

AUDITORS' REPORT

INFORME DE AUDITORÍA EN INGLÉS

CORPORACION FINANCIERA ALBA, S.A. AND DEPENDENT COMPANIES
2003 Consolidated Financial Statements and Management Report together with Auditors' Report
Translation of reports and consolidated financial statements originally issued in Spanish and prepared in accordance with generally
accepted accounting principles in Spain (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

2003 CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2002 AND 2003

ASSETS (000s of €)	2002	2003
FIXED ASSETS	866,696	876,899
Intangible fixed assets	24	30
Tangible fixed assets (Note 7)	161,732	154,749
Land and properties	192,162	188,274
Machinery and installations	2,891	3,025
Other tangible fixed assets	1,959	1,954
Depreciation	(35,280)	(38,504)
Investments	704,940	722,120
Holdings in companies consolidated by		
the equity method (Note 8)	606,585	641,706
Long-term securities (Note 9b)	162,609	144,551
Other investments	1,695	1,754
Provisions (Note 9b)	(65,949)	(65,891)
GOODWILL (Note 10)	126,934	179,209
CURRENT ASSETS	124,213	72,674
Stocks (Note 11)	340	563
Debtors	77,363	47,435
Clients from sales of goods and services	200	141
Government (Note 15)	71,593	44,622
Other debtors	5,570	2,764
Provisions	—	(92)
Short-term investment	2,284	3,088
Parent company shares (Note 12c)	44,067	21,115
Liquid assets	129	444
Prepayment and accrued income	30	29
TOTAL ASSETS	1,117,843	1,128,782

Notes 1 to 23 of the Report form an integral part of the consolidated Balance Sheet at December 31, 2003.

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2002 AND 2003

SHAREHOLDERS' EQUITY AND LIABILITIES (000s of €)	2002	2003
SHAREHOLDERS' EQUITY (Note 12)	911,688	881,398
Share capital	74,700	67,520
Other reserves of the parent company	98,465	46,741
Unrestricted reserves	33,489	18,425
Restricted reserves	50,250	26,672
Profit and loss brought forward	14,726	1,644
Consolidation reserves	565,860	588,636
Reserves in companies consolidated by global integration... ..	735,575	758,009
Reserves in companies consolidated by equity method... ..	(169,715)	(169,373)
Profit (loss attributable to parent company (Note 5)... ..	176,995	182,502
Consolidated profit and loss	176,897	182,480
Profit and loss attributable to minority interests ...	98	22
Interim dividend distributed durant the financial year (Note 5)	(4,332)	(4,001)
MINORITY INTERESTS	691	669
PROVISIONS FOR RISKS AND EXPENSES (Note 13)	74,602	23,696
OTHER LONG-TERM CREDITORS	2,020	2,010
CURRENT LIABILITIES	128,842	221,009
Debts with credit institutions (Note 14)... ..	103,098	218,227
Trade accounts payable... ..	1,615	1,696
Government (Note 15)	23,407	390
Other non-trade accounts payable	722	696
 TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	 1,117,843	 1,128,782

Notes 1 to 23 of the Report form an integral part of the consolidated Balance Sheet at December 31, 2003.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE YEARS ENDED ON
 DECEMBER 31, 2002 AND 2003**

EXPENSES (000s of €)	2002	2003
Change in stocks (cost of sales) (Note 11)	166	123
Personnel expenses	7,457	7,793
Wages, salaries and similar items	6,003	6,244
Welfare charges	1,454	1,549
Allocations to depreciation and amortisation of fixed assets	5,010	4,907
Variation in operating provisions	—	92
Other operating expenses	4,204	3,650
Financial expenses	4,236	5,934
Changes in provisions for financial investments	27,157	4,655
NET FINANCIAL INCOME	—	79,864
Consolidation goodwill write-offs (Note 10)	34,020	10,127
PROFIT FROM ORDINARY ACTIVITIES	149,229	155,478
Extraordinary expenses and losses	1,530	743
NET EXTRAORDINARY PROFIT... ..	30,247	52,121
CONSOLIDATED PRE-TAX PROFIT	179,476	207,599
Corporate income tax (Note 15)	2,579	25,119
CONSOLIDATED PROFIT FOR THE YEAR... ..	176,897	182,480
Minority interests	98	22
CONSOLIDATED PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY ...	176,995	182,502

Notes 1 to 23 of the Report form an integral part of the consolidated Profit and Loss Account for 2003.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE YEARS ENDED ON
 DECEMBER 31, 2002 AND 2003**

INCOME (000s of €)	2002	2003
Net turnover (Note 18a)	12,128	11,459
Net rentals	12,051	11,353
Net sales of stocks	77	106
OPERATING LOSS	4,709	5,106
Income from equity holdings (Note 9d)	4,139	4,492
Other interest income (Note 9d)	622	231
Profits on financial investments (Note 9b)	11,368	84,770
Exchange gains (Note 9d)	1,453	960
NET FINANCIAL LOSS	13,811	—
Profits from companies consolidated		
by the equity method (Note 8)	103,763	87,520
Profits on disposal of holdings consolidated		
by the equity method (Note 8)	98,006	3,327
Profits on tangible fixed-assets disposals (Note 7)	1,169	2,572
Extraordinary income and profits (Note 13)	30,608	50,292

Notes 1 to 23 of the Report form an integral part of the consolidated Profit and Loss Account for 2003.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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 2003 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	
Alaró, S.A. 19-21, Bd. du Prince Henri L-1724-Luxembourg	Securities investment	—	100.00	22,588
Alba Inmobiliaria, S.A.... Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	—	100.00	80,320
Inversiones Aramayona, S.A. Vicente Goicoetxea, 6, 7.º 01008 Vitoria-Gasteiz	Securities investment	—	100.00	63,863
Inversiones Artá, S.A. Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	100.00	—	89,325
Inversiones Finalba, S.A. Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	100.00	—	28,308
Fianteira, S.A. Castelló, 77, 5.ª planta 28006 Madrid	Real estate investment	—	77.92	3,754
Fondarte, S.A. Castelló, 77, 5.ª planta 28006 Madrid	Securities investment	—	100.00	635,752
Unipsa Correduría de Seguros, S.A. Lagasca, 88 28001 Madrid	Insurance brokerage	82.57	—	10,922

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

3. Affiliated companies

Shown below is the information for 2003 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 steel products	6.56
Actividades de Construcción y Servicios, S.A.	Avda. de Pío XII, 102 (Madrid)	Construction and services	13.32
Carrefour, S.A.	6. Av. Raymond Poincaré 75016 París (Francia)	Retail trade	3.35
Havas, S.A.	2, Allée de Longchamp Suresnes Cedex (Francia)	Advertising and Communications	4.24
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	5.24
Quavita, S.A.	Fuencarral, 123 (Madrid)	Senior citizen care	20.00
Rablin, S.A.	Gaztambide, 49 (Madrid)	Securities investment	40.00

4. Bases of Presentation of the Annual Accounts

The consolidated annual accounts have been prepared in accordance with the provisions of the Spanish Commercial Code (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 1815/1991 for the presentation of consolidated annual accounts, given the absence of an adapted version of these standard forms that takes into account that income from the sale of securities, while not regular, constitutes ordinary income for a holding company such as Alba.

The annual accounts have been prepared by the Board of Directors for their submission to 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 2003 has changed compared to 2002 as shown below:

- Variations in shareholdings:

Acerinox, S.A.	0.23%
Carrefour, S.A.	0.08%
Havas, S.A.	(0.06%)
Prosegur Compañía de Seguridad, S.A.	0.01%

In 2003, the merger took place between Actividades de Construcción y Servicios, S.A. and Grupo Dragados, S.A. In addition to share purchases in these companies, the result has been that the overall shareholding of Alba has changed from 22.34% to 13.32%.

5. Distribution of Profits

The distribution of consolidated profits for 2003, as proposed by the Board of Directors, is as follows (000s of €):

<u>Distribution Bases</u>	
Profit (Loss)	182,502
	<hr/>
<u>Distribution</u>	
To Reserves	174,507
To Dividends:	
Interim dividend	4,001
Final dividend	3,994
	<hr/>
Total	182,502
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The interim dividend amounted to 6 percent of the nominal value of each share and has been recorded in the accompanying consolidated Balance Sheet as a decrease in shareholders' equity.

In order to comply with the requirements of Section 216 of the 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 24, 2003, adopted the resolution appearing in Note 22-c.

6. Valuation standards

The principal valuation criteria used in preparing the consolidated Annual Accounts, in accordance with the provisions of the Spanish General Chart of Accounts (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 which 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 as indicated below:

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

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

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

Investments securities are stated at the lower of cost or market value. In the latter case, the necessary allocations to depreciation provisions are made. For listed securities, market value is considered to be the lower of the average official market price for the last quarter of the year and the year-end market price. For unlisted securities, market value is considered to be equal to the year-end underlying book value adjusted for the amount of unrealised capital gains existing at the moment of acquisition and currently 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 12-c)

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 and temporary differences between earnings as per the books and the taxable base for corporate income tax, less available deductions and credits against tax payable.

