company subject to this report

Remuneration item	Thousand euros
Fixed remuneration	1,408
Variable remuneration	747
Expenses	0
Statutory attendance	0
Options on shares and/or other financial instruments	0
Other	0
Total	2,155

Other benefits	Thousand euros
Advances	0
Loans granted	0
Pension plan and fund contributions	630
Pension plan and fund commitments assumed	0
Life insurance premiums	30
Guarantees given by the Company in favour of directors	0

b) For directors belonging to boards of directors and/or senior management of other group companies

Remuneration item	Thousand euros
Fixed remuneration	0
Variable remuneration	0
Expenses allowance	0
Statutory attendance	0
Options on shares and/or other financial instruments	0
Other	0
Total	0

Other benefits	Thousand euros
Advances	0
Loans granted	0
Pension plan and fund contributions	0
Pension plan and fund commitments assumed	0
Life insurance premiums	0
Guarantees given by the Company in favour of directors	0

c) Total remuneration by director type:

Type of director	Company	Group
Executive	1,759	0
Domanial directors	246	0
Independent	120	0
Other external	30	0
Total	2,155	0

d) Remuneration in relation to profit attributable to parent company

Total remuneration of directors (Thousand euros)	2,155
Total remuneration of directors/profit attributable to the parent company (in percentage)	0.990

B.1.9. Identity the senior company officers other than executive directors and total remuneration accruing to them in the year:

Name or company name	Post
Mr. Santos Martínez-Conde Gutierrez-Barquin	General Manager
Mr. José Ramón del Caño Palop	Manager
Mr. Luis Lobon Gayoso	Manager
Mr. Juan March de la Lastra	Manager
Mr. Ignacio Martínez Santos	Manager
Mr. Fernando Mayans Altaba	Manager
Mr. Tomas Villanueva Iribas	Manager

Total remuneration of senior management (000s of €)	1,667

B.1.10. Provide overall information of any guarantee or "golden parachute" clauses for cases of dismissal or changes in control in favour of members of senior management, including executive directors of the company and its group. State if these contracts have to be reported to and/or approved by bodies of the company or its group:

Number of beneficiaries	9

	Board of Directors	General Meeting
Body authorising the clauses		

	Yes	No
Is the General Meeting informed of these clauses		X

B.1.11. State the process for establishing the remuneration of the members of the board of directors and significant related clauses of the articles of association.

In accordance with the articles of association, the Board of Directors shall receive a fixed remuneration component established by the General Meeting when the annual accounts are approved. In the absence of express agreement in a year, the fixed remuneration level of the previous year shall be considered as renewed. The Board must decide on how to distribute the remuneration agreed by the General Meeting among its members, including even in different amounts. Furthermore, in addition to the above, remuneration of members of the Board performing management roles at the Company may consist of allotments of shares or stock options or incentives related to the value of Company shares with the form, terms and conditions decided by the General Meeting of Shareholders pursuant to legally established requirements.

Specific remuneration of the Directors is determined based on a prior report from the Nominations and Remuneration Committee, which must state the form and amount of annual remuneration of the Directors in their capacity as such, as well as related revisions.

B.1.12. If applicable, give the names of board members who are also members of the board of directors or managers of companies with significant shareholdings in the listed company/and or its group companies:

Name or company name of director	Name or company name of significant shareholder	Post
Mr. Carlos March Delgado	Banca March, S.A.	Chairman
Mr. Juan March Delgado	Banca March, S.A.	Director
Mr. Pablo Vallbona Vadell	Banca March, S.A.	Executive Vice-Chairman
Mr. Francisco Verdú Pons	Banca March, S.A.	Managing Director
Mr. Isidro Fernández Barreiro	Banca March, S.A.	Director
Mr. Enrique Piñel Lopez	Banca March, S.A.	Director

Specify significant relationships of members of the board of directors with significant shareholders and/or group companies other than those envisaged in the previous section, if applicable:

Name or company name of director	Name or company name of significant shareholder	Description of relationship

B.1.13. If appropriate, detail amendments to regulations of the board in the year.

The Board Regulations were amended in 2004 to adapt them to the provisions of the Transparency Act 26/2003 of July 17, 2003 (Ley de Transparencia)—amending Spain's Securities Market Act and Public Limited Companies Act (Ley de Sociedades Anónimas) in the aim of strengthening the transparency of public listed companies—and Order ECO/3722/2003, of December 26, 2003 regulating the annual corporate governance report and other information tools of listed companies, encompassing the abovementioned report, content of the website of listed companies and disclosure of significant events by these.

Although the amendments were minor, a full text of the Board Regulations was approved. This is because pursuant to the abovementioned Act, it had to be reported to the General Meeting, to the Spanish Securities Exchange Commission (Comisión Nacional del Mercado de Valores, hereinafter "CNMV") and be recorded in the Companies Registry, so it was preferable to have a full document approved on one occasion.

The amendments concerned: article 3, to show amendments of Board regulations that have to be reported to the General Meeting; article 4, establishing that the Board Regulations are included in the Company website for general knowledge; article 39, covering responsibilities of the Directors, in accordance with the wording of the Transparency Act; and article 46, to encompass the structure of the annual corporate governance report, as established by Order ECO/3722/2003.

B.1.14. State the procedures for appointment, re-appointment, evaluation and termination of the tenure of directors. Detail the competent bodies, processes followed and criteria used in each procedure.

The director appointment proposals to be submitted by the Board of Directors to the General Meeting and the appointment resolutions adopted by the Board itself in virtue of the cooption authority legally attributed to it should, firstly, respect the provisions of the Regulations with regard to the proportions of executive and non-executive directors. Secondly, a proposal for the appointment, renewal or termination of a director's respons bilities should be subject of a report from the Nominations and Remuneration Committee prior to discussion in Board meetings.

In addition, in accordance with the Regulations of the Board, once external directors—both independents and domanial—have been elected by the General Meeting, the Board of Directors will not propose termination of their duties before their tenure ends, apart from for exceptional and justified causes noted by the Board of Directors itself, based on a prior report by the Nominations and Remuneration Committee.

B.1.15. Indicate under what circumstances directos are obliged to resign.

In accordance with the Regulations of the Board the directors should tender their resignation to the Board of Directors and, if the Board deems appropriate, formalize the corresponding resignation in the following cases:

a) When the director reaches 70 years of age.
b) When legally prevented from doing so or subject to circumstances of disqualification or conflicts of interest;
c) When accused of allegedly criminal acts or subject to disciplinary measures by the securities market supervisory bodies for a serious or very serious violation;
d) When seriously reprimanded by the Audit Committee for having infringed their obligations as directors; and
e) When the reasons for which they were appointed cease to apply, in particular, when an independent director or domanial director loses his or her status as such.

