2003
ANNUAL REPORT

ALBA
GRUPO MARCH

CORPORACION FINANCIERA ALBA, S.A.

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SELECTED KEY FIGURES

ECONOMIC-FINANCIAL DATA

(In millions € unless otherwise indicated)	**2003**	2002	2001
Share capital at year-end	**67.52**	74.70	77.00
Shareholders' equity at year-end (before distribution of profits)	**881.40**	911.69	879.34
Shares at year-end, excluding treasury stock (million)	**66,563**	72,554	75,494
Net profit	**182.50**	177.00	218.83
Dividends	**8.04**	8.66	9.04
Net profit per share excluding treasury stock (€)	**2.74**	2.44	2.90
Dividend per share excluding treasury stock (€)	**0.12**	0.12	0.12

STOCK MARKET INFOMATION

	2003	2002	2001
Stock price (€/share)			
High	**23.92**	24.59	26.99
Low	**16.76**	17.23	16.70
Last	**23.22**	17.60	23.81
Market capitalisation at Dec. 31 (millions €)	**1,568**	1,315	1,833
Traded volume			
Number of shares (thousands)	**18,811**	33,857	47,088
Millions €	**376**	726	1,121
Daily average (millions €)	**1.50**	2.91	4.44

TABLE OF CONTENS

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

CHAIRMEN	Mr. Juan March Delgado Mr. Carlos March Delgado
VICE-CHAIRMAN	Mr. Pablo Vallbona Vadell
MANAGING DIRECTOR	Mr. Isidro Fernández Barreiro
DIRECTORS	Mr. Nicholas Brookes Mr. Alfredo Lafita Pardo Mr. Enrique Piñel López Mr. Luis Angel Rojo Duque Mr. Manuel Soto Serrano Mr. Alfonso Tolcheff Álvarez Mr. Francisco Verdú Pons
NON-BOARD SECRETARY	Mr. José Ramón del Caño Palop

MANAGEMENT

MANAGING DIRECTOR	Mr. Isidro Fernández Barreiro
GENERAL MANAGER	Mr. Santos Martínez-Conde Gutiérrez-Barquín
MANAGERS	Mr. José Ramón del Caño Palop Mr. Luis Lobón Gayoso Mr. Ignacio Martínez Santos Mr. Fernando Mayans Altaba Mr. Tomás Villanueva Iribas
TAX ADVISOR	Mr. Juan Antonio Lassalle Riera
DEPARTMENT HEADS	Mr. Antonio Egido Valtueña Mr. Alfredo Gadea Martín Mr. Félix Montes Falagán Mr. Alejandro Muñoz Sanz Mr. Andrés Temes Lorenzo
COMMUNICATIONS AND PRESS	Mr. José Vicente de Juan García

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Dear shareholders:

We are pleased, once again, to inform you of the Company's performance during last year and the first few months of 2004.

Last year was characterised by a strong stock market recovery, after the three previous years' losses. Alba's portfolio benefited from this upturn and our share price enjoyed a 32% increase from its end-2002 value, compared to the Ibex 35's 28% gain.

Using internal valuation criteria in line with those generally used the market, the net asset value of the company equalled 2.190 billion euro at year-end. Excluding treasury stock, this represents a net asset value of 32.90 euro per share. At the same date, Alba's shares traded at 23.22 euro per share, or a 29% discount on the net asset value per share. This discount narrowed sharply over the year from end-2002's 40%.

The company's consolidated net profit came to 183 million euro, some 3% above the previous year's 177 million euro. Earnings per share totalled 2.74 euro, with a 12% increase compared to 2002. The percentage growth in earnings per share outperformed the increase in net income thanks to capital reductions carried out in the year, as commented on below.

The effect on Alba's earnings of results reported by the companies of the portfolio is included in the item *Net profits from holdings consolidated by the equity method*. For 2003, it equalled 87.5 million euro, against 2002's 103.8 million euro. This decline was due mostly to the impact of restructuring expenses at Havas, the cost of the ACS-Dragados merger and the cyclical low point experienced by Acerinox.

All these were extraordinary items by nature and are non-recurring. Meanwhile, the healthy developments in results at Carrefour, Prosegur and the other companies in our portfolio were unable to fully offset their effect.

Another significant item on the company profit and loss account is *Profit on the securities portfolio*. In 2003, this made a positive contribution of 83.3 million euro, mainly from the sale of Vodafone shares to Alba shareholders at a discount which represents a slight increase over the previous year.

Extraordinary income and provisions made a noteworthy contribution to income in 2003, with 49.5 million euro, related to the reversal of provisions allocated in previous years to cover the risks of certain factors that are now no longer expected to materialise.

The accompanying report provides a more detailed analysis of the different items forming the profit and loss account.

Notable deals conducted by Alba in the year included a share buy-back offer and the sale of Vodafone shares. Both were aimed solely at company shareholders and completed in July 2003.

Through the offer to purchase own shares, Alba shareholders could sell 7% of company equity at 24.47 euro per share, a 15% premium over the listed price on the offer date.

At the same time, shareholders were offered the chance to purchase shares in Vodafone from Alba's portfolio at the price of one pound per share, a 15% discount to the quoted price on the offer date. This transaction maintained Alba's tradition of offering its shareholders stock from its portfolio on advantageous terms, as in the past with Hisalba, Pryca and Ginés Navarro. At year-end, Vodafone's stock had recorded a cumulative 39% gain in sterling against the abovementioned price offered to shareholders.

We believe both transactions were an appealing way to offer remuneration to our shareholders in addition to the traditional dividend.

In 2003, Alba continued with its investment activities, making further outlays for 239 million euro. The abovementioned share buyback offer was of particular note for its size at 124 million euro.

In the year, Alba strengthened its shareholdings in the companies of its portfolio. The largest investment was 53 million euro in the company ACS. Its merger with ACS-Dragados forged a construction sector leader with very bright growth and shareholder value creation prospects.