The Group's share in the earnings of affiliated companies is recorded net of corporate income tax.

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, 2003 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

At December 31, 2003 Alba had 103,647 m² of floor area available for rent, with an occupancy rate of 95%.

Changes in the tangible fixed asset accounts and their related accumulated depreciation for the year 2003 were as follows (000s of €):

	Land and Properties	Machinery and installations	Other tangible fixed assets	Total tangible fixed assets
COST:				
Balance at 1/1/2003	192,162	2,891	1,959	197,012
Purchases	1,320	437	46	1,803
Sales	(5,208)	(303)	(51)	(5,562)
Balance at 12/31/2003	188,274	3,025	1,954	193,253
ACCUMULATED DEPRECIATION:				
Balance at 1/1/2003	(31,667)	(2,217)	(1,396)	(35,280)
Allocations	(4,486)	(152)	(260)	(4,898)
Reductions	1,297	303	74	1,674
Balance at 12/31/2003	(34,856)	(2,066)	(1,582)	(38,504)

The additions correspond to improvements made to certain buildings intended for the rental of office space. Sales relate mainly to the disposal of a hotel in the Balearic Islands that generated a profit of €2.572 million, recorded under "Profits on tangible fixed-asset disposals" on the accompanying 2003 Profit and Loss Account.

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 2003 are reflected in the following table
 (000s of €):

Company	Consolidated values al 01/01/03	Group share in earnings	Dividends received	Acquisitions and disposals		Consolidation reserves	Consolidated values al 12/31/03
				Purchase/ (sale) cost	Goodwill		
Acerinox, S.A.	101,429	8,246	(3,501)	4,578	(1,286)	379	109,845
Actividades de Construcción y Servicios, S.A.	218,660	37,185	(11,151)	52,503	(41,145)	(11,044)	245,008
Carrefour, S.A.	216,380	54,025	(14,485)	25,149	(19,960)	(23,881)	237,228
Havas, S.A.	50,049	(16,693)	(1,428)	(127)	—	(4,635)	27,166
March Gestión de Fondos. S.G.I.I.C., S.A.	1,275	22	—	—	—	—	1,297
March Gestión de Pensiones. S.G.F.P., S.A.	950	(1)	—	—	—	—	949
Prosegur Compañía de Seguridad, S.A.	10,587	2,367	(722)	14	(11)	97	12,332
Quavitae, S.A.	3,437	(219)	—	—	—	48	3,266
Rablin, S.A.	887	288	—	—	—	—	1,175
Unipsa Correduría de Seguros, S.A.	2,931	2,300	(1,791)	—	—	—	3,440
TOTALS	606,585	87,520	(33,078)	82,117	(62,402)	(39,036)	641,706

The variations in consolidation reserves are due to the movements recorded in Shareholders' Equity in our corporate holdings, fundamentally due to exchange differences.

In 2003, 0.06% of Havas, S.A. was sold, generating a profit of €3.327 million. This was recorded in "Profits on disposals of holdings consolidated by the equity method" on the accompanying 2003 Profit and Loss Account.

9. Securities portfolio

a) Acquisitions of equity holdings

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

Notice of disinvestments:

Notice given by	Recipient
Inversiones Aramayona, S.A.	Batmap, S.A.

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 scarce significance (000s of €):

Company	Registered Office	Percentage of capital held	Capital and reserves	Profit/ (Loss) for the year	Net Book cost
Xfera Móviles, S.A.	C/ Ribera del Sena, s/n (Madrid)	11.01	373,403	(67,445)	0
Vodafone Group, plc	The Courtyard, 2-4 London Road Newbury Berkshire RG 14 (United Kingdom)	0.13	221,626	(44,654)	23,698
Banco Urquijo, S.A.	C/ Príncipe de Vergara, 131 (Madrid)	9.98	236,571	9,480	23,710
Celtel... ..	Scorpius 112, 2132 LR Hoofddorp (Holland)	2.37	362,903	101,699	16,425
International B.V. (before MSI, S.A.)					
Palio, Ltd.	Löwenstrasse, 1 Zürich (Switzerland)	16.98	N.A.	N.A.	2,790
Princes Gate	1585 Broadway New York (United States)	3.17	N.A.	N.A.	6,406

In 2001, Kredietbank S.A. Luxembourgeoise (hereinafter "KBL") and Grupo Alba agreed a put option on the shareholding of Grupo Alba in Banco Urquijo, S.A. (9.98%). This option was exercised in February 2004 and the appropriate legal procedures for the operation are currently being conducted. The sale price of this shareholding in Banco Urquijo equalled €39.246 million and will generate a profit of €15.716 million.

The movements in long-term securities during 2003 are summarised below (000s of €):

	Equity Investment
Balance at 1/1/03	162,609
– Sales	(18,058)
	144,551
Balance at 12/31/03	144,551

The most significant disinvestment was that of 72 million shares in Vodafone, to Alba shareholders, at a 15% discount to their quoted price.

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

	Profit
Vodafone Group, plc	83,954
Liquidation of assets associated with sale of Banco Urquijo, S.A.	552
Princes Gate	360
Miscellaneous	(96)
	84,770
TOTAL	84,770

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

	Provision
Balance at 1/1/03	(65,949)
Allocations	(34,427)
Reversals	29,772
Applications	4,713
	(65,891)

The most significant provisions relate to the holdings in Xfera Móviles, S.A. while the reversals correspond to the improvement in the financial situation of certain long-term investments.

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	8,691,266	16,000,000	1,441,990

d) Financial income

Nearly all of the income from equity holdings was in respect of the dividends received from our holdings in Vodafone Group, plc (€3.833 million) and in Banco Urquijo, S.A. (€615,000).

The total in the heading “Other interest income” on the 2003 Profit and Loss Account, equalling €231,000, records income from short-term financial investments.

The heading “Exchange gains”, totalling €960,000, corresponds to results obtained from the different pound sterling / euro hedge contracts maturing prior to December 31, 2003.

10. Goodwill on consolidation

Changes during 2003 in goodwill on consolidation are shown in the following table (000s of €):

	ACS	Acerinox	Carrefour	Prosegur	Total
Balance at 1/1/2003	53,058	51,635	—	22,241	126,934
Additions for acquisitions					
in the year (Note 8)	30,369	1,286	19,960	11	51,626
Merger of ACS, S.A. and Grupo					
Dragados, S.A. (Notes 8 y 4) ...	10,776	—	—	—	10,776
Amortisation	(5,179)	(2,782)	(995)	(1,171)	(10,127)
Balance at 12/31/2003	89,024	50,139	18,965	21,081	179,209

11. Stocks

The changes occurring during 2003 are shown below (000s of €):

	Investment	Provision	Net
Balance at 1/1/03	2,165	(1,825)	340
Additions	97	—	97
Retirements	(123)	89	(34)
Transfer	160	—	160
Balance at 12/31/03	2,299	(1,736)	563

12. Shareholders' Equity

At December 31, 2003 share capital was represented by 67,519,781 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 26, 1999 agreed to grant to the Board of Directors the power to increase share capital one or more times, up to a maximum total of 50% of share capital, against cash contributions within a maximum period of five years.

The direct and indirect shareholders in the Company in accordance with information from the Comisión Nacional del Mercado de Valores (the Spanish Securities Exchange Commission) as of March 10, 2004 are as follows:

Banca March, S.A.	28.10%
D. Juan March Delgado	14.45%
D. Carlos March Delgado	12.56%
Arnhold and S, Bleichroeder Adviser LLC	11.76%

Arnhold and S. Bleichroeder Adviser LLC is an American asset manager that has purchased shares in Alba for the institutions it manages, with none of these having a shareholding in excess of 5%.

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

	Subscribed capital	Unrestricted reserves	Restricted reserves	Profit and loss brought forward	Consolidation reserves and conversion differences	Profit/(loss)	Interim dividend	Total	Final dividend
BALANCE AT									
JANUARY 1, 2003	74,700	33,489	50,250	14,726	565,860	176,995	(4,332)	911,688	
Distribution of 2002 results	—	—	—	106,150	62,157	(176,995)	4,332	(4,356)	4,356
Profit for 2003	—	—	—	—	—	182,502	(4,001)	178,501	
Retirement of capital	(7,180)	—	(38,642)	(119,232)	(345)	—	—	(165,399)	
Equity method accounting process (Note 8)	—	—	—	—	(39,036)	—	—	(39,036)	
Transfer of reserves	—	(15,064)	15,064	—	—	—	—	—	
BALANCE AT									
DECEMBER 31, 2003	67,520	18,425	26,672	1,644	588,636	182,502	(4,001)	881,398	

The restricted reserves at December 31, 2003 included (000s of €):

In respect of shares in the parent company	5,691
In respect of retired capital	4,400
Legal reserve of the parent company	16,448
Others	133
TOTAL	26,672

The legal reserve of the subsidiaries equalled €23.103 million and is included in the column "Consolidation reserves and conversion differences".

b) Breakdown of consolidation reserves and conversion differences

Consolidation reserves include the results contributed to the consolidated group by each company since its inclusion in the group, less dividends distributed, amortisation of goodwill and conversion differences arising at each.