B.1.16. Explain if the function of managing director of the company is held by the chairman of the board. If applicable, indicate measures taken to limit the risks of accumulating powers in a single person:

Yes [ ] **No** [X]

Measures to limit risks

B.1.17. Are reinforced majorities different to the legal minimum required in any type of decision?

Yes [ ] **No** [X]

State how resolutions are adopted by the board of directors, specifying at least the minimum attendance quorum and the type of majorities for adopting resolutions.

Adoption of resolutions

Description of resolution	Quorum	Type of majority
All	The personal attendance or representation is required of at least half the directors plus one to meet valid quorum requirements for Board meetings.	Board resolutions are adopted by an absolute majority of the votes of directors in attendance or represented, with the Chairman of the Board or whoever performs this role having the casting vote in the event of a tie

B.1.18. Explain if there are specific requirements other than those relating to directors to be appointed Chairman.

Yes [ ] **No** [X]

Description of requirements

B.1.19 State if the chairman has a casting vote.

Yes [X] **No** [ ]

Areas in which a casting vote applies
For all resolutions where voting results in a tie

B.1.20. State if the Articles of Association or Board regulations establish an age limit for directors:

Yes		No	X

Age limit of chairman	
Age limit of managing director	
Age limit of director	

B.1.21. State if the Articles of Association or Board regulations establish time limits on the tenure of independent Directors.

Yes		No	X

Maximum number of years	

B.1.22. State if there are formal procedures for delegating voting authority in the board of directors and if so describe them briefly.

The Directors may delegate their voting authority to another Director to vote for and represent them in the Board meetings. Delegation of such authority must be granted in a letter sent to the Chairman.

B.1.23. State the number of meetings of the board of directors in the year. Also, if applicable, give the number of times the Board has met without the Chairman present.

Number of board meetings	5
Number of board meetings without chairman present	0

State the number of meetings of different board committees in the year:

Number of meetings of executive or delegated committee	0
Number of meetings of audit committee	5
Number of meetings of nominations and remuneration committee	1
Number of meetings of strategy and investment committee	0
Number of meetings of committee	0

B.1.24. State if the annual individual and consolidated accounts submitted to the Board for approval are certified previously:

Yes	X	No	

If applicable, name the person(s) who certified the annual individual and consolidated annual accounts of the Company for formulation by the Board:

Name	Post
Mr. Isidro Fernández Barreiro	Managing Director
Mr. Ignacio Martínez Santos	Head of Finance

B.1.25. If appropriate, explain measures introduced by the board of directors to avoid the audit report for the individual and consolidated accounts it formulates for submission to the general meeting containing qualifications.

The functions of the Audit Committee include relations with external auditors. As part of this task they must supervise procedures for the audit report opinion on the annual accounts to contain no qualifications.

B.1.26. Detail steps taken for information disclosed to the securities markets to be conveyed equitably and symmetrically.

The Company reports all information it releases firstly to the CNMV. Then once proof of reception has been received, it is disclosed to the media and also analysts and investors who have demonstrated an interest in receiving such information.

B.1.27. Does the board secretary have the status of director?

Yes		**No**	X

B.1.28. If applicable, state measures introduced by the company to ensure independence of the auditor, financial analysts, investment banks and rating agencies.

The Audit Committee, among other tasks, and pursuant to the law, has to watch over the independence of external auditors and in particular receive information on such issues that could jeopardise this.

In addition, the Company fully respects the restrictions and conflicts of interest established in the Audit Act (Ley de Auditoría), as amended by the Financial Act 44/2002 (Ley Financiera).

The last change of audit firm partner at Corporación Financiera Alba was carried out by the audit firm itself in 1999. It should be highlighted that the Board of Directors is to propose the substitution of the external auditor to the General Meeting, such that it may begin performing its responsibilities for the 2005 financial year.

There is currently no specific procedure to ensure the independence of financial analysts and investment banks although the Company has always acted transparently with them.

There is no current relationship with any rating agencies so this does not apply for these.

B.1.29. State if the audit firm conducts work for the company and/or its group other than auditing and, if so, related fees received and the percentage they represent as part of overall fees invoiced to the company and/or its group.

Yes		No	X

	Company	Group	Total
Work other than auditing (000s of €)	0	0	0
Work other than auditing/total amount invoiced by audit firm (in %)	0.000	0.000	0.000

B.1.30. State the number of continuous years the current audit firm has been auditing the annual accounts of the company and/or group. In addition, give the percentage of the number of years audited by the current firm in the total number of years the annual accounts have been audited:

	Company	Group
Number of continuous years	15	15

	Company	Group
Number of years audited by current audit firm/Number of years the company has been audited (in %)	100.000	100.000

B.1.31. State shareholdings of members of the company board of directors in firms with an identical, similar or complementary nature of business to the corporate purpose of both the company and group that have been reported to the company. Also state the posts or responsibilities they have at the companies:

Name or company name of director	Name of company concerned	% shareholding	Post or responsibilities
Mr. Alfredo Lafita Pardo	Banco Guipuzcoano	1.536	Director
Mr. Alfredo Lafita Pardo	Diana, Sociedad de Capital Riesgo	0.000	Director
Mr. Manuel Soto Serrano	Banco Santander Central Hispano	0.003	Fourth Vice-chairman
Mr. Manuel Soto Serrano	Mercapital Servicios Financieros, S.A.	0.000	Non-executive Vice-President

B.1.32. State if there is a procedure for directors to obtain outside advice and if so provide details:

Yes	X	No	

Detail the procedure
- A majority of external Directors can agree to contract legal, accounting or financial advisers or other experts at the expense of the company to support themselves in performance of their tasks. - The order made should necessarily concern specific problems of a certain significance and complexity that arise in the performance of their tasks. - The decision to contract external services must be reported to the Chairman of the Company through the Managing Director and may be vetoed by the Board when not considered necessary for the due performance of tasks entrusted to Directors, when its cost is considered unreasonable relative to the importance of the problem or the advice could be provided adequately by Company experts and specialists. A majority of two-thirds of Directors participating in the related meeting is required for the veto to be valid.

B.1.33. State if there is a procedure for directors to have necessary information for preparing for management body meetings sufficiently in advance and if so provide details.