In addition, 24.8 million euro was allocated to the purchase of shares in Carrefour; 5.8 million euro for Acerinox and 5.3 million euro for Vodafone. All these companies were already present in Alba's portfolio, are sector leaders and, we believe, attractive investments with a capacity for growth.

At end-2002, Alba held 2,145,970 shares in treasury stock. Over the course of 2003, it purchased 5,991,007 and retired 7,180,219 own shares, equalling 9.81% of share capital. Accordingly, at year-end it held 956,758 shares in treasury stock, or 1.42% of company capital. Investments in the year in this respect totalled 142.4 million euro. The result was to decrease share capital from 74.7 million euro at the end of 2002 to 67.5 million euro by the end of 2003. In the first few months of 2004, we have continued with this share buyback policy which understand benefits all shareholders.

We provide a comment on 2003's developments at our main investee companies below. Other pages of the accompanying report contain a more detailed description for each one.

≈ With a 24.6% growth, ACERINOX has reached production of 2.2 million metric tonnes, so consolidating its position as the world's number three stainless steel producer. The group has three integrated process plants for flat rolled products located in Spain, the US and South Africa.

Despite weak stainless steel demand in the European Union and the US, sales reached 2.913 billion euro—a 16.5% improvement on the previous year. Net profit came in at 126 million euro, some 28% less than in 2002, due to stainless steel price declines, increased raw material costs and the South African Rand's appreciation.

After this cyclical decline, however, the outlook for 2004 is very bright. Our confidence in the company's increasingly better positioning on world stainless steel markets prompted us to increase our shareholding in Acerinox to 10.4% in the first few months of 2004.

≈ At end-2003, ACS completed its merger with Grupo Dragados. This has forged an important construction and services group that is ranked number one in Spain and among the leaders in Europe.

In the year, the new company reached 10.7 billion euro in sales from operations organized around three main business lines: Construction, Industrial Services and Services and Concessions. In the first two of these, the group enjoys absolute leadership in Spain. For concessions, while ACS ranks world number one in number of concession, its business is complemented by a 12% stake in Abertis, Spain's leading motorway operator. The 20% shareholding in Urbis is also noteworthy in that this is one of Spain's leading property sector companies.

Stripping out provisions for extraordinary merger-related expenses, ACS's pro forma 2003 net profit would have been 380 million euro, equalling a 20% return on equity.

We believe the new ACS group has excellent prospects for growth and for generating synergies between its different business areas, backed by considerable financial strength. For these reasons, we have continued increasing our shareholding in the company in the first few months of 2004, to the current 15.3%, thereby reinforcing the position of the stable core of shareholders.

≈ Despite a context of slowing household consumer spending in most of its European markets—above all in France—CARREFOUR met the targets it had earlier released to the market. This was after having raised the initial March forecasts in mid-year.

Net sales in the year equalled 70.486 billion euro, some 5.5% above 2002's figure on constant exchange rates.

Group ordinary net profit increased by 16.6% year-on-year, to 1.620 billion euro. After extraordinary results, net profit attributable to the group totalled 1.629 billion euro, an 18.6% improvement.

The group invested a total of 2.7 billion euro in the year. It opened 52 hypermarkets, 147 supermarkets and 553 discount retailers, increasing its total retail space by over a million square metres, or 8.1%. It is remarkable that Carrefour opened the first Día in China in 2003, and ended the year with 55 stores using this format in the country.

Despite this investment effort, Carrefour managed to reduce borrowing levels significantly. By year-end, net debt had fallen by 12% and the Net debt/Ebitda ratio was 1.6 times, compared to 1.9 times at end-2002.

Another of Carrefour's achievements in 2003 was to improve its price competitiveness. Worthy of note was the worldwide launch of the "Number 1" products in all group hyper and supermarkets. The launch of the same brand in all countries and formats gives the group considerable purchasing power and competitiveness at a price rivals find difficult to beat.

The abovementioned consumer spending slowdown in 2003 also affected advertising investment. This only began to show signs of a mild recovery in the last few months.

≈ In a setting of declining corporate advertising spending, HAVAS's like-for-like sales fell by 5.7%, leaving revenues at 1.645 billion euro. Despite this reduction in sales, operating profit remained positive, with 136 million euro.

To lay the foundations for growth in the next few years, Havas implemented a restructuring plan that it expects to start bearing fruit as from 2004. The plan has cost 226 million euro and, together with an accelerated goodwill amortisation charge, left a net loss of 396 million euro.

≈ In 2003, while continuing to integrate companies it purchased in 2002, PROSEGUR acquired the French surveillance firm S.E.E.I., so strengthening its presence in this important market.

Sales in the year came to 1.118 billion euro, in line with 2002. Despite reporting a 5.7% organic expansion, large revenue growth was prevented by the dollar's and Latin American currencies' depreciations and the disappearance of revenues from withdrawing the peseta and escudo and the euro's introduction. However, the reduction in financial expenses, as well as in depreciation and amortisation, enabled company earnings to advance by 11.3% in the year.

Prosegur continued to reduce its debt, with a 30 million euro improvement in the year. Accordingly, it can now make sector acquisitions, mainly in countries where it is already present, in the aim of strengthening its position.

≈ With regard to our telecom investments, VODAFONE's performance throughout 2003 was particular noteworthy. In a year when penetration in its main markets already exceeded 90% of the population, Vodafone increased its client base by 7%, to 130 million. In addition, in the six months to September 2003—for when the latest information is publicly available—it reported 19% revenue growth and earnings per share before goodwill amortisation increased by 46%.

These positive trends in the key operating variables enable Vodafone to enjoy a solid financial position that should facilitate the launch of the new UMTS technology planned for October 2004 and of new value added services. Furthermore, Vodafone has announced it is increasing its shareholder remuneration, with a 2.5 billion pound share buyback programme and a 20% dividend increase.

