

2001
ANNUAL REPORT



CORPORACION FINANCIERA ALBA, S.A.

SELECTED KEY INFORMATION

ECONOMIC-FINANCIAL DATA

(In millions of € unless otherwise indicated)	1999	2000	2001
Share capital at year-end	79.64	79.64	77.00
Shareholders' equity at year-end (before distribution of profits)	707.58	791.41	879.34
Shares at year-end, excluding treasury stock (thousands)	79,316	78,762	75,494
Net investment in equity holdings	641.10	757.17	670.00
Net investment in tangible fixed assets	134.75	123.05	139.06
Net profit	107.86	93.52	218.83
Dividends	9.56	9.56	9.04
Net profit per share (€)	1.36	1.19	2.90
Dividend per share (€)	0.12	0.12	0.12

STOCK MARKET INFORMATION

	1999	2000	2001
Stock price (€/share)			
High	35.00	37.50	26.99
Low	19.50	23.75	16.70
Last	33.96	24.73	23.81
Market capitalization at Dec. 31 (millions of €)	2,705	1,969	1,833
Traded volume			
Number of shares (thousands)	38,931	45,569	47,088
Millions of €	997	1,288	1,121
Daily average (millions of €)	3.98	5.15	4.44

SELECTED KEY INFORMATION

ECONOMIC-FINANCIAL DATA

(In millions of pesetas unless otherwise indicated)	1999	2000	2001
Share capital at year-end	13,251	13,251	12,812
Shareholders' equity at year-end (before distribution of profits)	117,731	131,679	146,309
Shares at year-end, excluding treasury stock (thousands)	79,316	78,762	75,494
Net investment in equity holdings	106,671	125,983	111,480
Net investment in tangible fixed assets	22,421	20,474	23,138
Net profit	17,946	15,560	36,410
Dividends	1,590	1,590	1,504
Net profit per share (Ptas)	226	198	482
Dividend per share (Ptas)	20	20	20

STOCK MARKET INFORMATION

	1999	2000	2001
Stock price (Ptas/share)			
High	5,824	6,239	4,491
Low	3,245	3,952	2,779
Last	5,650	4,115	3,962
Market capitalization at Dec. 31 (millions of pesetas) ...	449,992	327,689	305,047
Traded volume			
Number of shares (thousands)	38,931	45,569	47,088
Millions of pesetas	165,833	214,332	186,519
Daily average (millions of pesetas)	663	857	739

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BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

CHAIRMEN Mr. Juan March Delgado
Mr. Carlos March Delgado

VICE-CHAIRMAN Mr. Pablo Vallbona Vadell

MANAGING DIRECTOR Mr. Isidro Fernández Barreiro

DIRECTORS Mr. Alfonso Alvarez Tolcheff
Mr. Nicholas Brookes
Mr. Miguel Fluxá Roselló
Mr. Alfredo Lafita Pardo
Mr. Manuel Soto Serrano
Mr. Francisco Verdú Pons

DIRECTOR SECRETARY Mr. Enrique Piñel López

MANAGEMENT

MANAGING DIRECTOR Mr. Isidro Fernández Barreiro

MANAGERS Mr. Luis Lobón Gayoso
Mr. Ignacio Martínez Santos
Mr. Santos Martínez-Conde Gutiérrez-Barquín
Mr. Fernando Mayans Altaba
Mr. Javier Povedano Mejías
Mr. Tomás Villanueva Iribas

TAX ADVISOR Mr. Juan Antonio Lassalle Riera

DEPARTMENT HEADS Mr. Antonio Egido Valtueña
Mr. Alfredo Gadea Martín
Mr. Félix Montes Falagán
Mr. Andrés Temes Lorenzo

COMMUNICATIONS AND PRESS Mr. José Vicente de Juan García

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Dear shareholders:

Once again, we have the pleasure of informing you about the Company's performance during last year and the first few months of this year.

During 2001, financial markets continued to follow the same negative trend begun the previous year and this naturally had its influence on Alba's net asset value. All the same, the portfolio of listed securities, which includes only part of Alba's holdings, at December 31, 2001 carried unrealized capital gains of 1,906 million (Ptas 317,174 million).

Calculated according to internal valuations which are basically consistent with the standards customarily used by equity analysts, Alba's net assets before taxes and net of debt at the end of the year were worth 2,905 million euros (Ptas 483,300 million). Dividing this value by the total number of Alba shares issued and outstanding (not including treasury stock) gives a net asset value of 38.5 euros per share, which compared with the year-end trading price of 23.8 euros, result in a discount of 38%.

As for our company's earnings, the *Consolidated net profit* for 2001 rose to 218.8 million euros (Ptas 36,410 million) from 93.5 million euros (Ptas 15,560 million) recorded the previous year.

This gain in net profit was primarily due to the performance of a non-recurring heading of the profit and loss account, *Profit on the securities portfolio*, which reached 272.0 million euros (45,254 million), compared to 104.7 million euros (Ptas 17,425 million) the preceding year.

In turn, *Net profits from holdings consolidated by the equity method* contributed 77.4 million euros (Ptas 12,875 million) versus 79.7 million euros (Ptas 13,260 million) in 2000. This decline of 3%, despite the healthier earnings performance of these holdings during 2001, is due to the reduction of Alba's stake in some of the companies consolidated by the equity method. That reduction is reflected in the gains recorded in *Profit on the securities portfolio*.

Also deserving emphasis is the increase in *Rental income* from our real estate assets, which reached 9.8 million euros (Ptas 1,638 million), a 31% gain with respect to the previous year.

Earnings per share were 2.90 euros (482 pesetas), compared with 1.19 euros (198 pesetas) in 2000. In other sections of this report you will find a more detailed analysis of the different headings that compose the company's profit and loss account.

Turning our attention to the most relevant deals carried out by Alba during 2001, we highlight the agreement reached by the Spanish shareholders of Media Planning Group to swap their aggregate holding of 55% in that company for shares of Havas Advertising, allowing Alba to acquire in May 2001 a 3.6% interest in the latter company, in addition to receiving 19.1 million euros (Ptas 3,172 million) in cash.

After this acquisition, in June, Alba increased its equity stake in Havas Advertising to 3.97%.

These transactions have made Alba one of the key shareholders of the world's fifth largest communications and advertising group and entitles Alba to a seat on the board of directors of Havas.