Yes	X	No	

Detail the procedure
The Managing Director is responsible for preparing and providing other Directors with all information necessary for adopting resolutions proposed on the agenda in each meeting of the Board of Directors, at least three days prior to the meeting concerned.

B.1.34. Specify if there is liability insurance in favour of the company directors:

Yes		No	X

B.2. Committees of the Board of Directors

B.2.1. List the management bodies

Name of body	Number of members	Functions
Board of Directors	11	See article 44 of the articles of association

B.2.2. Specify all committees of the board of directors and their members:

Executive or delegated committee

Name	Post

Audit committee

Name	Post
Mr. Manuel Soto Serrano	Chairman
Mr. Francisco Verdú Pons	Member
Mr. Enrique Piñel Lopez	Member

Nominations and remuneration committee

Name	Post
Mr. Carlos March Delgado	Chairman
Mr. Alfredo Lafita Pardo	Member
Mr. Luis Angel Rojo Duque	Member

Strategy and investment committee

Name	Post

B.2.3. Briefly describe the rules of organisation and functioning and the responsibilities of each committee.

Audit Committee.

This committee is regulated by the Articles of Association, as supplemented by the Regulations of the Board of Directors. The main parts of these regulations are summarised below.

a) Establishment of the committee. In accordance with the recommendations of the Olivencia Code, the Audit and Compliance Committee was formed in 2000 as part of the Board of Directors and so covered by its Regulations. Pursuant to provisions of the Financial Act, its existence is now a legal requirement. For this reason, the amendment of the company articles adopted last year incorporated the existence of this body of the Board of Directors and the rules relating to its functions, organisation and operation.

b) Composition and the chair. The Audit Committee shall consist of at least three and at most five members, one of which shall act as Chairman. The Committee shall be composed of a majority of non-executive directors and the chair of the committee falls to a non-executive director. The Board Secretary shall act as Secretary to the Committee and may or may not be a member of the Audit Committee.

c) Appointment. The Company Board of Directors shall appoint the Committee members from among directors. It shall also decide who holds the post of Chairman.

d) Tenure. The term of appointment shall be for the period remaining until the end of the tenure as director. Reappointment in this respect shall be possible. However, whoever has held the post of Chairman of the Audit Committee for four years consecutively should cease to do so. This person may be re-elected to this post after one year has subsequently elapsed.

e) Meetings. The Audit Committee shall determine a calendar for its ordinary meetings, with the necessary frequency for subjects specific to its responsibilities to be dealt with adequately. The Committee must also meet whenever required by its Chairman or any of its members or on instruction from the Board of Directors with a particular agenda.

f) Convening and meeting venue. The meeting of the Audit Committee shall be convened at least five days beforehand by the Secretary of the Committee. Notification to each member should include the meeting agenda, previously approved by the Chairman of the Committee.

The Audit Committee meetings shall normally be held at the registered office but may be held at any other place decided by the Chairman and given in the meeting notice. The Committee may be validly held without prior notice when all its members are present and accept it as being held. For reasons of urgency, the Committee may be called to meet with less than the minimum advance notice, in which case all members attending the meeting must agree on its urgency at the beginning of the meeting.

g) Constitution, representation and adoption of resolutions. For the Committee meeting quorum to be reached, a majority of its members must be in attendance or represented. Each member of the Committee may grant representation to another. Delegation of such authority must be granted in a written document sent to the Chairman of the Committee. The resolutions shall be adopted by a majority of the members in attendance or represented. In the event of a tie, the Chairman shall have the casting vote.

h) Minutes. The Committee Secretary shall prepare minutes for each of the meetings held and these shall be approved in the meeting itself or the one immediately afterwards.

i) Areas of activity

The activities of the company's Audit 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; and
- Compliance with legal provisions and internal regulations

The Regulations of the Board of Directors set out the functions of the Audit Committee in detail for each of the four areas mentioned.

Nominations and Remuneration Committee.

This Committee is regulated by the Regulations of the Board of Directors. The main points of this regulation are as follows:

a) Establishment of the committee. This committee was established in accordance with the amendment to the Regulations of the Board of Directors approved in May 2003, pursuant to recommendations of the Aldama Report. In view of the company's shareholder base and the limited number of executive directors and senior managers, it was not previously considered necessary.

b) Composition. The Nominations and Remuneration Committee is formed by a minimum of three and maximum of five directors, all external or non-executive and appointed by the Board of Directors from among its members. The Board of Directors also decides who should hold the post of Chairman.

c) Tenure. The duration of the appointment shall be for the period remaining until the end of the term as Director. In this respect, re-appointment is possible.

d) Meetings. The Nominations and Remuneration Committee shall meet as many times as convened on agreement of the Committee itself or its Chairman and at least once a year. Any person from inside or outside the company may be called to attend the meetings as considered appropriate.

B.2.4. If applicable, indicate the authority of each Committee in respect of advice, consultancy and if appropriate delegation of authority.

Committee Name	Brief description
Audit Committee	In accordance with the articles of association, the Audit Committee has the following competences: - information to the General Meeting of Shareholders on issues that shareholders raise in it in the area of its competence - proposals to the Board for submission to the General Meeting regarding the appointment of the external auditors - supervision of the internal audit if such a body exists in the corporate structure - knowledge of the Company's financial information processes and internal control systems - relations with external auditors to receive information on matters that could jeopardise their independence and any others related to performance of the account auditing process, as well as other reporting envisaged in the account auditing legislation and Spanish technical auditing standards.
Nominations and Remuneration Committee	As envisaged in the Regulations of the Board of Directors, the Nominations and Remuneration Committee has the following functions: - to report objectively and in accordance with company interests on proposals for appointment, re-appointment, ratification and termination of directors, as well as the appointment of members of committees of the Board of Directors. - to inform the Board of the form and amount of Directors' annual remuneration in their capacity as such, in addition to revisions to this. - to ensure the transparency of remuneration and the inclusion in the annual report of information regarding Directors' remuneration.

B.2.5. If applicable, specify the existence of board committee regulations, where they are available for consultation and amendments made in the year. In addition, indicate if the annual report on activities of each committee has been prepared voluntarily.

Each of the two abovementioned committees is regulated in the Regulations of the Board of Directors. This document may be examined at the registered office of the Company, its website, at the CNMV and the Companies Registry.

The Audit Committee is referred to in article 47 of the articles of the association and articles 21 to 34 of the Regulations of the Board of Directors.

Meanwhile, the Nominations Committee is mentioned in article 16 of the Regulations of the Board of Directors.