≈ Also of interest in the telecom sector was CELTEL's magnificent performance. This Dutch company operates GSM mobile phone networks and licences in Africa. The client base managed by the company grew by 70% in 2003, to 1.7 million. The group reported 126 million US dollars in operating cash flow—equalling 91% growth compared to 2002—and 74 million US dollars in net profit. As well as healthy operating and financial results, the company contributed significantly to the development of telecom infrastructure in Africa, where it has invested over 500 million US dollars since it was formed in 1998. In certain regions of the continent, Celtel's networks are the only available means of telephone communication.

≈ Turning to XFERA, in 2003 it developed a new strategic plan adapted to the current conditions of a market where, despite progress made, UMTS technology is still not ready for commercial rollout. In this respect, the government has given a more flexible interpretation to certain commitments and accepted a reduction in the guarantees that the four operators initially posted. It is also in talks over a new licence to adapt commitments to the current technological and financial landscape.

≈ Lastly, we must highlight the positive performance of UNIPSA, the insurance broker 82.6% owned by Alba. The volumes of premiums brokered have continued to grow strongly in recent years and in 2003, 235 million euro in premiums were managed, some 25% more than in the previous year. The broker has reached an agreement with Carrefour to sell insurance in its hypermarkets through a joint venture that began to bear fruit in 2003.

In addition, in the first few months of 2004, Alba exercised the put option it had on 10% of Banco Urquijo. In doing so, Alba has now sold all its shares in the abovementioned financial group, receiving 39.4 million euro in exchange.

So far in 2004, the developments seen in investee companies' results have been positive. Accordingly, we expect a satisfactory improvement in *Net profits from holdings consolidated by the equity method*, our profit and loss account's most significant recurrent item.

In relation to corporate governance and management, the re-election of directors Mr. Carlos March Delgado and Mr. Alfredo Lafita Pardo is being submitted to the General Meeting since their mandates are drawing to a close. Through these resolutions the Board will remain composed of eleven members, with eight being external directors and four of these independent.

The company continues to demonstrate its genuine interest in complying with good corporate governance standards and practices. In this respect, the General Meeting is set to adopt new resolutions on this subject in accordance with the provisions of Spain's Law 26/2003—known as the Transparency Law ("Ley de Transparencia")—and the legal provisions that may be adopted to implement it. Consequently, amendments to the articles of association and the Regulations of the General Meeting—approved in last year's session—are to be submitted to the Meeting, involving issues such as remote voting and representation in the General Meetings, shareholder information rights, the mention in the articles of association of the existence of the Regulations of the Board of Directors and the annual corporate governance report. The Board has approved a new version of its Regulations—to be duly reported to the General Meeting—and has adopted a new resolution on the minimum content of the website. It has also approved the annual corporate governance report. This has been made available to shareholders and describes certain aspects in detail like the structure of company ownership and management, risk control systems, functioning of the General Meeting and monitoring of good corporate governance recommendations.

With regard to the distribution of the year's earnings, the Board of Directors is proposing the distribution of a dividend of 0.12 euro per share from 2003 earnings to the General Shareholders' Meeting. This would result in the payment of a 0.06 euro per share dividend in the first few days of June, complementing the interim dividend paid in November. This represents a continuation of the dividend distribution decided of previous years. In addition, the Board is proposing a capital reduction to the General Meeting, involving the retirement of treasury stock equivalent to 1.07% of share capital.

The adoption of other resolutions shall also be proposed to the Meeting. These consist basically of renewing previous authorisations, such as those relating to the capital increase authorised, the purchase of treasury stock and the issuance of bonds and notes.

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

Cordially yours,

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

CONSOLIDATED ECONOMIC-FINANCIAL DATA

This chapter presents a summary of the Alba consolidated financial statements, arranged by management criteria. The last part of this report contains the consolidated Annual Accounts, audited by Deloitte & Touche, with more detailed information.

BALANCE SHEET

The changes in 2003 in Alba's main balance sheet items were as follows:

Net tangible fixed assets basically records properties owned by Alba and leased to third parties. This equalled 154.8 million euro, some 4.3% less than the previous year. The decrease was due to both depreciation in the year and the sale of a hotel in Majorca for 6.3 million euro.

The *Investments* heading increased by 17.2 million euro, to 722.2 million euro, or a 2.4% increase on the previous year. This rise was due to the net effect of investments in the period—mainly ACS, Carrefour and Acerinox—and the sale of 0.11% in Vodafone to Alba's shareholders.

Goodwill pending amortisation at the end of the year stood at 179.2 million. This was after a 52.3 million euro increase in the year due to the investments in ACS, Carrefour and Acerinox, partly offset by amortisation recorded in the period.

Debtors decreased from 77.7 million to 48.0 million euro, thanks to the entry of corporate income tax on selling the Vodafone shares, this having been prepaid.

Treasury stock reflects the cost of purchasing 956,758 Alba shares for 21.1 million euro, equal to 1.4% of the company's share capital.

Financial accounts ended the year at 3.5 million euro, similar to end-2002.

Share capital stood at 67.5 million euro, with a 7.2 million euro decline compared to the previous year. This resulted from the retirement of 2,100,000 own shares, as approved by shareholders in the General Meeting on May 22, 2003 and of 5,080,219 shares acquired in the public tender offer made by Alba in 2003.

Reserves of the company fell by 4.4% to 635.4 million euro. This was due primarily to conversion differences arising at portfolio companies, with capital reductions in retiring treasury stock offsetting the distribution of the previous year's results.

Provisions decreased in 2003 by 68.2% to 23.7 million euro, due mainly to an improvement in the internal estimate of the risks giving rise to the allowance.

Current liabilities mainly include bank loans and expanded by 72% to 221.0 million euro. This related mainly to debt assumed to implement the period's investments.