The holding in Havas Advertising, which is traded in Paris and New York (Nasdaq) gives our investment portfolio greater international diversification.

With operations in 75 countries, Havas offers a complete line of services, including advertising, direct marketing, media planning and buying, sales promotion, corporate communications and public relations.

We also wish to emphasise the acquisition in the last quarter of 2001 and early months of 2002 of a 5% stake in Acerinox, the world's third largest manufacturer of stainless steel. Acerinox has production facilities in Spain, USA and South Africa and achieves the best efficiency and productivity ratios in the sector. We believe the company's healthy margins, together with its growth prospects and experienced management team, represent a good long-term investment opportunity for Alba.

At December 31, 2001 Alba's holding in Acerinox was 1.9% and has now been raised to 5%, representing investments of 42.4 million euros (Ptas 7,052 million) and 123 million euros, respectively.

Also in 2001 Alba increased its equity interest from 2.2% to 2.7% in the company that provides mobile telephony services in Africa, MSI, in the course of the capital increase carried out by the wireless carrier. This new acquisition brings Alba's total investment in MSI to 16.4 million euros (Ptas 2,712 million). MSI currently holds GSM mobile telephony licenses in 12 African countries and financial stakes in operators in Egypt, Sudan and Hong Kong.

In June Alba sold 12.76% of the capital of Banco Urquijo to the bank's majority shareholder, the Kredietbank S.A. Luxembourgeoise group (KBL), for 63.0 million euros (Ptas 10,480 million), valuing the whole of the bank at 492.8 million euros (Ptas 82,000 million). This disposal reduces Alba's holding in Banco Urquijo to 9.98%, over which there have been agreed reciprocal put and call options between Alba and KBL that can be exercised during the years 2004 to 2006.

Within the framework of the policy of active management of our investment portfolio of listed companies, during the past year Alba reduced its holdings from 23.85% to 22.93% in ACS and from 3.74% to 3.29% in Carrefour. Alba likewise diminished the interest in Sogecable from the 11.33% stake held at year-end 2000 to 5.01%, thus bringing our stake in line with that of the rest of the financial partners. All of these deals were carried out before the events of September 11th.

As for our real estate division, Alba sold the 26.32% interest in the company Porto Pí, owner of the shopping complex of the same name in Palma de Mallorca, for 9.0 million euros (Ptas 1,500 million). We also acquired, for an outlay of 18.0 million euros (Ptas 3,000 million), an office building located in the area of La Florida in Madrid, with floor area of 11,600 square metres of office space and complementary services and 400 parking spaces. The building is fully leased.

After the close of the year, a purchase was made of 6,550 square metres of fully rented offices and 113 parking spaces in the Master's I building, located in the Azca complex in Madrid's business district.

The acquisition entailed an investment of 28.4 million euros (Ptas 4,725 million).

Given the excessive discount at which we believe Alba's stock was trading in relation to its underlying net asset value, over the course of 2001 we carried out share buybacks for 76 million euros (Ptas 12,645 million). The company has continued this share buyback policy, which we believe benefits our shareholders, during the early months of 2001.

We will now make some brief remarks on the 2001 performance of our main holdings. Further details on all of our corporate holdings may be found in other sections of this report.

ACS had an excellent year, widening its margins and strengthening its financial structure. In 2001 the ACS group obtained total sales of 3,921 million euros (Ptas 652,400 million), 15% higher than the figure for 2000. Some 52.4% of these sales came from the service businesses, which continue to increase their specific weight in the group's operations. The net profit for the group climbed to 149 million euros (Ptas 24,792 million), a 23.6% gain over the previous year, lifting the return on equity to 17.3%. The strong cash flow performance and reduction by practically half of working capital requirements allowed the net debt to be cut to 131 million euros (Ptas 21,797 million), even after having made capital expenditures of 201 million euros (Ptas 33,444 million).

For Carrefour 2001 was a year of consolidation and, at the same time, of reinvigorated commercial efforts, after having completed most of the integration process following the merger with Promodès.

Carrefour carried out an intense remodelling plan of its businesses in Belgium, Italy and Greece, countries where it had recently acquired control of its operations. The plan involved unification of its stores under common brands, application of new commercial policies and improved logistics and management systems. The results already began to make themselves felt at the end of the year, with a significant rise in sales in those countries.

Another fundamental management initiative at Carrefour during 2001 was the commercial effort waged in all markets in which the company is present, with even more competitive prices, broader assortments and more attractive promotions. This commercial policy, which will continue during 2002, allowed Carrefour to recover market share in the last quarter of the year in France and Spain, its two main markets.

Net sales for the Carrefour group during 2001 rose to 69,486 million euros (Ptas 11.6 trillion), up by 7% over the previous year's level, lifting ordinary net profit by 15% to 1,207 million euros (Ptas 200,828 million).

Against a backdrop marked by the crisis in the advertising market, which saw a 5% drop in worldwide advertising spending and may see, for the first time in 50 years, two consecutive periods of negative organic growth, Havas Advertising closed 2001 with sales of 2,241 million euros (Ptas 372,871 million), marking organic growth of 0.3% with respect to 2000. Nevertheless, in order to improve its profit margins and adapt to the situation in the market, the company has carried out a

restructuring of its activities that brought savings of 50 million euros (Ptas 8,319 million) in 2001 and will generate additional savings of 120 million euros (Ptas 19,966 million) in 2002.

Sogecable obtained consolidated revenues of 1,003 million euros (Ptas 166,902 million) in 2001, a 13% gain over the previous year. This advance was possible thanks to the rise in the number of subscribers, who numbered over 2 million by the end of the year after a gain of 93,000 new clients, as well as by the successes achieved in its film production and distribution business. Sogecable has thus maintained its clear leadership of the pay-TV market in Spain. In 2001 Sogecable made a consolidated net profit of 2.8 million euros (Ptas 466 million).

Vodafone, the world's number one mobile telephony operator, continued to push ahead with its international expansion in 2001, surpassing the 100 million customer mark, the majority of whom now operate under the "*Vodafone*" brand thanks to the recent brand unification drive. During the past year the company acquired control of Japan Telecom, the third ranked wireless operator in Japan, and is thus well placed to take advantage of the growth prospects for that market and acquire experience in data services. It also completed the acquisition of Eircell in Ireland and of 34.5% of Iusacell in Mexico. Unlike most of its competitors, Vodafone maintains a healthy financial structure, with debt less than 9% of its market capitalisation.