The Audit Committee prepared a report on its activities in 2004.

B.2.6. If an executive committee exists, explain the degree of delegation of authority and independence in performing its tasks for adopting resolutions on company administration and management.

There is no Executive Committee.

B.2.7. State if the executive committee composition reflects the proportions of different types of directors on the Board:

Yes		**No**	X

If answering no, explain the composition of the executive committee
There is no Executive Committee

B.2.8. If there is a nominations committee, specify if all its members are external directors:

Yes	X	**No**	

C. Related-party transactions

C.1. Detail significant operations representing a transfer of group resources or obligations between the company and other group firms and the company's significant shareholders:

Name or company name of significant shareholder	Name or company name of company or group firm	Type of operation	Type of relationship	Amount (000s of €)

C.2. Detail significant operations representing a transfer of group resources or obligations between the company and other group firms and the company directors or senior officers:

Name or company name of director or senior officer	Name or company name of company or group firm	Type of operation	Type of relationship	Amount (000s of €)

C.3. Detail significant operations between the company and other group firms whenever not eliminated in the consolidated financial statement preparation process and, based on amounts and conditions, not part of the usual company business:

Company name of group firm	Brief description of operation	Amount (000s of €)

C.4. If appropriate, identify any conflicts of interest applicable to company directors pursuant to article 127 ter of Spain's Public Limited Companies Act.

There are no reported conflicts of interest on the part of Directors of the Company.

C.5. Detail measures introduced to detect, determine and resolve possible conflicts of interest between the company and/or its group and directors, senior officers and significant shareholders.

In accordance with the Board Regulations, the Directors may not directly or indirectly conduct professional or trading transactions with the company or any of its subsidiaries unless beforehand it informs the Board of Directors and this approves the transaction, after receiving a report from the Audit Committee.

In addition, if there is public proxy solicitation by the Board of Directors or any of its members, if the shareholder does not give instructions the direction of the vote cast by the representative should be indicated. Furthermore, for public proxy solicitation, the Director may not exercise the vote for shares represented relating to items on the agenda where there is a conflict of interest and, in any case, those specifically covered by article 114 of Spain's Securities Market Act (as enacted by Act 26/2003 of 17 July 2003).

D. Risk control systems

D.1. Give a general description of the risk policy of the company and/or its group. Specify and evaluate risks covered by the system and explain how these systems are adapted to the profile of each type of risk.

Bearing in mind the business of Corporación Financiera Alba, the main risks affecting it relate to its investee companies and properties it owns. With regard to investee companies, the main common risk is that inherent in the business of each, although securities market developments are also a factor for listed companies. Turning to real estate, since properties are intended for rental, the risks affecting these are those of the property market, that is, loss of income in the event they are unoccupied—particularly for those with a large floor area—changes in long-term interest rates, damage and non-payment.

To cover the risks mentioned, the company monitors business developments and results of the investee companies—generally participating in their management bodies and in some cases audit committees—and their stock market price if listed. In respect of real estate, risks indicated are covered through appropriate contractual clauses, the requirement of guarantees from tenants, adaptation of rents to market prices in the case of long-term rentals and the taking out of insurance policies covering the risk of damage and civil liability, updated annually.

D.2. State the control systems established to evaluate, mitigate or reduce the major risks for the company and its group.

For the Company's risk identification and internal control, the Financial Department has a series of operating standards laying down the internal control policy. These standards are grouped together in the "Operating Manual" and updated whenever necessary. Among other issues, they relate to expenses, budgets, filing, the IT system, consolidation, administrative controls and investments and disinvestments.

Furthermore, the Audit Committee has authority in this area and can therefore assess if the company has the 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 authority to investigate any aspect of the risk identification and internal control system that it considers appropriate.

D.3. In the event one of the risk factors affecting the company and/or its group materialised, indicate the reasons why and if the internal control systems established were successful.

No material incident was detected in this regard during 2004.

D.4. Specify if any committee or other governance body has been established to determine and supervise such control arrangements. Detail its functions.

The Audit Committee is the body responsible for supervising the Company's internal control arrangements.

The Audit Committee evaluates if the Company has the adequate organisation, staff and procedures to identify and control its main operating, legal and financial risks. To achieve this objective, the Committee must check that the Company has introduced the following correctly functioning elements:

- The identification and description of the main Company operating process, duly documented in operating standards and manuals.

- An integrated information system based on modern technology allowing the preparation of reliable, one-off financial information on the Company as well as the operating data necessary for efficient business management.

- A budgeting system that enables the main Company quantitative targets to be established beforehand as part of its strategy, as well as an analysis of the reasons for major divergences of actual from budgeted data.

D.5. Identify and describe the process of compliance with different regulations affecting the company and/or its group.

The Company has adequate organisation to ensure compliance with applicable legislation, notably including the existence of a Legal Advisor, Tax Advisor and Financial Department that each in its area of competence ensures applicable legislation and internal rules are respected. In addition, for the Board, its Regulations envisage that the Secretary is responsible for ensuring the formal and material legality of its activities, their conformity with articles of association and that they respect governance procedures and rules.

Furthermore, the functions of the Audit Committee include ensuring the existence of an efficient internal process for monitoring that the Company complies with the laws and regulatory provisions affecting its business and checking that the necessary procedures have been established to ensure that the management team and employees comply with internal regulations. Similarly, it should be highlighted that when appropriate the head of finance attends the Committee meetings, who is in charge of the internal control of the Company and reports on subjects related to this matter.

E General Meeting

E.1. Describe the quorum requirements for the general meeting established in articles of association. If applicable, describe how it differs from the minimum system envisaged in Spain's Public Limited Companies Act.

The meeting quorum for the General Meeting on first call is 25% of the subscribed share capital with voting rights.

On second call, the Meeting may be validly held and adopt resolutions irrespective of the proportion of shares of which the owners are in attendance or represented.

There are no differences from the minimum system envisaged in the Public Limited Companies Act.

E.2. Explain the system for adopting company resolutions. Describe how this differs from the system envisaged in the Public Limited Companies Act.

Adoption of resolutions in the General Meetings generally requires half the votes plus one of the shares of which the owners are in attendance or represented.

However, for valid adoption by the General Meeting of a reduction or increase in the capital stock, a transformation, merger, spin-off or winding-up of the Company, issue of fixed-income securities or amendment to the articles of association, shares representing at least half of the share capital with voting rights must support it when meeting on first call. On second call, the approval of at least 25% of the abovementioned share capital is required, although when shareholders representing less than half the share capital with voting rights attend or are represented, the adoptions referred to may only be adopted validly if supported by at least two-thirds of the shares present and represented at the Meeting.