CONSOLIDATED BALANCE SHEETS
BEFORE THE DISTRIBUTION OF PROFITS

ASSETS	**As of December 31, 2003**	As of December 31, 2002	As of December 31, 2001
	(in millions €)		
Properties under lease	**183.6**	187.1	160.1
Other tangible fixed assets	**9.7**	9.9	9.7
Gross tangible fixed assets	**193.3**	197.0	169.8
Accumulated depreciation & provisions	**(38.5)**	(35.3)	(30.7)
Net tangible fixed assets	**154.8**	161.7	139.1
Listed securities	**660.5**	634.9	594.6
Unlisted securities	**59.9**	94.2	103.7
Other financial investments	**1.8**	1.7	1.2
Provision for the securities portfolio	**—**	(25.8)	(28.3)
Investments	**722.2**	705.0	671.2
Total fixed assets	**877.0**	**866.7**	**810.3**
Goodwill	**179.2**	**126.9**	**57.9**
Debtors	**48.0**	**77.7**	**11.7**
Treasury stock	**21.1**	**44.1**	**33.0**
Finnancial accounts	**3.5**	**2.4**	**249.6**
TOTAL ASSETS	**1,128.8**	**1,117.8**	**1,162.5**

CONSOLIDATED BALANCE SHEETS
BEFORE THE DISTRIBUTION OF PROFITS

SHAREHOLDERS' EQUITY & LIABILITIES	As of December de 2003	As of December de 2002	As of December de 2001
	(in millions €)		
Share capital	**67.5**	74.7	77.0
Reserves	**635.4**	664.3	588.1
Interim dividend	**(4.0)**	(4.3)	(4.6)
Profit for the year	**182.5**	177.0	218.8
Shareholders' equity	**881.4**	**911.7**	**879.3**
Minority interests	**0.7**	**0.7**	**0.8**
Provisions	**23.7**	**74.6**	**105.1**
Long-term creditors	**2.0**	**2.0**	**5.2**
Loans received	**218.2**	103.1	166.2
Other debts, accruals and deferred income	**2.8**	25.7	5.9
Current liabilities	**221.0**	**128.8**	**172.1**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	**1,128.8**	**1,117.8**	**1,162.5**

PROFIT AND LOSS ACCOUNT

Alba made a *Net profit* of 182.5 million euro in 2003, equalling a 3.1% increase compared to the previous year. This fed through into larger growth in earnings per share of 12.3%, from 2.44 euro in 2002 to 2.74 euro per share in 2003. This better performance in earnings per share resulted from the policy of retiring company shares.

Net profits from holdings consolidated by the equity method contributed 87.5 million euro to results, compared to the previous year's 103.8 million euro. The reduction in the year was due to the impact on results of Havas' restructuring expenses, ACS-Dragados's merger costs and Acerinox's cyclical trough. These extraordinary event were not fully compensated by the healthy earnings improvement in Carrefour, Prosegur and the other investee companies.

Rental income from the real estate portfolio was affected by the sale of a property and by certain rental contracts ending, these being in the process of being replaced by others. The contribution of this item to results decreased from 2002's 12.00 million euro to 11.30 million in 2003. As of December 31, 2003, the properties' occupancy rate had returned to 95%. This reduction in revenues was compensated for by a 1.3 million euro increase in *Profit on real estate transactions*.

Profits on the securities portfolio amounted to 83.3 million euro in 2003, some 2.2% above that of the previous year. This mainly reflects capital gains booked in the sale of Vodafone shares at a discount to Alba shareholders.

The 49.5 million euro positive contribution by *Extraordinary income and provisions* in 2003 relates to using provisions allocated throughout

2001 to cover risks of factors related to market instability and other contingent liabilities that, in consideration of the recovery in the economy and major stock market indexes, are now not expected to materialise.

Overheads totalled 11.2 million euro, similar to the previous year's level. The balance of *Financial expenses (net)* equalled 0.3 million euro, since the dividends from companies that are not consolidated almost entirely offset financial expenses on the company's bank debt.

Depreciation charges for the year totalled 4.9 million euro, a similar level to 2002. *Amortisation of goodwill* for the year was 10.1 million euro, 70.2% under the previous year's 34.0 million euro. The larger goodwill amortisation in 2002 was from extraordinary items arising for the Acerinox and Prosegur investments.

Corporate Income Tax recorded in 2003 came to 25.1 million euro. This was affected by capital gains booked on the sale of Vodafone shares to Alba shareholders.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (1)

	(in millions €)		
	2003	2002	2001
Net profit from holdings consolidated by equity method …	**87.5**	103.8	77.4
Rental income … … … … … … … … … … … … … …	**11.3**	12.0	9.8
Profit on real estate transactions … … … … … … … …	**2.5**	1.2	3.4
Profit fro the securities portfolio … … … … … … … …	**83.3**	81.5	272.0
Extraordinary income and provisions … … … … … … …	**49.5**	29.1	(100.4)
Subtotal … … … … … … … … … … … … … … … …	**234.1**	**227.6**	**262.2**
Overheads … … … … … … … … … … … … … … … …	**(11.2)**	(11.1)	(10.5)
Financial expenses (net) … … … … … … … … … … …	**(0.3)**	2.0	2.0
Depreciation … … … … … … … … … … … … … … …	**(4.9)**	(5.0)	(4.1)
Amortisation of goodwill … … … … … … … … … … …	**(10.1)**	(34.0)	(27.7)
Corporate income tax … … … … … … … … … … … …	**(25.1)**	(2.6)	(3.3)
Subtotal … … … … … … … … … … … … … … … …	**(51.6)**	**(50.7)**	**(43.6)**
Minority interest … … … … … … … … … … … … …	**0.0**	**0.1**	**0.2**
NET PROFIT … … … … … … … … … … … … … …	**182.5**	**177.0**	**218.8**

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

SECURITIES PORTFOLIO AS OF DECEBER 31, 2003

LISTED COMPANIES	Percent stake	Market value of shares (1) Million €	€ per share	Main quoting exchange
Acerinox (c)	6.56	161.5	37.4	Madrid
ACS (c)	13.32	611.0	38.7	Madrid
Carrefour (c)	3.35	1,042.8	43.5	París
Havas (c)	4.24	59.4	4.6	París
Prosegur (c)	5.24	41.7	12.9	Madrid
Spirent	0.67	5.2	0.8	Londres
Vodafone	0.13	167.6	1.9	Londres
Total market value		**2,089.2**		
Total book value		**660.5**		
Goodwill		**179.2**		
Unrealised capital gains		**1,249.5**		