At December 31, 2003 this amount equalled €588.636 million, obtained from the following net balances at each company (000s of €):

Companies consolidated by global integration	Increases/ (decreases)
Corporación Financiera Alba, S.A.	(53,113)
Alba Inmobiliaria, S.A.	(45,327)
Inversiones Artá, S.A.	5,327
Fondarte, S.A.	(306,354)
Inversiones Finalba, S.A.	1,241,548
Fianteira, S.A.	(2,148)
Alaró, S.A.	(422)
Inversiones Aramayona, S.A.	(81,502)
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Companies consolidated by equity method	
Acerinox, S.A.	(1,819)
Actividades de Construcción y Servicios, S.A.	23,983
Carrefour, S.A.	(166,772)
Havas, S.A.	2,120
March Gestión de Fondos, S.G.I.I., S.A.	13
March Gestión de Pensiones. S.G.F.P., S.A.	6
Prosegur Compañía de Seguridad, S.A.	(17,349)
Quavitae, S.A.	(1,717)
Rablin, S.A.	155
Unipsa Correduría de Seguros, S.A.	(7,993)
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TOTAL.....	588,636

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, 2003	2,145,970	2.87%	20.53
Acquisitions	5,991,007		
Retirements	(7,180,219)		
	956,758	1.42%	22.04

On May 22, 2003 the General Meeting of Shareholders resolved to retire 2,100,000 shares.

In 2003 a public tender offer was conducted for shares representing 7% of the capital stock, so acquiring 5,080,219 shares for €124.30 million that were retired as of June 30, 2003. In this public tender offer, shareholders sold their stock for €24.47 per share, representing a premium of 15% compared to the quoted price.

Transfers have been made to the reserve for parent company shares for the legally required amount (Note 12-a). The acquisitions made during the year reflect the considerable discount of Alba's trading price 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, 2003.

On May 31, 2000 the General Meeting of Shareholders and the Board of Directors of Corporación Financiera Alba, S.A. resolved to set up a stock option plan for executive directors and senior officers, covering a total of 20 persons and 552,000 shares. The exercise price of each option per share was set at €28.26, of which those persons participating paid 5%. These rights could have been exercised within the six-month period following May 31, 2003 with no director or executive director having done so.

In addition, on May 22, 2002 the General Meeting of Shareholders and the Board of Directors of Corporación Financiera Alba, S.A. agreed to set up a stock option plan for executive directors and senior officers. The number of options corresponding to each person participating is the same as the amount that would have been subscribed by each shareholder in the option plan approved on May 31, 2000. The exercise price is €22.38 per share and this may be adjusted by the 5% paid for the options referred to in the preceding paragraph. The rights in this second option plan may be exercised in the six-month period following May 31, 2005.

In the meeting of the Board of Directors on March 20, 2002, it was agreed to lock up the 552,000 shares 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 occurred during 2003 in the provisions for risks and expenses accounts (000s of €):

Balance at 1/1/03	74,602
Allocations	231
Reversals and retirements	(51,137)
	23,696
Balance at 12/31/03	23,696

14. Debts with credit institutions

The composition of this heading at December 31, 2003 is given below, distributed according to maturity (000s of €):

Short-term financing	Limit granted	Balance drawn down	Maturity
BSCH	120,000	119,440	02/04/2004
BBVA	91,152	90,149	11/02/2004
Banca March, S.A.	60,000	8,438	14/01/2004
	271,152	218,027	

The balance of the heading "Debts with credit institutions" on the accompanying consolidated Balance Sheet includes €200,000 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.

15. Tax matters

Corporación Financiera Alba, S.A., Inversiones Artá, S.A., Alba Inmobiliaria, S.A., Fondarte, S.A., Inversiones Finalba, S.A., Fianteira, S.A. and Unipsa Correduría de Seguros, S.A. are subject to the corporate group taxation system. In 2002, Alba Inmobiliaria, S.A., Fondarte, S.A. and Inversiones Finalba, S.A. filed under the rules for holding companies of foreign securities, under which Inversiones Artá, S.A. has filed since 2001.

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	182,502
Consolidation adjustments	(107,209)
RBook result of companies under consolidated tax regime	75,293
Permanent differences	
Corporate income tax	25,119
Under rules for holding companies of foreign securities	
for dividends received	(19,711)
PF for dividends distributed by the companies in the consolidated	
tax group to the parent company	(82,250)
Others	(199)
Timing differences	
Contribution to alternative pension plans	879
Reversal of provision for deferred profits	(79,157)
Intra-group transactions in the consolidated tax group	4,807
	<hr/>
Taxable income	<u>(75,219)</u>

In 2002 a sale-purchase operation was conducted 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. Of these amounts cancelled in 2002, €79.157 million was transferred to consolidated profits and €23.024 million to corporate income tax due to the sale to third parties of some of the shares in Vodafone Group plc in 2003. On 31 December, €124.398 million in consolidated profits and a prepaid tax item of €43.539 million were still to be booked. These amounts are to be recorded in the consolidated accounts on the date when sold to third parties outside Grupo Alba. The abovementioned €23.024 million plus the withholding taxes paid at source for the dividends distributed by foreign companies, €2.095 million, appears as the corporate income tax charge in the caption "Corporate Income Tax", on the accompanying 2003 Profit and Loss Account.

In 2002, the consolidated tax group obtained €90.503 million profit on the sale of assets that has been 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 value of the sale equalled €112.473 million and this was fully reinvested in the same year.

Tax losses exist in the amount of €129.162 million that may be carried forward until the year 2018 as well as credits from double taxation payments for €5.931 million.

Financial years 1999 and following of Corporación Financiera Alba, S.A. are subject to audit by the tax authorities. It is estimated that any additional taxes that might arise as a result of 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 €8.496 million.

The breakdown of the heading "Government" in the Balance Sheet at December 31, 2003 is as follows (in 000s of €):

	ASSETS
Receivable for VAT	76
Receivable for corporate income tax (on account)	1,007
Withholding under corporate income tax	43,539
	44,622
	44,622
	LIABILITIES
Payable for personal income tax	350
Social Security bodies	40
	390
	390

16. Guarantees provided to third parties and other contingent liabilities

Shown below is a breakdown of guarantees and contingent liabilities at December 31, 2003 (000s of €):

Counter guarantee for bank bonds on behalf of Xfera Móviles, S.A. ...	67,253
Bonds posted in respect of tax audits (Note 15)	7,015
Guarantees given to KBL in sale of the holding in	
Banco Urquijo, S.A. (Note 9)	8,632
Other guarantees	2,265
	85,165
	85,165

The Spanish Secretary of State for Telecommunications decided as of March 21, 2003 to reduce the *aval*-type guarantee of Xfera Móviles, S.A. from €2,687.184 million to €467.797 million. This decision represented a reduction in the commitment of Alba of €142.470 million.

17. Average number of employees

The average number of persons employed during 2003, according to category, was as follows:

Degree holders	21
Administrative assistants	21
Others	2
Total	44

18. Income and Expenses

a) Net turnover:

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

Madrid	9,055
Barcelona	1,846
Rest of Spain	452
Total	11,353

b) Transactions with companies consolidated by the equity method:

The volume of such transactions during the year was €221,000, for rentals.

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

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

	Contribution to consolidated income	Minority interests
Corporación Financiera Alba, S.A.	6,770	—
Alaro, S.A.	(102)	—
Alba Inmobiliaria, S.A.	(48)	—
Inversiones Aramayona, S.A.	15,887	—
Inversiones Artá, S.A.	62,572	—
Inversiones Finalba, S.A.	23,681	—
Fianteira, S.A.	(3,839)	22
Fondarte, S.A.	188	—
Companies consolidated by global integration ...	105,109	22
Actividades de Construcción y Servicios, S.A.	32,006	—
Acerinox, S.A.	5,464	—
Carrefour, S.A.	53,030	—
Havas, S.A.	(16,693)	—
March Gestión de Fondos. S.G.I.I.C., S.A.	22	—
March Gestión de Pensiones. S.G.F.P., S.A.	(1)	—
Prosegur Compañía de Seguridad, S.A.	1,196	—
Quavitae, S.A.	(219)	—
Rablin, S.A.	288	—
Unipsa Correduría de Seguros, S.A.	2,300	—
Companies consolidated by equity method ...	77,393	—
TOTAL ...	182,502	22

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)	1,438
Board of Directors remuneration (€30,000 per director)	330
Co-chairpersons remuneration (€78,000 per co-chairperson)	156
TOTAL	1,924

Directors receive no additional remuneration for participation in Board committees.