There are no differences from the system envisaged in the Public Limited Companies Act.

E.3. If different from the provisions of the Public Limited Companies Act, describe shareholder rights in relation to the general meetings.

In relation to the General Meeting, the shareholders enjoy the rights corresponding to them in the law, articles of association and General Meeting Regulations. In particular, these relate to attendance, participation, voting, information and the challenging of resolutions it adopts. In addition, the shareholders may make proposals, suggestions or comments and raise issues related to the business or interests of the Company.

E.4. If applicable, state measures adopted to encourage shareholder participation in general meetings.

The Company complies with all the requirements established in law and the articles of association relating to the convening and holding of the General Meetings. As a specific measure, the use of the Company website should be highlighted, prior to it becoming a regulatory requirement, to bring to the attention of the shareholders all proposals to be submitted to the Meeting, as well as all documentation necessarily available to the shareholders for the occasion and resolutions adopted once held. Furthermore, the Company responds to queries made by shareholders both by traditional post and e-mail.

E.5. State if the general meeting is chaired by the chairman of the board of directors. If applicable, specify measures adopted to ensure the independence and smooth functioning of the general meeting:

Yes	X	No	

Detail the measures
In accordance with the Regulations of the General Meeting: - It falls to the Chairman to guide the deliberations and ensure the orderly nature of the debates. - The debate can be organised such that shareholders can participate once for each of the items to be deliberated or once for all the issues they wish to raise. - As a general rule, the Chairman shall reply to the issues raised by shareholders but may also request the participation of the Directors or managers of the Company. In particular, if relating to issues that are in the remit of the Audit Committee, he or she may seek the participation of the Chairman of this committee or failing that one of its other members. - The Chairman may limit the time available for those who have the floor, as well as determine that an item has been sufficiently discussed in the case of a difference of opinion between the shareholders present if in a prudent time of at the most one hour it has not been possible to harmonise these opinions, so deciding to proceed to the vote immediately. - When given the complexity of the issue raised, the Chairman considers it impossible to provide an adequate reply in the Meeting, his reply shall both be given in writing and published on the Company website.

E.6. If applicable, state amendments to the regulations of the shareholder meeting in the year.

In the General Meeting held on May 25, 2004 the Regulations of the General Meetings adopted the previous year were amended in order to adapt them to the entry into force of the Transparency Act 26/2003, of July 17, 2003 and its contents.

The amendments were fairly limited and reflected those made to the articles of association, affecting: shareholder information rights (article 7); the poss bility of granting proxy authorisation to attend the General Meetings and vote in them by remote communication means (articles 11 and 14); public proxy solicitations by Directors (article 12); and the inclusion of the Annual Corporate Governance Report in the documentation to be made available to shareholders on the occasion of the General Meeting (article 19).

E.7. Provide the attendance data for the general meetings held in the year referred to in the present report:

Attendance data

General Meeting date	% of physical attendance	% represented	% distance voting	Total %
25-05-2004	51.540	17.830	0.000	69

E.8. Briefly describe resolutions adopted in general meetings in the year as referred to in the present report and the percentage of votes supporting each resolution.

1.- Approval of both individual and consolidated annual accounts for the year ended December 31, 2003.

2.- Approval of the management of the Board of Directors in the same period.

3.- Approval of the proposed of earnings distribution and dividend payment.

4.- Re-election of Mr. Carlos March Delgado and Mr. Alfredo Lafita Pardo as Board directors.

5.- Authorisation of the purchase of own shares in accordance with the limits and requirements established in the Spanish Public Limited Companies Act as well as to reduce capital stock, if appropriate.

6.- Renewal of Deloitte & Touche as external auditor of the company and consolidated group.

7.- Modification of the Regulations of the General Meeting—article 7, shareholder information rights; articles 11 and 14, possibility of proxy authorisation to attend General Meetings and voting in these by remote communication means; article 12, public proxy solicitations by the Directors; and article 19, inclusion of the Annual Corporate Governance Report in the documentation to be made available to shareholders on the occasion of the General Meeting—relating to the information on approval of the Regulations of the Board of Directors.

8.- Reduction of share capital by €719,781 due to the retirement of 719,781 own shares held as treasury stock and amendment of article 5 of the Articles of Association.

9.- Transfer of the balance of €4.4 million of the restricted reserve resulting from the retirement of treasury stock to voluntary reserves.

10.- Transfer to voluntary reserves of the €2,944,188.48 of the surplus in the legal reserve from the reduction of share capital.

11.- Authorisation for the Board of Directors to carry out a capital increase in the amount and maximum periods envisaged in article 153.1.b) of the valid Spanish Public Limited Companies Act, including elimination of the preferential subscription right, in accordance with the provisions of article 159.2 of the abovementioned law.

12.- Delegation of authority to issue fixed-income securities, including those convertible and/or exchangeable for equity, up to a nominal value of 300 million euro.

13.- Extension of the tax consolidation framework option.

14.- Modification of the following articles of association: 20 (representation and attendance rights in the General Meetings); 29 (voting rights in the General Meetings); 31 (shareholder information rights); 33 (Board of Directors); 44 bis, incorporation (annual corporate governance report and web page); and authorisation to the Board of Directors to write the consolidated text of these.

15.- Authorisation to the Board of Directors to implement the resolutions adopted in the General Meeting.

16.- Approval of the Meeting minutes.

All the resolutions were adopted unanimously except the first—with regard to three shareholders owning a total of 104,711 shares and representing 0.15% of the share capital who had delegated their votes and stated their intention to abstain—and the 11th, relating to a shareholder owning 4,661 shares representing 0.006% of share capital who had delegated his vote and stated his intention to vote against.

E.9. If applicable, state the number of shares needed to attend the General meeting and if the articles of association establish any restrictions in this respect.

Ownership of at least 25 Company shares is required to attend the General Meetings.

E.10. State and explain company policies in relation to delegation of voting authority in the general meeting.

The Company has no policy on delegation of voting authority in the General Meetings and the Directors do not make any public proxy solicitations in their favour.

E.11. State if the company has knowledge of the policy of institutional investors for participating or not in company decisions:

Yes		No	X

Describe the policy

E.12. Specify the address and method of accessing the corporate governance content on the website.

Website address: www.cf-a ba.com
Access method: Home page / corporate information.