UNLISTED COMPANIES	Percent stake	Book Value Million €
Banco Urquijo	10.0	23.7
March Gestión de Fondos (c)	35.0	1.3
March Gestión de Pensiones (c)	35.0	0.9
Celtel (previously MSI)	2.4	16.4
Quavitae (c)	20.0	3.3
Unipsa (c)	82.6	3.4
Xfera	11.0	0.0
Otros (2)	n,a,	10.9
Total book value		**59.9**
Real estate		**148.8**

(1) Market prices and exchange rates as of the last business day of December.
(2) Includes, amongst others, the holdings in Broadnet (3.9%), I-Network (28.6%), Palio (17.0%) and Princes Gate.
(c) Holdings consolidated by equity method.

The breakdown of changes in the portfolio of shareholdings throughout 2003 is as follows:

	Percent stake		
LISTED COMPANIES	**31-12-03**	31-12-02	Change
Acerinox	**6.56**	6.33	0.23
ACS	**13.32**	22.34	(9.02)
Carrefour	**3.35**	3.27	0.08
Havas	**4.24**	4.30	(0.06)
Prosegur	**5.24**	5.23	0.01
Spirent	**0.67**	0.68	(0.01)
Vodafone	**0.13**	0.23	(0.10)
UNLISTED COMPANIES			
Banco Urquijo	**10.0**	10.0	—
March Gestión de Fondos	**35.0**	35.0	—
March Gestión de Pensiones	**35.0**	35.0	—
Celtel (previously MSI)	**2.4**	2.7	(0.3)
Quavitae	**20.0**	20.0	—
Unipsa	**82.6**	82.6	—
Xfera	**11.0**	7.1	3.9

The shareholdings in Acerinox and Carrefour increased due to the abovementioned acquisition of shares in the year. Despite the 53 million euro investment in ACS, the percentage shareholding fell in the year as a result of the dilution generated by the capital increase carried out in the company in connection with its merger with Grupo Dragados. Alba remains the leading shareholder in the group.

The stake in Vodafone decreased with the sale of stock in this company to Alba shareholders.

The larger shareholding in Xfera was due to the acquisition of the shareholding in Vivendi by remaining shareholders in the company.

SECTORIAL DIVERSIFICATION

Adding Alba's other assets and liabilities to the securities portfolio, all valued in accordance with criteria consistent with those usually used by analysts, yields the following sectorial breakdown of the company's investments, based on the portfolio breakdown and prices at the end of each year (in %):

	Percentage		
	2003	2002	2001
— Distribution and retail	**47**	47	47
— Construction	**28**	21	14
— Real estate	**10**	10	7
— Telecommunications	**9**	13	18
— Industrial	**7**	7	1
— Banking and financial services	**3**	3	2
— Media	**3**	2	8
— Segurity	**2**	1	—
— Others	**1**	1	1
— Net debt	**–10**	–5	2
	100	100	100

While stainless steel demand expanded modestly in the European Union and the US, growth in Asia was more robust, with demand in China, for example, soaring by over 25%.

In this setting, Acerinox—with three integrated process plants in Spain, the US (NAS) and South Africa (Columbus)—achieved 2.2 million metric tonnes of steel production, some 24.6% above that of 2002. These output volumes consolidate its position as the world's third largest stainless steel producer.

The Algeciras plant continues to work at full capacity and both the hot-rolling and cold-rolling facilities set new output records. Meanwhile, output again exceeded a million metric tones at this mill. The group's parent company recorded 103 million euro in net profit from cash flow of 152 million euro.

The US plant doubled output at its steelworks, after having come into production in 2002. There remains large room for growth in both this and the hot-rolling area. The cold-rolling facilities worked at full capacity, and this has been increased in February 2004 with a third rolling mill beginning operations. After the fourth rolling mill now under construction comes on stream, NAS's cold-rolling production capacity should be comparable to that of Algeciras. The entry into operation of a new long product mill was also noteworthy. The subsidiary reported 81 million US dollars in cash flow and 37 million US dollars in net profit.

Columbus increased output by 17% at its steelworks and 19% at its cold-rolling facilities thanks to its implementation of process improvements. Despite this factor increased raw material costs and the South African rand's 30% appreciation against the US dollar left Columbus with a 15 million euro loss, although cash flow was positive. Investments worth some 110 million euro are currently underway.

Process improvements, compared to 2001—the year prior to Acerinox's entry—should enable 50% output growth at the steelworks and hot-rolling facilities and 100% in cold-rolling production.

Despite the consolidated group reporting a 17% increase in sales to 2.913 billion euro, net profit was 28% under 2002's figure, at 126 million euro. This resulted mainly from the South African factory's negative results for the year.

Key figures
(in million euros unless otherwhise indicated)

	2003	2002	2001
Shareholders' equity	**1,658**	1,601	1,250
Gearing	**39.5%**	22.2%	17.9%
Sales	**2,913**	2,500	1,821
EBITDA	**311**	408	208
Net profit	**126**	175	86
ROE	**7.6%**	11.0%	6.9%
Dividend per share (€)	**1.14**	1.14	1.08
Stock market capitalisation (at 12/31)	**2,460**	2,302	2,253

www.acerinox.es

In December 2003, the merger by takeover took place between ACS and Grupo Dragados, forging Spain's number one construction and services group and a European leader.

The resulting group registered pro forma sales of 10.734 million in 2003 and had a workforce of around 100,000 employees. It is structured around three main business lines: Construction, Industrial Services and Services and Concessions.

Pro forma sales in construction equalled 5.595 billion euro. It reports 92% of these revenues in Spain, where it boasts absolute leadership and excellent competitive positioning.