In addition, contributions to alternative life, accident and health insurance plans of €44,000 were made in respect of directors who also hold executive positions. As of December 31, 2003, no advances or loans were granted to members of the Board of Directors.

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 Amended 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	1.54%	Director
Alfredo Lafita Pardo	Diana. Sdad, Capital Riesgo, S.A.	Venture capital	-	Chairman
Manuel Soto Serrano	Banco Santander Central Hispano	Banking	Less than 0.10%	4th Vice-chairman
Manuel Soto Serrano	Mercapital Serv. Financieros. S,L,	Development capital	-	Vice-chairman

20. Post-balance sheet events

No significant event has occurred after the close of the year and prior to the preparation of these accounts.

21. Remuneration of auditors

The amount of fees accruing to Deloitte & Touche was €66,585. This corresponded entirely to the audit services for the 2003 Company and consolidated group annual accounts.

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

Included below is additional information on the parent company drawn from its 2003 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, 2002 AND 2003

ASSETS (000s of €)	2002	2003
FIXED ASSETS	293,784	287,091
Intangible fixed assets	23	29
Tangible fixed assets	161,308	154,550
Land and properties	191,970	188,271
Other installations, furniture and fittings	2,891	3,025
Other fixed assets	1,566	1,540
Depreciation	(35,119)	(38,286)
Investments	132,453	132,512
Holdings in Group companies	128,555	128,555
Holdings in Affiliated companies	2,205	2,205
Long-term guarantee deposits given	1,693	1,752
CURRENT ASSETS	42,539	7,324
Debtors	11,069	174
Clients from sale of goods and services	177	125
Accounts receivable from Group companies	7,303	—
Government	3,065	77
Sundry debtors	524	64
Provisions	—	(92)
Short-term investments	52	52
Own shares	31,368	5,691
Liquid assets	48	1,406
Prepayment and accrued income	2	1
TOTAL ASSETS	336,323	294,415

**CORPORACION FINANCIERA ALBA, S.A. BALANCE SHEETS
 AT DECEMBER 31, 2002 AND 2003**

SHAREHOLDERS' EQUITY AND LIABILITIES (000s of €)	2002	2003
SHAREHOLDERS' EQUITY	283,672	194,488
Share capital	74,700	67,520
Reserves	83,740	45,098
Legal reserve	16,448	16,448
Reserve for own shares	31,368	5,691
Other reserves	35,924	22,959
Profit and loss brought forward	14,726	1,644
Unallocated income	14,726	1,644
Profit (loss) for the year	114,920	84,269
Interim dividend distributed during the financial year	(4,414)	(4,043)
PROVISIONS FOR RISKS AND EXPENSES	10,328	10,559
LONG-TERM CREDITORS	1,981	1,972
Long-term guarantee deposits received	1,981	1,972
CURRENT LIABILITIES	40,342	87,396
Debts with credit institutions	38,270	85,285
Loans and other debts	38,270	85,285
Trade accounts payable	1,415	1,304
Payable to Group companies	—	184
Other non-trade accounts payable	657	623
Government	115	107
Other debts.....	87	87
Pending remuneration	455	429
 TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	 336,323	 294,415

**b) CORPORACION FINANCIERA ALBA, S.A.
 PROFIT AND LOSS ACCOUNT
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003**

DEBIT (000s of €)	2002	2003
EXPENSES		
Personnel expenses	2,406	2,544
Wages and salaries	2,027	2,149
Welfare charges	379	395
Allocations to depreciation and amortisation of fixed assets	4,901	4,823
Variation in operating provisions	—	92
Other operating costs	2,415	2,486
External services	2,201	2,657
Taxes other than corporate income tax	214	(171)
OPERATING PROFIT	2,417	1,579
Financial and similar expenses	2,467	1,851
For debts with Group companies	1,836	13
For debts with third parties	631	1,838
FINANCIAL INCOME	89,351	80,689
PROFIT FOR ORDINARY ACTIVITIES	113,831	82,268
Extraordinary expenses	652	486
EXTRAORDINARY PROFIT	2,019	2,091
PRE-TAX PROFITS	115,850	84,359
Corporate income tax	930	90
PROFIT FOR THE YEAR	114,920	84,269

CORPORACION FINANCIERA ALBA, S.A.
PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003

CREDIT (000s €)	2002	2003
INCOME		
Net turnover...	12,139	11,524
Rental income	12,139	11,524
Income from equity holdings	90,436	82,165
In Group companies	90,436	82,165
Other interest and similar income	1,382	375
From Group companies	—	168
Other interests income	146	91
Profits on financial investments	1,236	116
Profits on disposal of controlling interests	22,063	—
Profits on disposal fo tangible fixed assets	1,876	2,572
Other extraordinary profits	795	5

c) PROPOSED DISTRIBUTION OF 2003 PROFITS (000s of €)

	2003
<u>Basis of Distribution</u>	
Net profit	84,269
Unallocated income	1,644
	85,913
<u>Distribution</u>	
- To unallocated income	77,834
- To dividends	8,079
	85,913
	85,913

An interim dividend of 6 percent of the par value of each share was distributed against earnings for 2003, causing a decrease to shareholders' equity recorded in the Balance Sheet at December 31, 2003.

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 24, 2003, adopted the following resolution:

“In view of the results at August 31 and pursuant to the same dividend policy, the distribution this coming November of an interim dividend is proposed, and to such end and 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:

	<u>000s of €</u>
1. Amount to be distributed	4,051
2. Available profit calculation:	
2.1. Profits carried forward at Aug, 31, 2003	54,877
With the following breakdown:	
– Ordinary profit	52,499
– Extraordinary profit	2,378
	54,877
2.2. Deductions:	
– Losses brought forward	0
– Allocation to the legal reserve	0
(stands at 20% of share capital)	
– Corporate income tax	0
	54,877

According to the Balance Sheet at August 31, 2003, the Company's available liquid assets amounted to €70.507 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 2003 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 dividend shall be distributed, to publish the relevant notices and, in short, to take all such actions as may be necessary for said purpose.”

23. Explanation added for translation to English

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

CONSOLIDATED REPORT OF THE DIRECTORS 2003

1. Company business and financial position

The consolidated Annual Accounts at December 31, 2003 provide a true and fair view of the net worth, financial position, earnings and business performance of the Company, and have been prepared, on this date, by the Company Board of Directors

During the 2003 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

No significant events have occurred after the close of the year prior to the preparation of these accounts:

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, 2003	2,145,970	2.87%	20.53
Acquisitions... ..	5,991,007		
Retirements	(7,180,219)		
Balance at December 31, 2003	956,758	1.42%	22.04

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 legal obligation for the existence of such a committee 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. entrusts the Audit Committee with the following functions, 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 the Audit and Compliance Committee.

The directors that formed part of this committee in 2003 consisted of Manuel Soto Serrano as chairman, Francisco Verdú Pons and Enrique Piñel López as members and 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 2003. 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 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 director of the Company responsible for the preparation of the above-mentioned 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 essentially 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 2003 reporting period was explained. The budget for this was approved in another of the meetings. Furthermore, potential implications of the application of International Accounting 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 regulations were updated in 2003 and among other issues relate to investments and disinvestments, budgets, consolidation, cost controls, the IT system, administrative controls and filing.

The Audit Committee has been assigned competences in this area. It evaluates if the Company has the 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 2003 no significant event in relation to this subject was noted.

d) Compliance with regulations

Lastly, regarding 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 its actions are formally and materially legal and comply with the articles 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 director entrusted with internal control of the Company attends the committee meetings and informs it 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 ("Operating Manual" or "Manual de Funcionamiento") that establish internal control criteria

and, as indicated, refer among other issues to investments and disinvestments, cost controls, budgets and so on.

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

Lastly, in relation to this area of activity, the audit committee closely followed the initiatives on corporate governance standards arising in the year (the Financial System Reform Measures Act, the Report of the Special Committee for the Encouragement of Transparency and Security in the Markets and in Listed Companies (the "Aldama Report") as published on 8 January 2003 and Act 26/2003 amending the Spanish Securities Market Act and Public Limited Companies Act (Ley de Sociedades Anónimas) in the aim of reinforcing the transparency of listed companies). The audit committee noted that the Company standards were largely in line with the recommendations and suggestions made, without prejudice to the introduction of modifications to the Articles of Association and internal regulations throughout the year, as necessary, and the adaptation of the content of the Company web-site.