F. Degree of fulfilment of corporate governance recommendations

State the degree of fulfilment by the company of existing corporate governance recommendations or if applicable of not following these recommendations.

In the event of not complying with any, explain the recommendations, standards, practice or criteria adopted by the company.

In as much as the only document referred to—Order ECO/3722/2003, of December 26, 2003—has not been prepared, the recommendations of the Olivencia Report and Aldama Report should be referred to in completing this section.

To provide information on the monitoring of corporate governance recommendations, the recommendations contained in the Olivencia Code have been taken as a suitable benchmark, updated as necessary to include those of the Aldama Report.

- Recommendation 1: The Board of Directors should as its core mission assume the general function of supervision, exercising the responsibilities this involves without delegation and establishing a formal list of matters reserved for its information.

The Board of Directors of Corporación Financiera Alba expressly assumes as its core mission the general function of supervision, this being recognised accordingly in its Regulations. In addition, it is stipulated that those responsibilities reserved by law or the company articles to be the direct decision-making responsibility of the Board cannot be delegated, in particular:

a) Approval of the general strategies of the company;
b) Appointment and dismissal of the most senior company managers;
c) Approval of treasury stock policy;
d) Control and evaluation of the management activity of its directors and managers;
e) Identification of the main risks of the company and monitoring the appropriate internal control and information systems;
f) Ensuring that information and communication policies adhere to applicable regulations and all relevant data and information is conveyed for forming a judgment on the company to shareholders, markets and the public; and
g) Investment and disinvestment policy for the company's assets.

- Recommendation 2. The Board of Directors should include a reasonable number of independent directors, with a professional profile of high standing, with no links to the executive team and significant shareholders.

The Board of Directors of the company in 2004 was composed in practice of 11 members, including three executive and eight non-executive directors. Of the non-executive members, three were domanial directors, four were independent—meeting the criteria mentioned in the recommendation—and one was an non-executive director who cannot be classified as an independent or significant shareholder, as referred to in point 1. B. of this report.

Recommendation 3: In the composition of the Board of Directors, the non-executive directors, both domanial directors and independent directors, should represent a large majority over executive directors, and among the non-executive members there should be a very significant proportion of independent directors, taking into account the shareholder structure of the company and equity represented on the Board.

As indicated, in the composition of the Board of Directors of the company the non-executive directors represent a comfortable majority, with eight non-executive members against three executives. Among the non-executive members, the independent directors form a very significant proportion: four are independent, three are domanial directors and the other is an non-executive member belonging to neither of these two categories.

- Recommendation 4. The Board of Directors should adapt its size in order to function most efficiently and with the greatest level of participation. In principle, the appropriate size may vary between five and fifteen members.

The number of directors currently envisaged by the company is 11, this being considered adequate for its efficient and participative functioning.

- Recommendation 5. If the Board chooses to combine the roles of chairman and managing director of the company, it should adopt the precautionary measures necessary to reduce the risks of concentrating authority in the hands of a single person.

Corporación Financiera Alba does not combine the functions of Chairman and Managing Director of the company.

Recommendation 6. The company should afford the greatest importance to the figure of Secretary to the Board, strengthening this role's independence and stability and putting the emphasis on the Secretary's task of ensuring the formal and substantive legality of the Board's actions.

The role of Secretary to the Board is envisaged in the Board Regulations. These stipulate that the Secretary must be a lawyer, supporting the chairman in his tasks and providing for the smooth functioning of the Board, focusing in particular on providing directors with the necessary information and advice. The Secretary should also ensure the formal and substantive legality of the Board's actions and its compliance with the articles of association, in addition to respecting its governance rules and procedures. Furthermore, to ensure his or her independence, it is stipulated that the exercise of his or her functions is not dependent on the executive management of the company.

The Secretary to the Board fulfils the condition of being a lawyer and has the appropriate training and experience for the post.

- Recommendation 7. The composition of the Executive Committee, when one exists, should reflect the same balance as there is on the Board between the different types of director. Relations between both bodies should be based on the principle of transparency, such that the Board is fully aware of the subjects dealt with and the decisions taken by the Executive Committee.

Corporación Financiera Alba has no Executive Committee.

- Recommendation 8. The Board of Directors should form delegated committees responsible for monitoring, composed entirely of non-executive directors, in the area of accounting information and control (audit); selection of directors and senior management (nominations); determination and revision of the remuneration policy (remuneration); and evaluation of the governance system (compliance).

The Board of Directors of Corporación Financiera Alba has established two specialised committees:

- The Audit Committee, and
- The Nominations and Remuneration Committee.

The Audit Committee is composed of three members. Two of these are non-executive and one is an executive director. The Nominations and Remuneration Committee is also composed of three members, all of whom are non-executive directors.

- Recommendation 9. The necessary measures should be adopted to ensure that far enough in advance directors have sufficient information, provided specifically to prepare for Board meetings. Save for exceptional circumstances, the importance or reserved nature of such information should not be considered grounds for an exemption from this requirement.

Meetings are convened with at least five days notice at the address given by each director. It is the responsibility of the Managing Director to prepare and provide the other Directors with all the necessary information for approving the recommended agreements in the agenda for each meeting of the Board, at least three business days prior to the date of the respective meeting. In accordance with the Regulations of the Board, the information provided should be comprehensive and include—provided this is required by the nature of the subject to be discussed—business plans, recommendations and summaries of agreements and any other document that may be necessary or appropriate in each case.

Directors may also seek the information and advice they need on any aspect of the company whenever necessary for the performance of their functions. On an exceptional basis, however, the chairman may temporarily restrict access to certain information, with an explanation of such a decision to the Board of Directors.

In addition, it is also envisaged in the Regulations of the Board of Directors that a majority of non-executive members can agree to contract legal, accounting or financial advisers or other experts at the expense of the company to support the directors in the performance of their functions.

- Recommendation 10. To ensure the adequate functioning of the Board, its meetings should be held with the frequency necessary to accomplish its mission; the Chairman should encourage all Directors to participate and take positions as they wish. Special care in particular should be taken in drawing up the minutes and the quality and efficiency of its work should be evaluated at least once a year.

The Board of Directors ordinarily meets once a quarter but may also meet as many times as considered appropriate by the Chairman for the smooth functioning of the company or when a fourth of Directors request it. In 2004, the Board of Directors of Corporación Financiera Alba met five times.

In the Board meetings, the participation of Directors is encouraged and the minutes adequately reflect discussions and, above all, the decisions taken.