Industrial Services groups together engineering, power plants and distribution networks, water, telecommunications, railways, control systems and industrial systems. Through these operations it has leadership in Spain, Portugal and Latin America, with pro forma sales of 3.069 billion euro. Worthy of note in this area, is Grupo ACS's advantageous positioning all along the value chain, with businesses in development, engineering, installation and maintenance.

Services and Concessions posted 2.16 billion euro in pro forma sales. This covers environmental services, passenger transport, port services and logistics and advertising businesses, as well as infrastructure development concessions.

ACS is the world's leading operator by number of concessions and its presence in the infrastructure business is complemented by a 12% shareholding in Abertis, Spain's leading concessionaire. Of particular relevance in relation to the real estate activities is the 20% stake in Inmobiliaria Urbis, one of Spain's leading property sector companies.

Using pro forma data to facilitate year-on-year comparisons—that is, considering the merger as if it had taken effect on January 1, 2002—group revenues increased by 7.7%, to the abovementioned 10.734 billion euro. This business growth would have enabled a 16.5% increase in net profit to 380 million euro.

The strong cash flow generation rate enabled it to make net investments of 543 million euro, in addition to the 385 million euro extra invested in the public tender offer for 10% of Dragados in March 2003. Meanwhile, it has maintained modest borrowing levels. Net debt at end-2003 equalled 1.230 billion euro, just 1.3 times the Ebitda generated in the year.

The order book as of December 31, covered 17.1 months work in construction, 12 months in industrial services and 66 months in the environmental business.

Key figures

(in million euro unless otherwise indicated)	**2003(1)**	2002	2001
Shareholders' equity	**1,796**	980	911
Net debt	**1,230**	594	125
Gross turnover	**8,825**	4,420	3,921
Ordinary profit	**473**	259	221
Net profit	**230**	181	149
ROE	**20.5%**	19.2%	17,3%
Dividend per share (€)	**0.82**	0.72	0.60
Stock market capitalisation (at 12/31)	**4,587**	1,963	1,755

(1) Accounting data do not include full-year figures for Grupo Dragados.

www.grupoacs.com

In 2003, Carrefour consolidated its position as Europe's number one retailer and number two worldwide. Through its three main formats of hypermarkets, supermarkets and discount retailers, Carrefour covers consumers' various requirements for proximity, price, quantity and quality of supply. At year-end, group retail outlets numbered 10,385. Of these, 830 were hypermarkets, 2,380 supermarkets and 4,456 discount retailers, with the rest being cash & carry and convenience stores.

Despite an environment of slowing household spending in most of its European markets—and mainly in France—the company met the targets it had published to the market at the beginning of the year of 5% growth in gross sales on constant exchange rates, and upgraded to 6% in its mid-year guidance.

Net sales in 2003 equalled 70.486 billion euro. On constant exchange rates this was some 5.5% above 2002's level. The impact of Latin American and Asian currency depreciations left the euro value of this growth in net sales at 2.6%.

In 2003, Carrefour stepped up its price competitiveness. The launch of the same brand in all countries and formats gives the group considerable purchasing power at prices its competitors find difficult to beat.

In the year, the company again implemented important cost control measures. Accordingly, the percentage of general expenses in sales edged down from 2002's 16.6% to 16.3% in 2003. Operating costs—general expenses less depreciation, amortisation and provisions—have fallen over the last three years, from 19.3% of sales in 2001 to 18.6% in 2003.

Group ordinary net profit increased by 16.6%, to 1.620 billion euro. Net profit attributable to the group after extraordinary items totalled 1.629 billion euro, representing 18.6% growth.

Over 2.7 billion euro in investments were made in a year when Carrefour opened 52 hypermarkets, 147 supermarkets and 553 discount retailers, so increasing its retail space by over a million square metres. Attention should be called to the opening of the first Día shop in China in 2003, with 55 outlets in this format opened in the country by year-end.

Despite these investments, Carrefour reduced its debt considerably. Thanks to satisfactory operating cash flow performance and a healthy improvement in working capital, net debt at year-end equalled 7.9 billion euro, some 12% less than in 2002.

Key figures
(in million euro unless otherwise indicated)

	2003	2002	2001
Shareholders' equity	**6,559**	6,163	6,986
Sales (excluding VAT)	**70,486**	68,729	69,486
EBITDA	**4,871**	4,675	4,528
EBITA	**3,251**	3,025	2,826
Net ordinary profit			
– Before amortisation of goodwill	**1,938**	1,699	1,575
– After amortisation of goodwill	**1,620**	1,389	1,207
Net profit	**1,629**	1,374	1,266
Earnings per share (€)	**2.23**	1.92	1.70
Stock market capitalisation (at 12/31)	**31,166**	30,386	41,531

www.carrefour.com

Throughout 2003, Havas—the world's sixth-ranking advertising agency—implemented a restructuring plan to improve profitability and its commercial capabilities. The measures adopted notably included grouping together the agencies that had operated independently under the framework of Euro RSCG and MPG, plus the decision to sell or close those that failed to meet the group's profitability and growth requirements.

In the context of this restructuring, with an advertising market that only began to show signs of a recovery in the last few months of 2003, Havas reported a 5.7% reduction in like-for-like sales, to 1.645 billion euro. It booked 136 million euro in operating profit, or 8.3% of revenues, and generated 36 million euro in cash flow, enabling it to reduce net debt from 664 million to 642 million euro. In addition, it restructured part of its borrowings and deferred the maturity of the convertible bonds issued in 2002 until 2009. This measure required an additional 50 million euro in financing charges.

The 396 million euro loss in the year reflected restructuring costs and the accelerated goodwill amortisation for companies sold or wound up.

The combined effect of these restructuring measures leaves the company in a good position to benefit from the sector growth expected for the next few quarters. In addition, net new business has begun to recover in both media purchasing—where Havas has won new clients like Barclays, Carrefour and France Telecom—and on the creative side, where it has begun to work with Coca Cola, EDF, Carrefour and Amtrak.