For its part, Xfera, the company which was awarded with Spain's fourth UMTS mobile telephony license, had to confront important changes in the telecommunications market which forced it to delay

the launch of its services. The Spanish market has already reached a penetration rate of over 70% of the population, but the terminals using the new technology are not yet available. Despite these difficulties, Xfera has maintained its investment efforts, focusing on network rollout and development of service platforms, and expects to become an efficient carrier from the operational and economic standpoint.

So far into 2002 Alba's investee companies are performing well, indicating that *Net profits from holdings consolidated by the equity method*, the most important recurring heading in our profit and loss account, should achieve satisfactory gains.

In relation to the distribution of profits for the year, the Board of Directors will propose to the shareholders in the annual general meeting a dividend distribution of €0.12 per share against 2001 earnings. This will mean payment in early June of a dividend of €0.06 per share in addition to the interim dividend paid in November. The dividend distribution is thus the same as for previous years. The Board is also bringing a proposal to the general meeting to reduce the company's capital by retiring treasury stock equal to [3]% of the share capital.

The Board will also propose for the general meeting to approve the resolutions needed to establish a company stock option plan, similar and supplementary to the one authorised at the May 2000 general meeting, in the belief that this system of compensation, on the modest terms proposed, is an effective instrument for actively engaging the company's management in the shareholder value creation process.

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

Cordially yours,

Juan March Delgado
Carlos March Delgado
Chairmen of the Board of Directors

CONSOLIDATED ECONOMIC-FINANCIAL DATA

This chapter presents a summary of Alba's consolidated financial statements arranged according to management criteria. The last part of this report contains the consolidated Annual Accounts, audited by Arthur Andersen, with more detailed information.

BALANCE SHEET

Discussed in this section is the evolution during 2001 of the most significant headings of the Alba consolidated Balance Sheet.

Net tangible fixed assets, which basically records properties owned by Alba and leased to third parties, reached 139.1 million euros (Ptas 23,138 million). This figure is 13.1% higher than one year earlier, primarily due to the purchase of an office building in Madrid for 18 million euros (Ptas 3,000 million).

The *Investments* heading declined to 670.0 million euros (Ptas 111,480 million), some 11.5% lower than the previous year. This variation is the consequence of the net effect of disinvestments (mainly Carrefour, ACS and Sogecable), investments (Havas Advertising, Xfera and MSI) and allocations to the *Provision for the securities portfolio* made during the year.

Goodwill pending amortization stands at 57.9 million euros (Ptas 9,625 million), reflecting the investment made in previous years in ACS. The decrease in this account during the year is the result of the amortizations and disinvestments made during the year.

Treasury stock reflects the buyback of 1,505,774 shares, acquired at an average price of 21.89 euros, for a total of 33.0 million euros (Ptas 5,484 million). These own shares represent 1.96% of the company's share capital.

Financial accounts closed the year at 249.6 million euros (Ptas 41,530 million) after recording a strong increase due to the cash generated from the period disinvestments.

Share capital stood at 77.0 million euros (Ptas 12,812 million). The decline in this heading with respect to the previous year is due to the

capital reduction approved by the shareholders in the general meeting of May 30, 2001.

Reserves ended the year at 588.1 million euros (Ptas 97,852 million), some 5.6% below the previous year's figure, mainly due to the capital reduction for retirement of treasury stock and the conversion differences produced in the investee companies.

Provisions rose in 2001 to 105.1 million euros (Ptas 17,486 million), versus 44.5 million euros (Ptas 7,400 million) one year earlier. This increase reflects the allocation made, pursuant to the accounting principle of prudence, to cover possible eventual risks relating to the slowdown in the economy as well as those which could arise from other contingent liabilities.

Current liabilities decreased 33.7% to 172.1 million euros (Ptas 28,627 million) as a result of the cash generated by the disinvestments made during the year, which resulted in diminished borrowing needs.

**CONSOLIDATED BALANCE SHEETS
BEFORE THE DISTRIBUTION OF PROFITS (1)**

	(In millions of €)			(In millions of pesetas)
	As of December 31, 1999	As of December 31, 2000	As of December 31, 2001	As of December 31, 2001
ASSETS				
Properties under lease... ..	150.1	140.2	160.1	26,630
Other tangible fixed assets	9.5	9.4	9.7	1,613
Gross tangible fixed assets	159.6	149.6	169.8	28,243
Accumulated depreciation & provisions	(24.8)	(26.6)	(30.7)	(5,105)
Net tangible fixed assets	134.8	123.0	139.1	23,138
Listed securities	494.5	579.6	594.6	98,930
Unlisted securities	146.6	177.6	103.7	17,250
Provision for the securities portfolio	—	—	(28.3)	(4,700)
Investments	641.1	757.2	670.0	111,480
Other intangible fixed assets	1.7	1.8	—	5
Total fixed assets	777.6	882.0	809.1	134,623
Goodwill	107.0	107.6	57.9	9,625
Stocks	1.8	1.0	0.1	19
Debtors	8.0	5.2	12.8	2,132
Treasury stock	9.0	24.3	33.0	5,484
Financial accounts	23.7	78.7	249.6	41,530
TOTAL ASSETS	927.1	1,098.8	1,162.5	193,413

(1) These balance sheets are presented according to management criteria, which explains the differences in certain headings with respect to the data included in the Annual Accounts.

**CONSOLIDATED BALANCE SHEETS
BEFORE THE DISTRIBUTION OF PROFITS (1)**

SHAREHOLDERS' EQUITY & LIABILITIES	(In millions of €)			(In millions of pesetas)
	As of December 31, 1999	As of December 31, 2000	As of December 31, 2001	As of December 31, 2001
Share capital	79.6	79.6	77.0	12,812
Reserves	524.9	623.0	588.1	97,852
Interim dividend	(4.8)	(4.7)	(4.6)	(765)
Profit for the year	107.9	93.5	218.8	36,410
Shareholders' equity	707.6	791.4	879.3	146,309
Minority interests... ..	1.5	1.0	0.8	131
Provisions	41.2	44.5	105.1	17,486
Long-term creditors	2.5	2.3	5.2	860
Loans received	162.6	256.4	166.2	27,648
Other debts, accruals and deferred income	11.7	3.2	5.9	979
Current liabilities	174.3	259.6	172.1	28,627
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES...	927.1	1,098.8	1,162.5	193,413

(1) These balance sheets are presented according to management criteria, which explains the differences in certain headings with respect to the data included in the Annual Accounts.