ANNUAL CORPORATE GOVERNANCE REPORT 2003

Introduction

This report is prepared in compliance with the provisions of article 116 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), as amended by Act 26/2003 of July 17, 2003, and Order ECO 3722/2003, of December 26, 2003 on annual corporate governance reports and other communication methods of listed public limited companies and other entities.

It should be noted, however, that CORPORACIÓN FINANCIERA ALBA, S.A., has already prepared reports on this subject in previous years. In particular, the report approved last year relating to 2002 had a structure and content sufficiently similar to the present one, having been prepared according to the recommendations of the Report of the Special Committee to Foster Transparency and Security in the Markets and in Listed Companies (the “Aldama Report”), published on January 8, 2003.

Within the framework of the company’s governance, mention should be made, above all, of the company’s wish to adapt rapidly to the new requirements for these matters that come from regulations and from generally accepted recommendations.

In this respect, in 2003 the company introduced the recommendations of the abovementioned Aldama Report into its corporate governance system and, accordingly, the Regulations of the General Meeting—already filed with the Spanish Companies Registry (*Registro Mercantil*)—were submitted to and adopted by the same body. Also approved was a modification to the previously existing Regulations of the Board of Directors, to include the related recommendations. In addition, a new version of the Internal Rules of Conduct was agreed and company Articles of Association amended in the aim, among others, of incorporating the regulation of the Audit Committee into the articles, as required by the Financial Act (“*Ley Financiera*”). Furthermore, the company web site was adapted to take into consideration the related recommendations.

Before beginning to examine the different sections that should be included in this report pursuant to the abovementioned regulations, it is worth recalling that the Regulations of the Board of Directors represent a fundamental element for corporate governance of the company. The first version of these was approved on March 29, 2000. The current version was approved last year in the meeting of the Board held on May 22, 2003, to incorporate adaptations arising from the Financial System Reform Measures Act 44/2002, of November 22, 2003 (*Ley de Medidas de Reforma del Sistema Financiero*, or the “*Financial Act*”), as well as the recommendations of the abovementioned Aldama Report.

The Regulations of the Board of Directors supplement the provisions of the articles of association. The most significant aspects included are as follows:

- a) The actions of the Board of Directors are focused on the general function of management supervision, since as a general rule the Board delegates the day-to-day management of the company to the Managing Director. This of course excludes certain powers reserved to the Board by law or by the articles of association.
- b) The overriding concern presiding the actions of the Board is to maximize the company's value.
- c) The structure of the Board of Directors consists of two Co-Chairmen, a Vice-Chairman, a Managing Director and various directors. The Board also includes an Audit Committee, as required by the Financial Act, and a Nominations and Remuneration Committee.
- d) The majority of members of the Board of Directors are outside directors (i.e., non-executive directors). These are composed of owner directors (proposed by the owners of a significant, stable interest in the company) and independent directors (well-respected and experienced professionals).
- e) The procedure for holding Board meetings is also regulated so as to encourage effective participation (frequency of meetings, time periods for convening them, conduct of the sessions etc).
- f) The Regulations contain provisions relating to the appointment, re-appointment, termination of duties, rights and obligations of the directors. Of particular note are:
 - Access to information and the possibility of seeking external advice in certain circumstances.
 - The establishment of a list of obligations focused on directors' loyalty and diligence responsibilities (confidentiality, non-competition, avoidance of conflicts of interest, abstentions from deliberations that affect them etc).
 - The directors' remuneration system, consisting of a fixed annual emolument that is disclosed in the report for the financial year.
- g) The commitment to transparency with the financial markets.

Lastly, in this introduction, it should be pointed out that the company has complied with its obligation to provide periodic financial information and to report significant events and the acquisition of its own shares in accordance with the current regulations and that the report issued by the auditors on the company's annual accounts contains no reservations or qualifications.

A. Ownership structure of the Company

1. Share Capital

Following capital reductions conducted in 2003, the share capital of Corporación Financiera Alba, S.A. equals 67,519,781 euros, represented by 67,519,781 shares with a nominal value of one euro each, all fully subscribed and paid up.

2. Shareholders with significant interests in the share capital

In accordance with relevant statements filed with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, hereinafter the "CNMV") the shareholders with significant interests in Corporación Financiera Alba, that is, with shareholdings exceeding 5%, are as follows:

Banca March, S.A.	28.10 %
Mr. Juan March Delgado	14.45 %
Mr. Carlos March Delgado	12.56 %
Arnhold and S. Bleichroeder Adviser L.L.C.	11.76 %

Arnhold and S. Bleichroeder Adviser L.L.C. is an investment advisor that provides services to various institutions. Individually, none of these holds more than a 5% shareholding in Corporación Financiera Alba, S.A., although together they hold the 11.76% stated above.

3. Family, commercial, contractual or corporate relations

Corporación Financiera Alba, S.A. forms part of the group Banca March, which holds more than 50% of the share capital. The definition and composition of this group is subject to the provisions of Bank of Spain Circular 5/1993 of March 26, 1993. Rule 2, Section 2 of this circular defines a consolidated group of credit institutions as being formed by two or more institutions consolidable due to their nature and in which a group of private individuals acting systematically in collaboration with each other controls various Spanish entities, all these being credit institutions.

In this case, the control of the Banca March group is exercised by Mr. Juan March Delgado, Mr. Carlos March Delgado, Ms. Gloria March Delgado and Ms.

Leonor March Delgado. Between them, they control 100% of the share capital of Banca March, S.A., without any of them doing so individually by any agreement or through their shareholding.

At the date of this report, Banca March, S.A. and its shareholders jointly control 62.12% of Corporación Financiera Alba, S.A. without any of them doing so individually.

4. Shareholdings of Directors in Corporación Financiera Alba, S.A.

The shareholdings of the members of the Board of Directors in the company at the date of preparing the annual accounts were as follows:

Accionista	Number of shares	% of 67,519,781
Mr. Juan March Delgado	9,757,988	14.45%
Mr. Carlos March Delgado	8,482,456	12.56%
Mr. Enrique Piñel López	12,426	0.02%
Mr. Manuel Soto Serrano	8,952	0.01%
Mr. Pablo Vallbona Vadell	6,937	0.01%
Mr. Nicholas Brookes	2,301	0.00%
Mr. Alfonso Tolcheff Álvarez	1,519	0.00%
Mr. Luis Angel Rojo Duque	152	0.00%
TOTAL	18,272,731	27.05%

5. Shareholders' agreements

The company has not been notified of any shareholders' agreements or any blocking measures in the articles of association.

6. Treasury stock.

The treasury stock of the company on December 31, 2003 equaled 956,758 shares, representing 1.42% of the share capital.

It should be pointed out that in 2003 two operations were conducted relating to the treasury stock of the company. Firstly, 2.1 million shares were retired in accordance with a capital reduction agreed on May 22, 2003. Secondly, in July the company made a public tender offer for 5.08 million own shares and subsequently retired these.

B. Structure of the Company's governing body

1. Composition of the Board of Directors

In accordance with its Articles of Association the Board of Directors is made up of at least five and no more than 15 members elected by the General Meeting of Shareholders – save in cases of cooption – for a term of four years.

During 2003 the Board of Directors retained almost the same composition as in the previous year, having been made up of eleven members with only one director leaving and one director joining in May.

Shareholder	Post	Initial appointment - Reelection	Status	Audit Committee	Nom. & Remun Committee
Mr. Carlos March Delgado ...	Co-Chairman	22-5-1988 31-5-2000	Non-executive Domanial		
Mr. Juan March Delgado	Co-Chairman	8-10-1973 22-5-2002	Non-executive Domanial		x
Mr. Pablo Vallbona Vadell	Vice-Chairman	26-6-1990 22-5-2002	Executive		
Mr. Isidro Fernández Barreiro	Managing Director	28-5-1994 22-5-2002	Executive		
Mr. Nicholas Brookes	Director	26-5-1999	Non-executive Independent		
Mr. Miguel Fluxá Rosello* ...	Director	26-5-1998 22-5-2002	Non-executive Independent		
Mr. Alfredo Lafita Pardo	Director	22-6-1988 31-5-2000	Non-executive Independent		x
Mr. Enrique Piñel López	Director	22-2-1989 22-5-2003	Executive	x	
Mr. Luis Angel Rojo Duque ...	Director	25-9-2002	Non-executive Independent		x
Mr. Manuel Soto Serrano	Director	26-5-1999	Non-executive Independent	x	
Mr. Alfonso Tolcheff Alvarez ...	Director	26-5-1998 22-5-2002	Non-executive		
Mr. Francisco Verdú Pons	Director	26-5-1998 22-5-2002	Non-executive Domanial		x
Mr. José Ramón del Caño	Non-Director Secretary			Secretary	Secretary

* Discontinued 22-5-2003.