- Recommendation 11. The participation of the Board in the selection and re-election of its members should adhere to a formal procedure, using a reasoned proposal from the Nominations Committee. Once the independent Directors or domanial Directors are elected by the General Meeting, the Board of Directors should not propose the termination of their duties prior to completion of the term or office for which they were appointed according to the Articles of Association, except for exceptional and justified reasons approved by the Board of Directors, upon a prior report from the Nominations Committee.

In accordance with the provisions of the Regulations of the Board, the Director nomination proposals to be submitted by the Board of Directors to the General Meeting and the nomination agreements decided by the Board itself in virtue of the cooption authority legally attributed to it should, firstly, respect the provisions of the Regulations with regard to the distribution of Directors between executive and non-executive directors. Secondly, a proposal for the nomination, renewal or termination of a director's responsibilities should be subject to a report from the Nominations and Remuneration Committee prior to discussion in Board meetings.

In addition, in accordance with the Regulations of the Board, once the non-executive members, both independent Directors and domanial directors, have been elected by the General Meeting, the Board of Directors will not propose the termination of their duties before the term of their appointment is over, except for exceptional and justified causes noted by the Board of Directors itself, upon a prior report by the Nominations and Remuneration Committee.

- Recommendation 12. Company regulations should include the requirement of Directors to resign in events that could negatively affect the functioning of the Board or the credit or reputation of the company.

In accordance with the Regulations of the Board the Directors should tender their resignation to the Board of Directors and, if the Board deems appropriate, formalize the corresponding resignation in the following cases:

a) When the director reaches 70 years of age.
b) When legally prevented from doing so or subject to disqualification;
c) When accused of allegedly criminal acts or subject to disciplinary measures by the securities market supervisory bodies for a serious or very serious violation;

d) When seriously reprimanded by the Audit Committee for having infringed their obligations as directors; and
e) When the reasons for which they were appointed cease to apply, in particular, when an independent director or domanial director loses his or her status as such.

- Recommendation 13. A company that adopts a policy limiting the age of directors should clearly set this out in its internal regulations.

In accordance with the Regulations of the Board, amended in this respect in May 2003, the company regulations do not envisage an age limit for Directors but, as already indicated, the directors should tender their resignation to the Board of Directors upon reaching the age of 70 and, if the Board deems appropriate, should formalize this resignation.

- Recommendation 14. The right of any Director to obtain the necessary information and advice for performance of his or her supervisory functions should be formally recognised and adequate channels for exercising this right should be established, including recourse to external experts in particular circumstances.

As indicated, the Directors have the information and documentation available to them to prepare for the Board meetings sufficiently in advance but, in addition, may seek the information and advice they need on any aspect of the company whenever required for performance of their functions. Furthermore, the Regulations of the Board envisage that, to support the Directors in the performance of their functions, a majority of those that are non-executive members may agree to contract legal, accounting or financial advisers or other experts at the expense of the company.

- Recommendation 15. The proposal, evaluation and revision of the Director remuneration policy should be the respons bility of the remuneration committee. This policy should conform to criteria of moderation, be linked to the company's performance and be subjected to detailed and individualized disclosure.

The Board aims for the remuneration of the Directors to be adapted to market circumstances. The Nominations and Remuneration Committee should evaluate its form, amount and transparency. Directors' remuneration is transparent and for this reason it is stipulated that the Notes to the annual accounts contain both the information required by law and the relevant information regarding remuneration received by the members of the Board of Directors.

With regard to the non-executive Directors, the Regulations of the Board stipulate that the remuneration should adhere to the guidelines below:

a) The non-executive director should be remunerated in accordance with his or her effective dedication.
b) Non-executive directors are not included in employee welfare systems financed by the company for termination of office, loss of life or other circumstances.
c) The amount of remuneration of the independent Director should be calculated such that it offers incentives for dedication, but does not represent an obstacle to independence.

- Recommendation 16. The internal regulations of the company should specify the obligations arising from the directors' general responsibilities of diligence and loyalty, particularly considering situations of conflicts of interest, professional secrecy requirements, exploitation of business opportunities and use of company assets.

The Regulations of the Board of Directors govern the abovementioned responsibilities in detail, in accordance with Law 26/2003 of July 17, 2003 and the recommendations of the Aldama Report.

- Recommendation 17. The Board of Directors should encourage the introduction of appropriate measures to extend the respons bilities of loyalty to significant shareholders, establishing in particular safeguards for transactions taking place between these and the company.

The Regulations of the Board expressly cover this type of transaction, stipulating both the information to be provided for each company transaction with a significant shareholder and its obligatory evaluation by the Audit Committee prior to its authorisation.

- Recommendation 18. As from the time General Shareholders' Meetings are convened, the company should provide information on the entire contents of all proposed resolutions to be submitted to the Meeting, using its own web site for this purpose, independently of any other legal or voluntary procedure available to the company.

Upon announcing the convening of the General Meeting, the following are made available to shareholders at the registered office of the company and on its web site:

- The text of the convening itself.
- The agenda.
- The text of the proposed resolutions to be adopted.
- The balance sheet, profit and loss account, report, management report and report of the account auditors.
- The Corporate Governance Report, and
- Other pertinent reports and documents, as legally required in applicable circumstances.

In addition, after the Meetings are held, information is provided on the resolutions adopted by means of the related report of significant event, also available at the company web site.

- Recommendation 19. Every company should establish a set of corporate governance rules or criteria for itself including at least the Regulations of the General Meeting and of the Board of Directors.

The company has rules and criteria for its corporate governance included in the Regulations of the General Meeting, Regulations of the Board of Directors and the Internal Rules of Conduct.

- Recommendation 20. Measures should be adopted to increase transparency in the methods for delegating voting authority and for fostering company communication with its shareholders, particularly institutional investors.

The methods for delegating voting authority are fully transparent and are included in the Articles of Association and in the Regulations of the Meeting. In addition, all investors may obtain a broad array of corporate information either directly from the company itself or through its web site.

- Recommendation 21. Above and beyond requirements established in applicable regulations, the Board of Directors should be responsible for providing markets with timely, precise and reliable information, particularly on the structure of the shareholder base, substantial amendments to governance rules, treasury stock and material transactions with associated parties.

In line with corporate governance recommendations, the Board of Directors has provided information on the abovementioned aspects, particularly through its Corporate Governance Report, published now for several years.

- Recommendation 22. All periodic financial information provided to markets, in addition to annual reporting, should be prepared in accordance with the same principles and professional practices as the annual accounts and should be verified by the Audit Committee before being distributed.