PROFIT AND LOSS ACCOUNT

Alba made a *Net profit* of 218 million euros (Ptas 36,410 million) in 2001, compared with 93.5 million euros (Ptas 15,560 million) recorded the previous year. This increase in net profit was for the most part due to the evolution of *Profit on the securities portfolio*, a non-recurring heading of the Profit and Loss Account. Earnings per share were 2.90 euros (482 pesetas), compared with 1.19 euros (226 pesetas) for 2000.

Net profits from holdings consolidated by the equity method totaled 77.4 million euros (Ptas 12,875 million), 2.9% less than the previous year, due to the smaller stake in some of the equity-consolidated companies. The reduction in our participation was partly offset by the good earnings performance generally recorded by these corporate holdings, the details of which are discussed in other parts of this report.

Rental income performed well and reached 9.8 million euros (Ptas 1,638 million), a 30.7% gain over the previous year. The new acquisitions made, together with the favourable trend in office rental prices, were the main drivers behind the advance in this heading.

Profits on the securities portfolio amounted to 272.0 million euros (Ptas 45,254 million), mainly reflecting the capital gains obtained on sale of shares of Carrefour (145.9 million euros), Sogecable (105.3 million euros) and Banco Urquijo (29.8 million euros).

Extraordinary income and provisions produced a 100.4 million euros (Ptas 16,706 million) charge to the P&L as a result of the allocations made to provisions for the year. The higher provisioning was due to the allocation made, pursuant to the accounting principle of prudence, to

cover possible eventual risks relating to slowdown in the economy, as well as those which could arise from other contingent liabilities.

Overheads reached 10.5 million euros (Ptas 1,745 million), equivalent to 0.57% of the company's stock market capitalization.

Net financial expenses produced revenues of 2.0 million euros (Ptas. 339 millions) as a consequence of the net cash position, that is, *Financial Accounts* minus *Loans received*, achieved with the disinvestments made over the course of the year.

Depreciation charges for the year totalled 4.1 million euros (Ptas 681 million), similar to the levels recorded in the preceding years.

Amortization of goodwill for the year was 27.7 million euros (Ptas 4,615 million) versus 75.7 million euros (Ptas 12,618 million) the previous year, and reflects the write-off of the goodwill generated in 2000 on the acquisition of ACS stock.

The *Corporate Income Tax* charge was 3.3 million euros (547 million).

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (1)

	(In millions of €)			(In millions of pesetas)
	1999	2000	2001	2001
Net profit from holdings consolidated by equity method...	66.1	79.7	77.4	12,875
Rental income	6.0	7.5	9.8	1,638
Profit on real estate transactions	9.9	6.9	3.4	566
Profit from the securities portfolio... ..	138.2	104.7	272.0	45,254
Extraordinary income and provisions	(3.7)	(4.1)	(100.4)	(16,706)
Subtotal	216.5	194.7	262.2	43,627
Overheads... ..	(8.8)	(10.2)	(10.5)	(1,745)
Financial expenses (net)	(1.3)	(7.6)	2.0	339
Depreciation	(3.7)	(4.2)	(4.1)	(681)
Amortization of goodwill	(88.6)	(75.7)	(27.7)	(4,615)
Corporate income tax	(6.3)	(3.6)	(3.3)	(547)
Subtotal	(108.7)	(101.3)	(43.6)	(7,249)
Minority interests	0.1	0.1	0.2	32
NET PROFIT	107.9	93.5	218.8	36,410

(1) The accounts for these years include consolidation by the equity method of the principal corporate holdings. Details on consolidation criteria and scope are included in the Annual Accounts that appear at the end of this Annual Report. These Profit and Loss accounts are presented according to management criteria, which explains the differences that result in certain headings with respect to the data included in the Annual Accounts.

SECURITIES PORTFOLIO AS OF DECEMBER 31, 2001

LISTED COMPANIES	Percent stake	Market value of shares (1)			Main quoting exchange
		Millions of €	Millions of Ptas	€ per share	
Acerinox	1.89	46.7	7,767	37.6	Madrid
ACS (c)	22.93	402.6	66,983	27.4	Madrid
Carrefour (c)	3.29	1,366.3	227,338	58.4	Paris
Havas Advertising (c)	3.97	98.2	16,340	8.1	Paris
Sogecable (c)	5.01	126.4	21,033	26.0	Madrid
Vodafone	0.23	460.6	76,643	2.9	London
Total market value		2,500.8	416,104		
Total book value		594.6	98,930		
Unrealized capital gains		1,906.2	317,174		

UNLISTED COMPANIES	Percent stake	Book value	
		Millions of €	Millions of Ptas
Banco Urquijo	10.0	23.7	3,947
March Gestión de Fondos	35.0	1.3	211
March Gestión de Pensiones	35.0	1.0	158
MSI	2.7	16.4	2,712
Palio	17.0	6.6	1,101
Princes Gate	n.a.	5.0	838
Quavitae (c)	20.0	3.4	565
Unipsa (c)	82.6	3.0	503
Xfera	7.1	40.5	6,740
Others (2)	n.a.	2.8	475
Total book value		103.7	17,250
Real estate holdings		132.1	21,987

(1) Market prices and exchange rates as of the last business day of December.

(2) Includes, amongst others, the holdings in Batmap (15.2%), Broadnet (3.9%), I-Network (28.6%), Optize (20.3%) and Peoplecall (9.0%).

(c) Holdings consolidated by equity method.