Chairman of the Board. In accordance with the provisions of the articles of association and the Regulations of the Board of Directors, the chair is held by two directors chosen by the Board to act alternately in successive calendar years as Chairman.

The Chairman has a casting vote in the event that a vote of the Board of Directors results in a tie.

In 2003 the responsibilities of Chairman of the Board of Directors were exercised by Mr. Carlos March Delgado, with Mr. Juan March Delgado performing this role in 2004.

Status of Directors. In accordance with the provisions of the Regulations of the Board of Directors, the majority of the members of the Board are non-executive directors.

As well as the Managing Director, those Directors carrying out management duties within the company or one of its subsidiaries are considered to be executive Directors. The non-executive directors are made up of those proposed by holders of significant, stable interests in the share capital (domanial directors), of well-respected professionals who are not connected to the management team or to the major shareholders (independent Directors) and of a third group represented by a single Director, Mr. Alfonso Tolcheff Alvarez. Mr. Tolcheff was appointed mainly by virtue of his role as Managing Director of Banco Urquijo, S.A., a bank in which Grupo March held a majority shareholding in the past. This is no longer the case and so it is appropriate to consider him a non-executive Director, though not fitting into either the independent or the domanial-Director categories.

In any case, all directors have the same rights, duties and responsibilities.

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

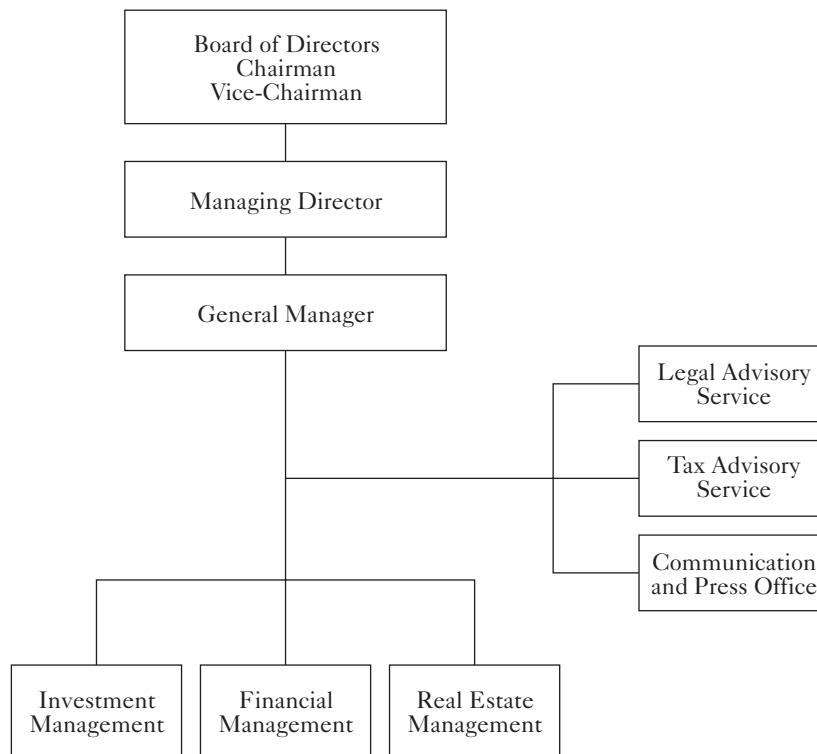
- a) Persons who hold or have in the last two years held executive positions in the company;
- b) Relations of a person who is or in the last two years has been an executive Director or senior manager of the company;

c) Persons who directly or indirectly through companies where they hold a significant interest have made payments to or received payments from the company that could compromise their independence;

d) Persons having other relationships with the company that in the judgement of one third of the directors could compromise their independence.

In addition, the Board elects the directors to form part of the Audit Committee and the Nominations and Remuneration Committee from among its members.

Organizational chart. The main organizational chart of the company is as follows:



This organizational chart reflects the main businesses of Corporación Financiera Alba, S.A., these being predominantly the holding of shares in other companies and the possession and operation of real estate. With regard to the first of

these, it is worth highlighting that companies are monitored mainly through the presence of managers and directors of Corporación Financiera Alba, S.A. in their management bodies.

2. Rules of organization and functioning

With regard to the rules of organization and functioning, the following aspects of internal regulation of the company—basically Articles of Association and Regulations of the Board of Directors—should be noted:

Regulations of the Board of Directors. The Board of Directors has Regulations that in their most recent version were approved in its meeting of May 22, 2003. This adapted the previous version to the recommendations of the Aldama Report.

The information about this Regulations, however, was not provided in the General Meeting on the same date. The requirement to provide this information was introduced by Act 26/2003 of July 17, 2003, amending the Spanish Securities Market Act (*Ley del Mercado de Valores*) and Public Limited Companies Act (*Ley de Sociedades Anónimas*), in the aim of strengthening the transparency of listed public limited companies, entering into force on July 19, 2003, without prejudice to the one-year time limit for adaptation of aspects relating to the organization and articles of association. Accordingly, information in this respect is to be provided in the General Meeting this year, although the Board will make necessary modifications beforehand to adapt it fully to the provisions of the abovementioned Act.

The Regulations of the Board of Directors contain not only the rules relating to its general organization and functioning, but also those relating to its committees, that is, the Audit Committee and the Nominations and Remuneration Committee, as referred to below.

The Regulations of the Board of Directors of the company are available for consultation at its registered office (Castelló 77, 5º Planta, 28006 Madrid) and its web site (www.cf-alba.com).

Structure of the Board of Directors. The Board of Corporación Financiera Alba, S.A. includes two Co-Chairpersons, one Vice-Chairman and a Managing Director. The remaining members are Directors.

– Chairman of the Board. In accordance with the provisions of the Articles and the Regulations of the Board of Directors, the chair is held by two Directors

elected by the Board. They take turns serving as chairman for one calendar year at a time. The Chairman or whoever exercises his functions has a casting vote in the event of a tie in a vote of the Board of Directors.

– Vice-Chairman, substitutes for the Co-Chairmen, in the event they are unable to exercise their responsibilities or are absent, in all matters relating to the convening and functioning of the Board of Directors.

– Managing Director, has overall responsibility for management of the company and the effective running of its business, in accordance with the decisions and policies adopted by the shareholders in General Meeting and by the Board of Directors. He also has the authority to execute Board resolutions .

Selection and removal procedures. The Directors are appointed by the shareholders in General Meeting or provisionally by the Board of Directors in accordance with the provisions of the Public Limited Companies Act, the Articles of Association and the Regulations of the Board.

The proposed appointments must respect the provisions of the Regulations of the Board regarding the distribution of directors between executive and non-executive Directors and, among the non-executive directors, between owner Directors and independent Directors.

The appointment procedure envisages that (i) when a vacancy arises, the Chairman or any Director may propose candidacies that should be subject to (ii) the report of the Nominations and Remunerations Committee and (iii) the deliberation of the Board and, finally, (iv) approval, if appropriate, by the General Meeting.

The procedure for re-election of directors is substantially the same and should include a report by the Nominations and Remunerations Committee and deliberation of the Board on the quality of work and dedication to the post of the director proposed in his or her previous tenure.

Directors ordinarily cease to exercise their functions on completion of the term of their appointment (four years), but also when the General Meeting so resolves, under the authority granted thereto by law or by the Articles of Association. In addition, the Directors should offer their resignations to the Board of Directors and, if it considers appropriate, formalize the corresponding resignation (i) when they reach 70 years of age; (ii) when legally prevented from

doing so or if subject to disqualification; (iii) when they are accused of allegedly criminal acts or are subject to disciplinary measures by securities market supervisory bodies for an serious or very serious violation; (iv) when seriously reprimanded by the Audit Committee for having infringed their obligations as Directors; and (v) when the reasons why they were appointed cease to apply, in particular, when an independent Director or owner Director loses his or her status as such.

Directors subject to proposals for re-election or termination of duties should abstain from the deliberations and votes affecting them. In addition, it is stipulated that the votes of the Board of Directors relating to the appointment, re-election or termination of duties shall remain secret if so requested by any of its members, without prejudice to the right of all directors for the minutes to record how they voted.

Functions of the Board of Directors. The Board of Directors is the company's representative body and its powers are not limited in any way except for the limitations derived from the authority of the General Meeting. In addition, the Board of Directors is the company's supreme decision-making body and given that its policy is to delegate the day-to-day management to the Managing Director and the management team, its activity is focused on the general function of management supervision.