Key figures

(in million euro unless otherwise indicated)	**2003**	2002	2001
Shareholders' equity	**640**	1,165	1,381
Sales	**1,645**	1,987	2,241
EBIT	**136**	229	233
Net profit	**(396)**	23	(58)
Earnings per share (€/acción)	**(0.60)**	0.31	0.04
Stock market capitalisation (million €)	**1,427**	1,128	3,457

www.havas.com

In 2003, Prosegur continued with the strategy it embarked upon in 2000 of focusing exclusively on security activities. Accordingly, it purchased French surveillance company S.E.E.I. and so continued to strengthen its southern European positioning.

The company reported 1.118 billion euro in sales in the year, a figure almost identical to 2002's level, although organic growth on this line equalled 5.7%.

Factors which have reduced the Company's revenues notably included Latin American currency and US dollar depreciations, as well as the end of revenues associated with the changeover from the peseta and escudo to the euro.

Sales for the Surveillance business line were 698 million euro, marking a 9.1% increase year-on-year. As well as this business's satisfactory general performance in all countries, the S.E.E.I. acquisition also made a positive contribution.

Fund Transportation booked sales of 351 million euro. This represented a 13.2% decrease in the year due to the end of operations for withdrawing the peseta and escudo from circulation and introducing the euro. The Brazilian real's depreciation against the euro also played a negative role, since Prosegur has an important presence in this country.

The Alarms business line recorded sales of 68 million euro in the year, a 10.3% increase on 2002.

Annual revenues by business line, therefore, was distributed in the form of 63% from Surveillance, 31% from Fund Transportation and the remaining 6% from Alarms. By geographical region, Spain contributed 51% of company revenues, the rest of Europe 25% and the Americas 24%.

Annual net profit of 45 million euro represented an 11.3% increase against 2002.

The improvement in results was boosted by the reduction in amortisation, depreciation and financial expenses.

The company has continued reducing in its debt, reducing this to 155 million euro by end-2003, a 30 million euro decrease. Gearing declined from 91% at end-2002 to 64% by the end of 2003, an improvement enabling it to strengthen its presence by acquiring sector companies operating in existing markets.

The company has unveiled a 2004-06 Strategic Plan. This envisages 5.6% compound annual growth in revenues and 14.4% in net profit.

Key figures
(in million euro unless otherwise indicated)

	2003	2002	2001
Shareholders' equity	**223**	203	168
Sales	**1,117**	1,101	901
EBITDA	**136**	138	104
Net profit	**45**	41	37
Dividend per share (€)	**0.24**	0.22	0.23
Stock market capitalisation (at 12/31)	**796**	599	908

www.prosegur.es

In 2003, Vodafone consolidated its presence in its main markets and reached the figure of 130 million clients by year-end. Growth in user numbers was reflected in a healthy increase in sales and margins, as seen particularly in the six months to September 2003, when sales advanced by 19%, operating cash flow by 26% and earnings per share by 46% against the same period in 2002.

The year also saw successful launches of various products enabling access to new services and functions. Accordingly, Vodafone live!—enabling users to browse the internet and access various information sources from their mobile phone—has already signed up 4.5 million clients. Similarly, the first UMTS technology product was rolled out, allowing wireless broadband PC internet connection from any point with coverage. Vodafone has a strong commitment to UMTS technology and plans the first commercial launch of terminals with this technology in the fourth quarter of 2004.

Group investments in the year ending March 2003 equalled 5.3 billion pounds. These were focused both on maintenance and capacity increases for GSM networks and on the installation of UMTS technology. Also in the year, the group increased its shareholdings in companies it already controlled, to 100% of equity in most cases, with a total investment of 5 billion pounds. Despite these investments and thanks to the company's cash flow generation, net debt in September 2003 was 13.839 billion pounds, or less than the Ebitda expected for 2004.

Vodafone wishes to take advantage of its healthy financial condition to increase shareholder remuneration. It has therefore announced a 2.5

billion pound share buyback plan and a 20% dividend increase, to 0.95 pounds per share.

Turning to acquisitions, Vodafone stuck to a prudent policy and decided to forego certain projects due to the deals' high prices.

Key figures (in million £ unless otherswise indicated)	**1/4/2003- 30/9/2003 (1)**	1/4/2002- 31/3/2003 (1)	1/4/2001- 31/3/2002 (1)
Clients (millions) … … … … … … … … …	**130 (2)**	120	101
Shareholders' equity … … … … … … … …	**127,802**	128,671	130,573
Sales … … … … … … … … … … … … … …	**19,692**	33,926	29,799
EBITDA (3) … … … … … … … … … … …	**7,792**	12,679	10,093
Net profit			
– Before goodwill and extraordinaries … …	**3,261**	4,642	3,498
– After goodwill and extraordinaries … …	**(4,254)**	(9,819)	(16,155)
Dividend per share (p/share) … … … … …	**0.95**	1.69	1.47
Stock market capitalisation (million £) (4) …	**81,829**	77,015	88,413
Stock market capitalisation (million €) (4) …	**116,746**	111,564	145,218

(1) The Vodafone financial year ends March 31 and for this reason the first column corresponds to six months only.
(2) Clients at 12/31.
(3) Earnings before interest, tax, depreciation and amortisation. Proportional consolidation.
(4) Stock market capitalisation at 3/31 or 9/30.

www.vodafone.com

CELTEL (previously MSI)

Since its formation in 1998, Celtel has invested over 500 million dollars in rolling out cellular telephony networks (GSM) in Africa. It is present in 14 countries, is the leading mobile telephony brand in nine of these and represents the only means of telephone communication in many parts of Africa.

In 2003 Celtel expanded and developed the networks it operates, with a 105 millions dollar investment enabling it to connect 285 new base stations. The increased capacity achieved with these investments, together with the launch of the Celtel brand in the countries where it operates, allowed an above-70% increase in its client base, to 1.7 million clients.