The changes undergone by the Alba securities portfolio in 2001 are shown in the table below:

LISTED COMPANIES	Percent stake		Change
	12-31-00	12-31-01	
Acerinox	0.0	1.89	1.89
ACS	23.85	22.93	(0.92)
Carrefour	3.74	3.29	(0.45)
Havas Advertising	0.0	3.97	3.97
Sogecable	11.33	5.01	(6.32)
Vodafone	0.24	0.23	(0.01)
UNLISTED COMPANIES			
Banco Urquijo	22.7	10.0	(12.7)
March Gestión de Fondos	35.0	35.0	—
March Gestión de Pensiones	35.0	35.0	—
Media Planning Group	21.6	0.0	(21.6)
MSI	2.2	2.7	0.5
Palio	17.0	17.0	—
Porto Pi	26.3	0.0	(26.3)
Princes Gate	n.a.	n.a.	—
Quavitae	20.0	20.0	—
Unipsa	82.6	82.6	—
Xfera	7.1	7.1	—

SECTORIAL DIVERSIFICATION

Adding Alba's other assets and liabilities to the securities portfolio, valued according to criteria consistent with those customarily used by analysts, yields the following sectorial breakdown of the company's investment as per the yearend situation and prices for each of the last three years (in %):

	Percentage		
	1999	2000	2001
— Distribution and retail... ..	59	53	47
— Telecommunications	13	21	18
— Construction	6	11	14
— Media	20	12	8
— Real estate	3	5	7
— Banking and financial services	2	3	2
— Others	1	1	2
— Net debt	-4	-6	2
	100	100	100

INFORMATION ON HOLDINGS

ACS

Against a backdrop of global economic slowdown, construction remained one of the most dynamic sectors of the Spanish economy last year, with estimated real growth of 5.6%, driven by execution of the 2000-2007 Infrastructure Plan.

This favourable setting has allowed the ACS Group to achieve gains in its construction business of 12.3% in revenues and 33.2% in net profit. This rise in profits reflects the improvements achieved in margins and net financial income.

The services businesses, which are less cyclical and now account for 52.4% of consolidated turnover, also contributed to Group growth with gains of 16.9% in revenues and 19.0% in net profit. The current weakness of the telecommunications market has been more than offset by increased activity in electrical networks, combined cycle facilities, railroads, renewable energies and the environment.

Total turnover was 3,921 million euros (Ptas 652,400 million) 15% higher than the previous year, and net profit reached 149 million euros (Ptas 24,792 million), a 23.6% gain that brought the return on equity to 17.3%

These gains in size and profitability have been accompanied by a clear strengthening of the Group's financial position. The 231 million euros (Ptas 38,435 million) of cash flow and reduction, by practically half, of working capital requirements allowed ACS to cut its net debt to 131 million euros (Ptas 21,797 million) despite the capital expenditure carried out during the year. This represents a 38% reduction of debt with respect to the previous year, resulting in a debt-equity ratio of 14.4%.

The 201 million euros (Ptas 33,444 million) capital expenditure for the year was highlighted by outlays in wind farms and solid urban waste treatment plants for a combined sum of 75 million euros (Ptas 12,479 million). Given the uncertainties currently affecting the telecommunications industry, capital spending in this sector was reduced to 23 million euros (Ptas 3,827 million).

In all, and considering the last four years, investments made total over 1,000 million euros (Ptas 166,386 million), approximately 40% of which was dedicated to diversification of the Group, 30% to infrastructure concessions, renewable energies and waste treatment plants, and 9% to telecommunications, with the rest used for regular investments, that is, maintenance of production assets.

The order book at December 31 totalled 6,810 million euros (1.1 trillion pesetas), giving 21 months coverage of operations in construction and 22.3 months in services.

Key figures

(in millions of euros unless otherwise indicated)

	1999	2000	2001
Shareholders' equity	655	815	911
Net debt	323	213	131
Gross turnover	2,700	3,410	3,921
Ordinary profit... ..	122	173	222
Net profit	85	121	149
ROE	14.9%	15.5%	17.3%
Dividend per share (€)	0.39	0.50	0.60
Stock market capitalization (at 12/31)	1,294	1,608	1,755

www.grupoacs.com

CARREFOUR

After completion of the greater part of the integration process which followed the merger with Promodès, the group's objectives in 2001 were focused on consolidating activities in those countries, such as Belgium and Italy, where it had recently acquired control of operations, and in reinforcing its commercial initiatives in all markets.

Thus, in Belgium an intense operations reorganisation plan was carried out, including store remodellings, application of new commercial policies and improvements in the logistics and management systems. The remodelling plan entailed outlays of 150 million euros (Ptas 24,958 million) during 2001, which have been reflected in an 8.5% gain in sales on a like-for-like sales area comparison in the last quarter of the year. Similar processes are being carried out in Italy and Greece.

Also, during 2001 Carrefour stepped up its commercial efforts in all the markets in which it is present, offering more competitive prices, broader assortments of products and more attractive promotional initiatives. This commercial policy, which will continue during 2002, has allowed the retail group to recover market share in the last quarter of the year in France and Spain, its top two markets.

In addition, in order to concentrate its efforts on the Group's strategic activities and formats, Carrefour sold its holdings in Picard Sùrgelés (100%), Cora (42%) and Metro France (20%). The aggregate proceeds from these disposals, together with the sale of stores mandated by the European Union competition authorities when approving the merger with Promodès, amounted to 3,660 million euros (Ptas 608,973 million), which allowed Carrefour to reduce its debt by 2,300 million euros (Ptas 382,688 million), thus improving its gearing ratio by 17.4 percentage points with respect to the previous year.

During 2001 Carrefour opened 32 hypermarkets, 64 supermarkets and 242 discount stores to finish the year with 5,233 group-owned stores. Including franchise outlets, the total number of stores at year-end 2001 was 9,225.

Net sales for Carrefour advanced to 69,486 million euros (Ptas 11.6 trillion) for 2001, a 7% gain over the previous year. Stripping out the negative effect of exchange rate fluctuations, mainly in respect of operations in Latin America, sales rose by 9%.

The group's net ordinary profit reached 1,207 million euros (Ptas 200,828 million), 15% higher than the previous year, and the net profit attributable to the group, after taking into account extraordinary items, amounted to 1,266 million euros (Ptas 210,645 million), an advance of 19% over the figure for 2000.

Key figures

(in millions of euros unless otherwise indicated)

	1999 (1)	2000	2001
Shareholders' equity	6,433	7,610	6,986
Sales (excluding VAT)	51,948	64,802	69,486
EBITDA (2)	3,228	4,410	4,528
EBIT (3)	1,979	2,725	2,826
Net ordinary profit			
– Before amortization of goodwill	1,149	1,377	1,575
– After amortization of goodwill	915	1,050	1,207
Net profit	898	1,066	1,266
Earnings per share (€/share)	1.31	1.51	1.70
Stock market capitalization (at 12/31)	62,711	47,576	41,531

(1) *Pro forma* figures.