However, those powers that by virtue of law or by the Articles of Association are reserved for the direct decision of the Board are not delegated, nor are the following powers:

- a) Approval of the overall strategies of the company;
- b) Appointment and dismissal of the company's senior executives;
- c) Approval of treasury stock policy;
- d) Monitoring and evaluation of the management performance of directors and senior managers;
- e) Identification of the main risks the company faces and monitoring of the appropriate internal control and reporting systems;
- f) Ensuring that reporting and disclosure policies comply with applicable

regulations and convey all information needed for forming an opinion on the company to shareholders, markets and the general public;

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

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

In 2003 the Board of Directors met on five occasions.

Audit Committee. The regulations for this committee are included in the Articles of Association and supplemented by the Regulations of the Board of Directors. The broad outlines of these regulations are summarized below.

- a) Establishment of the committee. In accordance with the recommendations of the Olivencia Code, in 2000 the Audit and Compliance Committee was formed as part of the Board of Directors and so covered by its Regulations. In accordance with the provisions of the Financial Act, its existence is now a legal requirement. For this reason, the modification of the company articles adopted last year incorporated the existence of this body of the Board of Directors, as well as the rules relating to its functions, organization and operation.
- b) Composition. This committee is composed of three members. In 2003, these were Mr. Manuel Soto Serrano as Chairman and Mr. Francisco Verdú Pons and Mr. Enrique Piñel López as members. With regard to their status, the first is independent, the second an owner Director and the third an executive Director.
- c) 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.

d) Meetings. The Audit Committee met five times during the 2003 financial year and the work in its meetings focused on the four aforementioned areas, as described in the individual and consolidated management reports of Corporación Financiera Alba, S.A.

Nominations and Remuneration 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 shareholding structure and the limited number of executive Directors and senior managers, it was not previously considered necessary.

It is envisaged that this committee may be composed of a minimum of three and a maximum of five Directors. It has been composed of three Directors, Mr. Juan March Delgado as chairman and Mr. Luis Angel Rojo Duque and Mr. Alfredo Lafita Pardo as members, all with non-executive status.

Its functions focus on reporting for the appointment, ratification, re-appointment and removal of Directors, their remuneration and any changes to this.

The Nominations and Remuneration Committee meets whenever convened by resolution of the committee itself or by its Chairman. The committee meets at least once a year.

Managing Director. The Managing Director has delegated powers in the area of company personnel, as well as broad authority to represent it in contractual matters.

3. Remuneration of the members of the Board of Directors

The remuneration system for Directors consists of a fixed annual emolument.

As far as the remuneration of outside directors is concerned, the Regulations of the Board of Directors contain the following guidelines: a) their remuneration must be linked to their actual dedication; b) they not be included in the employee welfare systems financed by the company; and c) the amount of the remuneration received by independent Directors must be calculated in a way

that offers incentives to dedication whilst not becoming an impediment to their independence.

During the 2003 financial year the following remuneration earned by members of the Board of Directors was recorded by the company (in thousands of euros):

Remuneration paid to the Board of Directors (at the rate of 30,000 euros per director)	330
Additional remuneration to Co-Chairmen (at the rate of 78,000 euros per Co-Chairman)	156

Directors earn no additional remuneration for participating in Board committees.

In addition, Directors performing executive functions were paid salaries totaling 1,438 thousand euros, and 44 thousand euros were paid in premiums for life, accident and health insurance policies for them.

At December 31, 2003 no advances or loans had been made to members of the Board of Directors.

On May 31, 2000 the General Meeting of Shareholders and the Board of Directors of Corporación Financiera Alba, S.A. resolved to set up a stock option plan for executive Directors and senior officers, covering a total of 20 persons and 552,000 shares. The exercise price of each option per share was set at 28.26, with the participants paying 5% of this price. These rights could have been exercised within the six-month period following May 31, 2003 with no director or executive director having done so.

In addition, on May 22, 2002 the General Meeting of Shareholders and the Board of Directors of Corporación Financiera Alba, S.A. agreed to set up a stock option plan for executive Directors and senior officers, covering a total of 20 persons. The number of options corresponding to each person participating is the same as the amount that would have been subscribed by each shareholder in the option plan approved on May 31, 2000. The exercise price is 22.38 per share and this may be adjusted by the 5% paid for the options referred to in the preceding paragraph. The rights in this second option plan may be exercised in the six-month period following May 31, 2005.

4. Directors appointed to represent significant shareholders

As mentioned above, Corporación Financiera Alba forms part of Grupo Banca March, which owns over 50% of its capital stock.

Corporación Financiera Alba's Directors have not been appointed on the basis of shareholder representation rights. However, the majority shareholder group is represented in a broad sense by owner Directors Mr. Juan March Delgado, Mr. Carlos March Delgado, and Mr. Francisco Verdú Pons, as well as by executive Directors Mr. Pablo Vallbona Vadell, Mr. Isidro Fernández Barreiro and Mr. Enrique Piñel López.

With regard to the nature of the relations between them and significant shareholders, it should be mentioned that the first two are themselves significant shareholders. In addition, Mr. Francisco Verdú is Managing Director of Banca March, also a significant shareholder in Corporación Financiera Alba. Furthermore, executive Directors logically enjoy the confidence of the significant shareholders.

Mr. Alfonso Tolcheff Álvarez, as mentioned above, was appointed primarily in virtue of his role as Managing Director of Banco Urquijo, S.A., which was a subsidiary of Grupo March in the past. This is no longer the case and so it is appropriate to consider him an non-executive Director, though not fitting in to either the independent or the domanial Director categories.

5. Directors of Corporación Financiera Alba who are also directors of significant shareholder companies

The following Directors of Corporación Financiera Alba are also members of the Board of Directors of Banca March, S.A. As indicated, this is a significant shareholder (the post they hold there is given in brackets): Mr. Carlos March Delgado (Chairman), Mr. Juan March Delgado (Director), Mr. Pablo Vallbona Vadell (Executive Vice-Chairman), Mr. Francisco Verdú Pons (Managing Director), Mr. Isidro Fernández Barreiro (Director) and Mr. Enrique Piñel López (Director).

6. Directors of Corporación Financiera Alba who are also directors of other group companies

In addition to the responsibilities mentioned in the preceding point, Mr. Francisco Verdú Pons is also member of the Boards of Directors of group companies Inversiones Arta, S.A. and Alba Inmobiliaria, S.A.

Furthermore, the following Directors of Corporación Financiera Alba are also investee company Directors: Mr. Juan March Delgado is a Director of Havas, S.A.; Mr. Carlos March Delgado is Director of Carrefour, S.A.; Mr. Pablo Vallbona Vadell is Director of ACS, Actividades de Construcción y Servicios, S.A.; Mr. Isidro Fernández Barreiro is also Director of ACS, Actividades de Construcción y Servicios, S.A. as well as of Prosegur, S.A.; Mr. Enrique Piñel López and Mr. Alfonso Tolcheff Alvarez are Directors of Banco Urquijo, S.A.; and Mr. Nicholas Brookes is Director of Spirent, plc.

7. Directors' activities

Executive directors do not conduct significant activities outside the company, the group companies or associated companies.

Of the other Directors, the main roles exercised outside the company by those without a post on the Board of Directors of Banca March, S.A. (referred to in section 5 above) are detailed below:

Mr. Nicholas Brookes: Chief Executive of Spirent, plc.

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

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

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

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

8. Remuneration of the external auditors

The amount of the fees earned by Deloitte & Touche España, S.L. in 2003 was 66,585 euros, all of which corresponded to audit services in respect of the individual and consolidated annual accounts.

C. Related-party and intra-group transactions

During 2003 the company did not engage in any transactions with its major shareholders, Directors or senior managers apart from its banking relationships with main shareholder Banca March, one of several financial institutions with which the company works. The services of Unipsa, an insurance broking subsidiary of Corporación Financiera Alba, S.A., were also used.

D. Risk control systems

It must be emphasized that with regard to risk identification and internal control system, the Financial Department is in charge of the company's internal control

and has a series of operating standards laying down the internal control policy. These standards were updated in 2003. Among other issues, they relate to investments and disinvestments, budgets, consolidation, cost controls, the IT system, administrative controls and filing.

No material incident was detected in this regard during 2003.

Furthermore, the Audit Committee has powers in this area, among others, and can therefore evaluate whether the company has the adequate organization, 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.

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 the risk inherent in the business of each, although securities market developments are also a factor for listed companies. Turning to real estate, since the 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 the 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, the risks indicated are covered through appropriate contractual clauses, the requirement of guarantees from tenants, the 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.

E. Functioning of the General Meeting

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

During 2003 the General Meeting operated strictly in accordance with the provisions of the articles of association and the Public Limited Companies Act.

1. Regulations of the General Meeting. The Regulations of the General Meeting were approved by the shareholders in their General Meeting of May 22, 2003, although it bears mention that no other meeting was held during the year subsequent to approval of these Regulations. The Regulations of the General Meeting were filed with the Companies Registry on October 6, 2003.