Given that sub-Saharan Africa—with average penetration rates of under 2.4%—and the Middle East continue to offer promising mobile telephony growth opportunities, Celtel is very active in obtaining new licences. Accordingly, it participated in various tenders, including notably that of Oman's second GSM licence, bidding in this as part of a consortium with world mobile phone leader Vodafone.

In 2003 it recorded 74 million dollars in net profit, renewed its bank financing and successfully completed a 62 millions dollar capital increase. Net debt in December equalled 105 million dollars, or just 0.8 times Ebitda for the year.

Key figures
(in millions of dollars unless otherwise indicated)

	2003	2002	2001
Sales	**380**	266	153
EBITDA	**126**	66	28
EBIT	**79**	13	(7)
Net profit	**74**	(24)	(14)
Clients (thousands) (1)	**1,731**	991	604

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

In 2003, Unipsa maintained the previous years' high growth rates in premium volumes brokered, with the total rising by 26% against 2002, to 234.8 million euro. The company's expansion rate in the year was far above the sector average. Consolidated revenues advanced by 19%, to 6.9 million euro, and net profit by 12% to 2.8 million euro.

The insurance activities of Unipsa, the parent company, have a distinctly industrial profile. These saw premiums increase by 43% to 108.8 million euro. March Correduría—a company selling insurance in collaboration with Banca March—saw 9% growth, to 34.0 million euro, thanks partly to increased volumes brokered for insurance products linked to financial operations.

Carrefour Seguros, the broker formed two years ago with Europe's leading retailer, has now installed its insurance desks in the Spanish hypermarkets. In its second year of operations, it reported 10.3 million euro in premium volumes, an advance of approximately 104% on the previous year.

Insurance broker GDS continued to advance steadily, achieving a 15% increase in premiums brokered.

Key figures
(in million euro)

	2003	2002	2001
Premium volume	**234.8**	186.4	167.7
Consolidated revenues	**6.9**	5.8	5.2
Profit before tax	**3.7**	3.3	2.9
Group' share in net profit	**2.8**	2.5	2.2

www.unipsa.com

XFERA

Despite progress made, UMTS technology is still not ready to be launched commercially across the entire market. Network infrastructure problems still exist and the terminal makers are not yet capable of supplying the market in sufficient volumes for commercial operation.

Xfera has drawn up a new business plan adapted to market conditions, so as to be able to compete successfully in the new business landscape. In addition, it has continued developing its network and the services and applications it will support.

In recognition of general sector conditions, in 2003 the Spanish government adopted measures to make a more flexible interpretation of certain commitments and accepted a decrease in the guarantees posted by the four mobile telephony operators. The amount corresponding to Xfera was reduced from 2.967 billion to 468 million euro. Furthermore, the government is negotiating the granting of a new licence with Xfera and the other operators that adapts commitments to the current financial and technological context.

Key figures
(in million euro)

	2003	2002	2001
Shareholders' equity	**306**	373	367
Fixed assets	**675**	672	663
Capitalised expenses	**47**	57	281
Operating Profit (1)	**(15)**	(18)	13
Net Profit (1)	**(67)**	(124)	(7)

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

www.xfera.com

OTHER COMPANIES

QUAVITAE

In 2003, Quavitae maintained the previous year's strong expansion rate. Revenues increased by 34% compared to 2002, reaching 55 million euro.

Three new private residential centres were opened in Barcelona (245 places), Palma de Majorca (237 places) and Madrid (143 places) as well as a public residence in La Coruña (150 places).

In tele-assistance, the number of users assisted increased by 47.9% to 24,735, compared to 16,720 the previous year.

With the opening of the four new residences, the company reported a net loss of 1.4 million euro, given that the process of filling places in new residences always generates negative results for the first few months.

Key figures
(in thousands of euro)

	2003	2002	2001
Shareholders' equity	**15,992**	17,408	16,866
Turnover	**55,034**	40,980	34,796
Net cash flow	**2,543**	2,894	2,651
Net profit	**(1,425)**	491	974

www.quavitae.es

MARCH GESTION DE FONDOS
MARCH GESTION DE PENSIONES

In 2003, in a setting characterised by a recovery in stock markets and investor confidence, the recent years' growth rates of both asset management companies accelerated, with total assets under management reaching 723.4 million euro—a 21.8% increase against 2002.

First, assets managed by March Gestión de Fondos S.G.I.I.C. increased by 23.2% to 607.6 million euro, compared to 493.1 million euro in the previous year.

Mention should be made of the efforts in managing collective investment institutions, which enabled almost all the Private Banking funds to be ranked in the top quartile of their respective group.

Second, total assets in pension funds managed by March Gestión de Pensiones S.G.F.P. rose by 14.9% against 2002, to 115.8 million euro.

The abovementioned management quality also bore fruit in pension funds. Accordingly, all pension funds for individual schemes with at least a three-year track record for returns ended the year in the first quartile for the respective group.

REAL ESTATE ACTIVITIES

Alba's real estate portfolio consists of a little over 100,000 m² in office space. This is located mainly in Madrid and Barcelona and on internal estimates has a market value of 230 million euro.

Net rental income in 2003 equalled 11.3 million euro, representing a 5.8% reduction compared to the previous year. This resulted mainly from the sale of a property in the portfolio and to various rental contracts ending, with new tenants currently replacing these.

The most significant transaction in the year was the sale of the Hotel Balmoral (Calas de Majorca) for 6.3 million euro. This generated 2.6 million euro in capital gains.

Investments in the year totalled approximately 2 million euro and were focused mainly on improving and renewing properties and facilities in the aim of providing the best service possible to clients in an increasingly competitive market. This included both an important increase in offices in Madrid and Barcelona and a relocation of important financial and communication companies to business centres in peripheral urban areas, so increasing supply in the corresponding urban centres.

In all, occupancy rates for the properties rented out by the company were around 95% at year-end.