(2) Earnings before interest, tax, depreciation and amortization.

(3) Earnings before interest and tax. Does not include amortization of goodwill.

www.carrefour.com

HAVAS ADVERTISING

In 2001 the Spanish shareholders of Media Planning Group (MPG) reached an agreement to swap their aggregate 55% in the company for shares of the Havas Advertising agency, which thus obtained control of 100% of MPG. Under the agreement, Alba received 10.7 million shares of Havas Advertising, representing 3.6% of its capital, and 19.1 million euros (Ptas 3,172 million) in cash. Alba subsequently increased its stake to 3.97%.

Havas Advertising is the fifth ranked advertising and communication agency in the world. With presence in 75 countries, it offers advertising, direct marketing and media planning and buying services.

The group is organised into three divisions: Euro RSCG, Europe's leading advertising agency and with operations in the United States and Latin America; Arnold Worldwide, of US origin and the group's second ad agency; and Media Planning Group, in charge of media planning and buying services.

The advertising industry was hurt by the economic slowdown in 2001 and, at the international level, advertising spending dropped 5% with respect to the previous year. For the first time in 50 years, this market may see two consecutive years of negative growth. In this adverse macroeconomic context, Havas Advertising achieved sales higher than the previous year, posting organic growth of 0.3%. In 2001 Havas recorded sales of 2,241 million euros (Ptas 372,871 million), with an operating profit of 233 million euros (Ptas 38,768 million).

During 2001 Havas broadened its customer portfolio to include companies from diverse business sectors, such as Aventis and Novartis in the

pharmaceutical industry; Danone, Heineken and Cadbury in food; Orange, Vodafone and France Telecom in telecommunications; and BBVA and Credit Suisse in finance.

To adapt to the current market situation, the company has carried out a plan for restructuring and reorganising its subsidiaries. The plan, which cost 100 million euros (Ptas 16,638 million), brought savings of 50 million euros (Ptas 8,300 million) in 2001 and is expected to generate additional savings of 120 million euros (Ptas 19,966 million) in 2002.

Key figures

(in millions of euros unless otherwise indicated)

	1999	2000	2001
Shareholders' equity	733	1,127	1,442
Sales (1)	1,727	2,284	2,241
EBIT (1) (2)	232	318	233
Net profit			
– Before goodwill and extraordinary	78	123	110
– After goodwill and extraordinary	54	89	(58)
Earnings per share (€/share)	0.47	0.60	0.38
Stock market capitalization (at 12/31)	1,788	4,546	3,457

(1) Pro forma Sales and EBIT 1999 and 2000, include results of Snyder for entire years.

(2) Earnings before interest and tax.

www.havas-advertising.com

SOGECABLE

In 2001 Sogecable recorded consolidated revenues of 1,003.1 million euros (Ptas 166,902 million) for a 12.6% gain over the previous year. This advance was primarily due to the increase in revenues from subscribers and from the motion picture business.

Sogecable's subscriber base achieved satisfactory growth. At December 31, 2001 Canal + had 1,871,000 subscribers, maintaining its clear position as the leading pay-TV channel in Spain. During the year it signed up 113,000 new customers, a very favourable gain when compared with the decline of 8,000 subscribers recorded the previous year.

Canal Satélite Digital reached 1,230,000 subscribers at the end of the year, posting a gain of 178,000 new subscribers in the year.

On the whole, Sogecable reached a total of 2,017,000 subscribers at December 31, 2001, adding 93,000 new clients for its offerings in the last 12 months. The subscribers for the offering represent 61% of the total.

The company continued its policy of strengthening its offering of quality programming by adding over the course of the year channels such as "Canal + ... -30", "Canal Operación Triunfo", "Golf +", "Disney Chanel + 1", "Toon Disney", "Play house", "Eurosport News", "40 Latino", "Fox" and "Fox News".

In the motion picture area the company achieved important successes in its film production and distribution business. The film "The Others" has become a popular box office hit in all countries in which it has been marketed. Sogecable's share of Spanish movie screens for Spanish films reached 42% for the year.

Sogecable obtained a consolidated net profit of 2.8 million euros (Ptas 466 million) in 2001.

Key figures

(in millions of euros unless otherwise indicated)

	1999	2000	2001
Shareholders' equity	362.3	350.9	349.3
Revenues	763.8	890.9	1,003.1
Net profit (loss)	(13.9)	(11.4)	2.8
Number of subscribers (000s)			
Canal Plus	1,766	1,758	1,871
CSD	813	1,052	1,230
Stock market capitalization (at 12/31)	6,172	2,037	2,522

www.sogecable.es

VODAFONE

Vodafone, the world's largest mobile telephony operator, continued to pursue international expansion throughout 2001, passing the 100 million customer mark.

In 2001 Vodafone took control of Japan Telecom, the country's third ranked wireless carrier. In addition to expanding the group's global coverage, this acquisition will allow Vodafone to take advantage of the good growth opportunities in the Japanese market and acquire experience in data services, an area in which Japan Telecom has deep knowledge. Vodafone also completed the acquisitions of Eircell in Ireland and of a 34.5% stake in Iusacell in Mexico, while increasing its stake in Airtel (Spain) and Vodafone Australia to 91.6% and 95.5%, respectively.

Vodafone now operates under the 'Vodafone' brand name in the main countries in which it is present. Brand unification will facilitate the management of advertising spending and attainment of cost savings.

The company's financial situation allowed it to obtain the A-rating in a year when the rest of the operators have seen their balance sheets weakened by payments for UMTS licenses. The carrier's disposal of non-strategic assets and strong cash flow have allowed it to keep debt to below 9% of its capitalization.

Vodafone obtained sales of 13,492 million pounds (22,150 million euros) in the six months ended in September 2001 which, gives an organic growth rate with constant exchange rates of 13% with respect to the previous year. Earnings before interest, tax, depreciation and amortization, likewise in a like-for-like comparison grew 26% in those six months,

thanks to the above-mentioned sales growth and three percentage point widening of margins.