Periodic financial information provided to markets, in addition to annual reporting, is prepared in accordance with the same principles and professional practices as the annual accounts and is verified by the Audit Committee before being distributed.

- Recommendation 23. The company should have a web site and through this be able to inform shareholders, investors and the market in general of financial and all other significant events occurring in relation to the company. The web site should also enable shareholder participation in the exercise of information rights and, if appropriate, other corporate rights.

The minimum company web site content in relation to corporate governance aspects was approved in the May 22, 2003 meeting of the Board of Directors, pursuant to the recommendations of the Aldama Report. It was adapted to new requirements established in Order ECO/3722/2003 of December 26, 2003 and in CNMV Circular 1/2004 of March 17, 2004, as resolved by the meeting of the Board of Directors of March 31, 2004.

- Recommendation 24. The Board of Directors and the Audit Committee should monitor situations that may represent a risk to the independence of the external company auditors and, specifically, should verify the fees paid for all items as a percentage of all revenues of the audit firm and provide public information on fees corresponding to professional services other than audit work.

Throughout 2004, the Board of Directors and the Audit Committee supervised the remuneration of the auditors and the maintenance of their independence. The auditors did not provide professional services other than the audit itself.

- Recommendation 25. The Board of Directors should seek to avoid the accounts it formulated being submitted to the General Meeting with qualifications and reservations in the audit report and, when unavoidable, for both the Board and the auditors to explain clearly to shareholders and markets the content and scope of the discrepancies.

The audit report for the annual accounts formulated by the Board of Directors in 2004 and submitted to the General Meeting for its approval contained no qualifications or reservations.

G Other information of interest

If any significant aspect or principle is considered to exist relating to the company corporate governance practices that has not been raised in the present report, please mention and provide an explanation of it below.

Any other information, clarification or qualification related to the previous sections of the report may be included in this section to the extent the information is significant and not repeated.

In particular, specify if the company is subject to corporate governance legislation other than that of Spain and if applicable include such information that has to be provided other than that included in the present report.

Section A.2. Box one
- Banca March, S.A.
The brothers and sisters Mr. Juan, Mr. Carlos, Ms. Leonor and Ms. Gloria March Delgado own all shares in Banca March, S.A. On May 24, 2004 they have signed a shareholder agreement relating to the abovementioned banking institution that also affects Corporación Financiera Alba, S.A. given its shareholder position in Corporación Financiera Alba, S.A. This agreement is referred to section A.6. The shareholding mentioned of Banca March, S.A. (62.38%) therefore includes those of Mr. Juan and Mr. Carlos March Delgado specified in section A.3.
- Arnhold and S. Bleichroeder Adviser LLC.
The 10.93% shareholding appearing in the box relates to the last statement of significant shareholders by that company on July 21, 2003, but the number of shares has not been actually declared. Its aim is merely to obtain the percentage indicated above since the IT application requires it.

Section A.2. Box two
The percentage shareholdings of the MacArthur Foundation, Société Générale International Sicav, First Eagle Global Fund, First Eagle Overseas Fund, ASB Diversified, International Equity and Utah Retirement Systems relate to the last statement of significant shareholdings by Arnhold and S. Bleichroeder Adviser LLC on July 21, 2003 but the number of shares appearing has not been actually declared. Its aim is merely to obtain the percentages indicated in the box since the IT application requires it.

Section A.8.
In 2004, 557,321 own shares were purchased and 719,781 retired.

Section B.1.3. Box one
With effect from December 31, 2004, Mr. Enrique Piñel López ceased performing executive functions at the Company, without prejudice to maintaining the post of Director. Accordingly, he should be considered an external director as from that date.

Section B.1.8. a) Box two
The contr butions refer to alternative pension schemes.

Section B.1.8. c)
Remuneration for all Directors irrespective of their status totalled €30,000 each. In remuneration given for domanial Directors the additional amount accruing to the Co-Chairmen is included at the rate of €78,000 each.

Section B.1.8. d) Box two
The 0.99% percentage is the total remuneration of the Directors in comparison with the profit for the year attributable to the Group.

Section B.1.10.
Guarantee or blocking clauses are authorised by the Chairmen or the Managing Director. Payments for unfair dismissal consist of an amount no less than the fund set aside as a pension supplement or the value of one year of certain remuneration items increased by a 12th for each year with the Company.

Section B.1.20.
As a general rule, all Directors upon reaching the age of 70 should offer their resignation to the Board, which can ask them to formalise this.

Section B.1.30.
The Board of Directors shall propose the substitution of the external auditor to the General Meeting such that it may begin to perform its responsibilities for the 2005 financial year.

Section C.1.
In 2004, the Company did not conduct operations with its major shareholders, its directors or senior managers apart from the banking relationships it maintains with its main shareholder, Banca March, S.A., as one more of the financial institutions with which the Company works. In addition, it used the services of Unipsa, a subsidiary of Corporación Financiera A ba, S.A. focusing on insurance broking.

This annual corporate governance report was approved by the Board of Directors unanimously in its meeting of March 31, 2005.

Specify the Directors who voted against or abstained from approving the present report.

The present report was approved unanimously, without votes against or abstentions.

PROPOSED RESOLUTIONS

The Board of Directors is submitting the adoption of the following resolutions for the deliberation of the General Meeting:

1. Approval of both the individual and consolidated annual accounts for the financial year ended 31 December 2004.
2. Discharge for the Board of Directors for their management in the same period.
3. Adoption of the proposed appropriation of earnings and payment of dividends.
4. Authorisation for the purchase of own shares in accordance with the limits and requirements established in Spain's Public Limited Companies Act (Ley de Sociedades Anónimas) and the use of the shares purchased by virtue of this and previous authorisations to implement remuneration plans for executive directors and senior management consisting of the assignment of shares or stock options, as well as authorisation for the Board of Directors, if applicable, to reduce share capital.
5. Appointment of Ernst & Young, S.L. as new external auditor for the Company and its consolidated Group for an initial period of three years, beginning in 2005.
6. Reduction of share capital in the amount of 340,000 euros through the retirement of 340,000 shares held as treasury stock and amendment of article 5 of the articles of association.
7. Transfer to voluntary reserves of 211,956.20 euros, representing the surplus of the legal reserve formed by the Company pursuant to article 214 of Spain's Public Limited Companies Act.
8. Authorisation for the Board of Directors to implement the resolutions adopted in the Meeting.
9. Approval of the minutes of the Meeting.

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