These Regulations refer to the functions of the General Meeting; shareholder rights, particularly with regard to information; attendance, representation and vote; the types of Meeting; convening and quorum; conduct of the Meetings (Chairman, board of the meeting, the floor, voting, minutes, execution and publication of resolutions); and the contesting of resolutions adopted in these.

2. Shareholder rights. Shareholders have rights in relation to the General Meeting with the scope envisaged in the Public Limited Companies Act, Articles of Association and Regulations of the General Meeting. These include, in particular, the right to attend—ownership of 25 shares is required to attend the Meetings—to participate, to vote, to receive information and to challenge the resolutions adopted in them.

In addition, shareholders can prepare proposals, make suggestions or comments and raise issues related to the company's activities or interests.

In relation to information rights, shareholders may seek the reports or clarifications they deem necessary regarding matters included in the agenda in writing prior to the holding of, or verbally during, the General Meeting. The Board of Directors is required to provide these in the General Meeting, except in cases where in the judgement of the chairman the publication of the information concerned could harm company interests. This exception does not apply when shareholders representing a quarter of share capital support the request.

In addition, also in relation to the shareholders' information rights, it must be recalled that the shareholders have comprehensive information on the company, its business and the holding of the General Meeting itself available to them through the company's web site.

In virtue of the May 22, 2003 decision of the Board of Directors, the company web site includes at least the following information:

- Company Articles of Association.
- Regulations of the General Meeting and Board of Directors

- Internal Rules of Conduct.
- Quarterly reports for the year and annual reports for the two previous years together with reports of external auditors.
- Composition of the Board of Directors and its committees.
- Identification of the shareholders with stable shareholdings, direct and indirect, and their representation on the Board, as well as shareholders' agreements that have been disclosed to the company or the market.
- Direct and indirect shareholdings of Board members.
- Information on company treasury stock and significant variations in this.
- Information contained in presentations made, as appropriate, to the different market operators and significant shareholders.
- Announcements convening General Meetings and information contained in these.
- Resolutions adopted in the last General Meeting held.
- Corporate governance reports.
- Significant events.

In addition, after the approval of Order ECO/3722/2003, of December 26, 2003 on the annual corporate governance report and other communication methods of listed public limited companies and other entities, information has been posted on the web site on:

- The outcome of the last General Meeting.
- The communication channels between the company and shareholders.
- The means and procedures to confer proxy authority in the General Meeting and
- The absence of measures in the company to exercise remote voting.

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

	2001	2002	2003
Quórum	73.51%	72.41%	73.95%
Present	44.81%	46.09%	45.69%
By proxy	28.70%	26.32%	28.26%

4. List of resolutions adopted by the General Meeting in 2003. In the General Meeting of May 22, 2003, the following resolutions were adopted:

1. Approval of both individual and consolidated annual accounts for the year ended December 31, 2002.
2. Approval of the management performance of the Board of Directors in the same year.
3. Approval of the proposed earnings distribution and dividend payment.
4. Determination of the number of Directors at 12, appointment as director of Mr. Enrique Piñel López, ratification of the appointment of Mr. Luis Ángel Rojo Duque and re-election of Mr. Manuel Soto Serrano and Mr. Nicholas Brookes.
5. Authorization for the acquisition of own shares pursuant to the limits and requirements established in the Public Limited Companies Act.
6. Re-appointment of Deloitte & Touche España, S.L. as auditor of the company and consolidated group.
7. Approval of the Regulations of the General Meetings.
8. Reduction of share capital by 2,100,000 euro via the retirement of 2,100,000 own shares held as treasury stock and modification of article 5 of the Articles of Association.
9. Sale offer to company shareholders of up to 72,048,000 shares in Vodafone Group Plc, with authority delegated to the Board for its implementation, also adjusting the sale price to the change in the quoted price of the abovementioned company during the implementation period.
10. Reduction of share capital by up to 5,082,000 euro via the offer to purchase up to 5,082,000 shares in the company, with authority delegated to the Board to implement this capital reduction, adjusting the purchase price to the quoted price of the company in the implementation period, as well as authority to re-write article 5 of the articles of association, all in accordance with article 170 of the Public Limited Companies Act.
11. Amendment of the following articles of association: 7 (nominal share value), 12 (exercise of rights of pledged shares), 15 (Regulations of the Meeting), 16 (attendance at Meetings and voting rights), 19 (attendance cards), 21 (locking up of shares), 22 (General Meetings on the request of shareholders), 28 (conduct

of the General Meetings), 33 (age and status of directors), 34 (vice-chairmen of the Board), 44 (authority of the Board), 46 (managing director), 47 (audit committee), 52 (auditors), 60 (expiry of dividend); adaptation of the name of securities, chapters and articles in accordance with the above amendments and authorization to write an amended text of these.

12. Authorization for the execution of the resolutions adopted in the Meeting.

13. Approval of the minutes.

F. Monitoring of corporate governance recommendations

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. These recommendations are given below together, with the corresponding explanation for the update by Corporación Financiera Alba.

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 exclusive competence.

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 judgement on the company to shareholders, markets and the public; and

g) Investment and disinvestment policy for the company's assets.

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 management team and significant shareholders.

The Board of Directors of the company in 2003 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 independent—meeting the criteria mentioned in the recommendation—and one non-executive Director who cannot be classified as an independent or significant shareholder, as referred to in point 1. B. of this report.

3. In the composition of the Board of Directors, the non-executive Directors, both owner 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 outside member belonging to neither of these two categories.

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 12, although due to arrivals and departures taking place in 2003, the Board was effectively composed of 11 members. The number of Directors mentioned is considered appropriate for functioning most efficiently and with the greatest level of participation.

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 power in the hands of a single person.

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

6. The company should afford the greatest importance to the figure of Secretary to the Board, strengthening this role's independence and stability, 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.

In 2003, there was a change in the Secretary to the Board, coinciding with the General Meeting held on May 22. However, the current holder of the post, like his predecessor, is a lawyer and has the appropriate training and experience for the post.

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.

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.

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 recommendation.

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.

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 2003, 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.

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 owner 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.*

After the amendment to the Regulations of the Board in May 2003, 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 domanical 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.

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 owner Director loses his or her status as such.

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.

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 the possibility of engaging 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.

15. *The proposal, evaluation and revision of the Director remuneration policy should be the responsibility 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 outside 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.

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.

17. *The Board of Directors should encourage the introduction of appropriate measures to extend the responsibilities 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.

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 General 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.

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.

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.

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 related 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.

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.

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.

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 2003, 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.

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 2003 and submitted to the General Meeting for its approval contained no qualifications or reservations.

PROPOSED RESOLUTIONS

The Board of Directors proposes the following resolutions for the consideration of the General Meeting:

1. Approval of both individual and consolidated annual accounts for the year ended 31 December 2003.
2. Approval of the management of the Board of Directors in the same period.
3. Approval of the proposed distribution of profits 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 (Ley de Sociedades Anónimas) as well as the uses of the shares acquired in virtue of this authorisation and previous authorisations to implement the remuneration plan for executive and non-executive Directors, consisting of providing shares or options on these shares, as well as authorising the Board of Directors to reduce capital stock, if appropriate.
6. Renewal or appointment of the external auditor of the company and consolidated group.
7. Modification of the following articles of the Regulations of the General Meeting: 7 (shareholder information rights); 11 (representation for attendance in General Meetings); 12 (public request for representation) 14 (voting in General Meetings); and 19 (information available to shareholders on the occasion of the General Meeting) as well as

authorisation to the Board of Directors to draw up the amended text of the Regulations of the General Meeting.

8. Reduction of capital stock by 719,781 euro due to retirement of treasury stock and modification of article 5 of the articles of association.
9. Transfer to voluntary reserves of 4,400,000 euro of the restricted reserve constituted under the provisions of article 167.3 of the Spanish Public Limited Companies Act, granting creditors the right to oppose this in accordance with article 166 of the abovementioned law.
10. Transfer to voluntary reserves of the 2,944,188.48 euro of the surplus in the legal reserve constituted by the company, in accordance with the provisions of article 214 of the Spanish Public Limited Companies Act.
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 preemptive 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. Indefinite application of the tax consolidation option.
14. Modification of the following articles of association: 20 (attendance rights and representation 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 amended text of the articles of association.

15. Authorisation to the Board of Directors to implement the resolutions adopted in the General Meeting.
16. Approval of the General Meeting minutes.

CORPORACION FINANCIERA ALBA, S.A. AND DEPENDENT COMPANIES
2003 Consolidated Financial Statements and Management Report together with Auditors' Report
Translation of reports and consolidated financial statements originally issued in Spanish and prepared in accordance with generally
accepted accounting principles in Spain (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

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