Key figures (in millions of £ unless otherwise indicated)	4/1/1999- 3/31/2000 (1)	4/1/2000- 3/31/2001 (1)	4/1/2001- 9/30/2001 (1)
Clients (millions)	53.3	83.0	99.8
Shareholders' equity	140,833	145,393	138,445
Sales	16,590	21,428	13,492
EBITDA (2)	5,504	7,043	4,778
EBIT (3)	3,977	5,019	n.d.
Net profit			
– Before goodwill and extraordinary	1,276	2,304	1,702
– After goodwill and extraordinary	487	(9,763)	(9,735)
Earnings per share (p/share) (4)... ..	4.71	3.75	2.51
Stock market capitalization (millions of £) (5)...	214,000	125,000	102,000
Stock market capitalization (millions of €) (5)	351,000	206,000	168,000

(1) The Vodafone financial year ends March 31.

(2) Earnings before interest, tax, depreciation and amortization.

(3) Earnings before interest and tax.

(4) Before goodwill and extraordinary.

(5) Stock market capitalization at 3/31 or 9/30.

www.vodafone.co.uk

BANCO URQUIJO

Last year Alba exercised part of the put option agreed with KBL over shares of Banco Urquijo, reducing its holding in the bank to 9.98%. The sale of 12.76% of Banco Urquijo's capital was made at a price that values the whole of the bank at 492.8 million euros (Ptas 82,000 million), generating a capital gain of 29.8 million euros (Ptas 4,958 million).

There is a new put option over the rest of the holding in the bank, which may be exercised as from January 1, 2004 at a price determined by applying certain stock market multiples and which in no event will be lower than 80% of the price of last year's transaction.

One consequence of Banco Urquijo's specialisation in private banking and capital markets is that its earnings have been affected by the unfavourable situation in which financial markets have been immersed for two consecutive years.

Thus, the 16.1% increase in net interest income was offset by declines of 45.4% in trading profits and 16.2% in commission income. The decrease in the latter shows that the growth of SIMCAVs mutual funds was not enough to make up for the decline in stock market brokering and management of funds.

Net loans and advances declined 1%, while the non-performing loan rate remained below 0.5%. Customer funds also declined 11.6%. In response to this adverse situation, the bank's management has implemented an efficiency enhancement plan.

Net profit attributed to the group amounted to 17 million euros (Ptas 2,829 million), with a decline of 30.7% with respect to the previous year.

Key figures

(in millions of euros unless otherwise indicated)

	1999	2000	2001
Total assets	4,370	4,864	5,494
Capital	93	93	93
Shareholders' equity	243	254	234
Net profit	21	25	17
Number of offices	57	58	58
Number of employees	1,130	1,107	1,115
Mutual funds and other assets under management	3,626	3,558	3,329

www.bancourquijo.es

QUAVITAE

In 2001 Quavitae's business continued to record the brisk growth seen in the preceding years. Turnover grew 45% to 34.8 million euros (Ptas 5,790 million) from 24.0 million euros (Ptas 3,993 million) in 2000. The number of users served also rose 14% to reach 26,765.

Analysed by business line, there was remarkable growth in at-home care, with revenues rising by 88% and the number of users assisted increasing 118% to reach 5,900 homes.

A major effort was made in day-centres and in residences, and at year-end there were 34 day centres with a total of 1,326 places and 24 residences with 4,274 places. Various centres are under construction or in the post-land-acquisition design stage.

During 2001 the company implemented a change of strategy to concentrate on the private market. This new strategy pivots on development of residential centres for the elderly, both with the start-up of new projects and greater progress in others begun in 2000, amongst which we may highlight the following:

- Start of works, either for rehabilitation or construction, on the following residences:
 - Villa Sacramento in San Sebastián (123 permanent and 30 day places).
 - Càn Granada in Palma de Mallorca (237 permanent and 30 day places).
 - Antoni M.^a Claret in Barcelona (245 permanent and 40 day places).
 - Sierra Alcubierre in Vallecas (Madrid) (141 permanent and 30 day places).

All of these facilities will open in the last months of 2002.

- Creation of the 50%-owned company Rocavitaes Centros Asistenciales, S.L. to promote construction of a private residential centre for foreigners in Gran Canaria and to develop the international tele-assistance business.

- Creation of the 50%-owned company Provitaes Centros Asistenciales, S.L. to promote construction of a tourist/care complex for the elderly in Villajoyosa (Alicante). This is the first far-reaching project (35,000 m² buildable) intended for European senior citizens on Valencia's *Costa Blanca*.

- Opening of a senior citizen residential centre for foreigners in Marbella (141 places) through the 50%-owned company Azul Centros Residenciales, S.A.

- In addition to the development of private centres, in 2001 two public residential centres were inaugurated:

- Ariznabarra (Vitoria) administrative concession awarded to Quavitaes for fifty years by the provincial government of Álava.
- Jazmín (Madrid) first Alzheimer-specialised residence, for the Madrid municipal government.

Key figures

(in thousands of euros)

	1999	2000	2001
Shareholders' equity	8,143	15,853	16,866
Turnover	17,225	24,020	34,796
Net cash flow	1,833	2,110	2,651
Net profit	968	949	974

www.quavitaes.es

UNIPSA

In 2001 the UNIPSA Group brokered a volume of insurance premiums of 167.7 million euros (Ptas 27,900 million), 16% more than the previous year, compared with the 2.7% average growth for the sector as a whole. Revenues for services provided by all companies of the Group rose to 13.7 million euros (Ptas 2,288 million), 7.6% higher than the previous year. Revenues grew less quickly than the premium volume brokered because the expansion of the business was primarily achieved in segments with a below-average gross operating margin.

In 2001 the insurance broker Carrefour Correduría de Seguros was incorporated to market insurance products for individuals at each of the Carrefour Group shopping complexes. This broker has commenced operations in 2002 and plans to set up insurance points-of-sale at 54 sites. UNIPSA holds a 25% stake in the broker.

Key figures

(in millions of euros)

	1999	2000	2001
Premium volume	110.8	144.6	167.7
Consolidated revenues	4.3	4.9	5.2
Profit before tax	1.9	2.6	2.9
Group's share in net profit	1.5	2.0	2.2

www.unipsa.com

XFERA

Xfera is the company which was awarded Spain's fourth mobile telephony license. In addition to Alba, its shareholders include partners of international prestige such as ACS, Sonera and Vivendi.

Over the course of 2001 Xfera had to deal with important changes in the telecommunications market that have affected the company's prospects as the country's fourth operator. In addition to the high penetration rate of mobile telephone services, which is now above 70% of the population, there was further delay in the arrival of the new generation of terminals which prevented the launch of services.

The new handsets will allow carriers to offer clients new services, such as mobile access to internet, multimedia products with images and high-quality graphic support, and development of electronic commerce and banking using mobile phones.

Despite these difficulties, Xfera has kept up an intense investment campaign, concentrating on rolling out its network and developing service platforms. When its commercial operations start up, it will take advantages of being a new entrant in the industry, such as the capability to use the latest generation technology and equipment without having to implement compatibility between different inherited technologies and services. It will also have an efficient cost structure, primarily thanks to arrangements for sharing infrastructures with other operators.

Key figures

(in millions of euros)

	2000	2001
Shareholders' equity	305	367
Fixed assets	201	663
Capitalized expenses	64	281
Operating Profit (1)	34	13
Net Profit (1).....	0	(7)

(1) Operating profit and Net profit include revenues from capitalization of expenses.

www.xfera.com

OTHER COMPANIES

The following paragraphs review developments at March Gestión, MSI, Palio and Princes Gate. At the close of the year these companies had a book value of 30.2 million euros (Ptas 5,020 million) and accounted for 1% of Alba's net asset value.

MARCH GESTION DE FONDOS MARCH GESTION DE PENSIONES

After commencing operations in January 2001, March Gestión de Fondos and March Gestión de Pensiones have carried on their business in a very unfavourable setting, with the global economy cooling off and slumping equity markets, prompting a migration of savings away from mutual funds and toward investments considered safe havens, like bank deposits and real estate. Despite this trend, the total assets under management at year-end amounted to 523 million euros.

In mutual funds, the risk aversion shown by shareholders translated into a major shift out of higher-risk equity and mixed funds and into money market funds, with the consequent negative effect on the average fee.

But none of the above prevented the two fund manager companies from closing the year with a modest profit, despite having written off all their start-up expenses.

MSI (MOBILE SYSTEMS INTERNATIONAL)

In 2001 MSI maintained strong growth in number of clients and revenue. These advances allowed the company to obtain EBITDA of \$28 million (31.7 million euros) in 2001, thereby assuring its capacity to self-finance operations.

Particularly good results were obtained in the Democratic Republic of the Congo, where 100,000 new subscribers were signed up in little more than one year, and in Gabon, a small but oil-rich country in which MSI reached the 50,000 client market after one year. In Tanzania the company completed the acquisition of 35% of TTCL, the country's fixed-line operator, and launched mobile telephony services in November.

MSI continues seeking out growth opportunities in Africa, where it expects to participate in new tenders in the medium-term future.

Key figures

(in millions of dollars unless otherwise indicated)

	1999	2000	2001
Sales	19	58	153
EBITDA	(16)	(17)	28
EBIT	(22)	(34)	(7)
Net profit	(2)	(40)	(14)
Clients (1)	41,000	163,000	604,000

(1) Only includes the clients of each subsidiary in proportion to MSI's ownership interest in the subsidiary.

www.msi-cellular.com

PALIO

Last year was a difficult year for companies in technology, telecommunications and retail, the sectors in which the Palio holding company focuses its investments.

Throughout 2001, as in the previous years, Palio significantly increased the weighting of unlisted companies in its investment portfolio. Projects such as MSI (company offering mobile telephony services in Africa) or Failsafe (which offers IT outsourcing services for large companies in Singapore) are performing well despite the unfavourable market conditions.

Through the investment in Palio, Alba is able to co-participate in investments in unlisted companies.

Shown below are the composition and changes of Palio's investment portfolio:

	2000	2001
Holdings in listed companies	58.2%	72.0%
Holdings in unlisted companies	18.4%	20.3%
High-yield bonds	10.4%	5.7%
Cash and cash equivalents	13.0%	2.0%
TOTAL	100%	100%

www.palio.ch

PRINCES GATE

Princes Gate is a North American fund whose international investors include Morgan Stanley, which also manages the fund. The fund has committed capital of \$1,625 million (1,847 million euros), of which \$50 million (57 million euros) has been committed by Alba. These funds will be used to invest in unlisted US and European companies across diverse sectors and in which the fund invests more than \$50 million (57 million euros). The investment period ends March 2004.

During 2001 the fund made a total of \$67.6 million (76.6 million euros) in investments, some \$2.6 million (2.9 million euros) of which were contributed by Alba. The most significant investment during the year was in Axis, an insurance company created at the end of 2001 to take advantage of the over-demand seen in the insurance sector, with the consequent increase in premiums. The total investment in Axis was \$50 million (56.7 million euros), of which Alba contributed \$2 million (2.3 million euros).

At year-end 2001 had made gross investments of \$200 million (227 million euros), \$7 million (8 million euros) of which were from Alba.

REAL ESTATE ACTIVITIES

In 2001 net rental income from property leases totalled 9.8 million euros (Ptas 1,631 million), an increase of 31% over the figure obtained in 2000. Remarkably, the buildings held by Alba for rent, have been fully occupied during the year.

The main deals carried out by Alba's real estate portfolio were the following:

- Acquisition of a fully rented building with 11,000 m² of office space, 600 m² for complementary uses and 400 parking spaces, for 18 million euros (Ptas 3,000 million), located in the area of the La Florida development in Madrid.
- Sale of the 26.3% holding in the company Porto Pí, S.A., owner of the shopping complex of the same name in Palma de Mallorca. The sale price was 9.0 million euros (Ptas 1,500 million), bringing in a capital gain of 6.6 million euros (Ptas 1,100 million).
- Construction of an industrial-warehouse building, rented out as from completion of construction in the Inca (Mallorca) industrial park, with 2,500 m² of covered floor area. The building is worth 1.4 million euros (Ptas 233 million).

After the close of the year, in January of 2002 Alba made a purchase in the Master's I building in the AZCA zone, the main property complex in the Madrid business district. The acquisition includes six floors of offices, with a combined floor area of 6,550 m², and 113 garage spots. At present, these offices are leased out in full.

The purchase involved an outlay of 28.4 million euros (Ptas 4,725 million).

At present, the 110,000 square metres comprised by the Alba real estate portfolio represent a total investment of 167 million euros (Ptas 27,786 million), with an estimated market value of 218 million euros (Ptas 36,325 million). The portfolio is 87% composed of office buildings and the remaining 13% consists of mixed-use industrial buildings and hotels.