

2004
ANNUAL REPORT



CORPORACION FINANCIERA ALBA, S.A.

SELECTED KEY FIGURES

ECONOMIC-FINANCIAL DATA

(In million € unless otherwise indicated)	2004	2003	2002
Share capital at year end	66.80	67.52	74.70
Shareholders' equity at year-end (before distribution of profits)	1,047.30	881.40	911.69
Shares at year-end, excluding treasury stock (million)	66,006	66,563	72,554
Net profit	217.40	182.50	177.00
Dividends	7.92	8.04	8.66
Net profit per share excluding treasury stock (€)	3.29	2.74	2.44
Dividend per share (€)	0.12	0.12	0.12

STOCK MARKET INFORMATION

	2004	2003	2002
Stock price (€/share)			
High	26.85	23.92	24.59
Low	22.30	16.76	17.23
Last	25.70	23.22	17.60
Market capitalisation at Dec. 31 (million €)	1,717	1,568	1,315
Traded volume			
Number of shares (thousands)	13,855	18,811	33,857
Millions of €	335	376	726
Daily average (million €)	1.33	1.50	2.91

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BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

CHAIRMEN Mr. Juan March Delgado
Mr. Carlos March Delgado

VICE-CHAIRMAN Mr. Pablo Vallbona Vadell

MANAGING DIRECTOR Mr. Isidro Fernández Barreiro

DIRECTORS Mr. Nicholas Brookes
Mr. Alfredo Lafita Pardo
Mr. Enrique Piñel López
Mr. Luis Ángel 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

COMMUNICATION 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 performance of the Company and its holdings in 2004.

The general stock market recovery that began in 2003 continued in 2004, so benefiting Alba's portfolio value. As a result, our Company's net asset value increased by 103 million euros in 2004, ending the year at 2.293 billion euros, or a net asset value per share excluding treasury stock of 34.70 euros.

At the end of 2004, Alba's shares were trading at 25.70 euros, or a 26% discount to the net asset value. This compares to a 29% discount at end-2003 and so the previous years' trend of the discount to the net asset value per share narrowing continued. In the first few months of 2005, this pattern has remained the same, with the discount equalling 20% on March 31.

Company consolidated net profit came to 217.4 million euros and represented 19% year-on-year growth from 2003's 182.5 million euros. Earnings per share, meanwhile, increased by 20% against 2003, to 3.29 euros. The proportionately better earnings per share performance is explained by the reduction in share capital in the year.

From among the various profit and loss account items, it is worth noting the change in *Net profit from holdings consolidated by the equity method*. This shows results obtained by investee companies in Alba's earnings and is the main recurrent item. Revenue under this heading

in 2004 was 153.8 million euros, with a 76% year-on-year increase. This was thanks both to healthy profit trends at portfolio companies, mainly ACS and Acerinox, and to increased shareholdings in these same two companies.

Another profit and loss account item worth highlighting is *Profit from the securities portfolio*, which in 2004 contributed gains of 105.7 million euros, or 27% growth on 2003. This results mainly from the sale of shares in Vodafone, Havas and Banco Urquijo.

A more detailed analysis of the different items on the profit and loss account can be found in this report.

We now move on to comment on the main operations by our company last year.

In view of the bright outlook for ACS and Acerinox, Corporación Financiera Alba increased its shareholding in these two companies through respective investments of 100.4 million euros and 95.3 million euros.

≈ Alba raised its investment in ACS through purchasing another 2.2% of its equity, taking the total to 15.5%. Together with the positive developments in the share price, this took ACS's weighting in Alba's portfolio to 40%, the largest of our investments.

≈ Furthermore, the stake in Acerinox was increased by 3.8% of its equity, to 10.4%. This left Acerinox's weighting in Alba's asset value at 14%.

≈ In addition, Alba added to its investment in Celtel by buying an additional 0.9% for 10.1 million euros. Celtel operates GSM mobile telephony licences in Africa and has controlling interests in operators across 13 countries.

≈ In December 2004 the company GEA, formed by Alba and other shareholders, made a tender offer to buy 100% of Aldeasa at 29 euros per share, implying a total value of 609 million euros for the company. Two competing offers were submitted subsequently that substantially improved on the terms initially proposed by GEA and as a result, it was decided not to continue with the offer.

≈ With regard to the main divestments in the year, the largest in volume terms was the partial sale of the shareholding in Vodafone. The divestment process began in 2003, when Alba shareholders were offered the chance to buy Vodafone stock at a 15% discount to the listed price. In 2004, 0.06% of the company was sold for 77.9 million euros, generating 63.5 million euros of capital gains and at year-end, Alba's stake in Vodafone was 0.07% of share capital. This has been sold in the first few months of 2005.

The shareholding in Havas was also reduced. Havas is a French advertising agency in which Alba has been a shareholder since the exchange of its shareholding in Media Planning. The stake in Havas was decreased from 4.24% at the beginning of 2004 to 0.63% in December, partly due to the sale of 10.5 million shares and partly to the dilu-

tion from not participating in the 406 million euros capital increase conducted by Havas. The divestment generated proceeds of 43.6 million euros with capital gains of 24.5 million euros. The remaining Havas shares have been sold in the first quarter of 2005.

Alba sold the 9.98% it held in Banco Urquijo to KBL, the owner of the other 90%, for 39.4 million euros. Furthermore it divested the 21.53% stake it had in Quavita, a company that manages senior citizen residential centres, for 8.2 million euros. The capital gains from these two disposals respectively came to 15.7 million euros and 2.7 million euros.

The Company also continued to implement its share buyback policy. At end-2003, Alba's held 956,758 shares as treasury stock. In 2004, it purchased a further 557,321 own shares for 13 million euros, representing 0.83% of share capital. After retiring 719,781 shares, or 1.07% of capital stock, as approved in May 2004's General Meeting, Alba held 794,298 shares in treasury stock at year-end, or 1.17% of its share capital.

Below, we comment briefly on developments in 2004 at the main investee companies. More detailed information on all of these can be found elsewhere in this report.

≈ Acerinox produces stainless steel at its plants in Algeciras, Kentucky (US) and Middelburg (South Africa). It recorded excellent sales and results performance in 2004 thanks to larger output and higher prices. Despite a prolonged strike affecting the Algeciras plant early in the year, steel production expanded by 6.1% to 2.33 million tonnes.

Together with the abovementioned output growth, favourable stainless steel price developments enabled a 38.7% year-on-year sales increase, to 4.041 billion euros. Net profit grew by 141% to 303 million euros and Ebitda by 106% to 639 million euros.

≈ The integration of ACS with the Grupo Dragados, which took legal and accounting effect at end-2003, is now almost complete. As part of this, the different business areas have been reorganised to adapt them to the new group organisational structure and release the operating synergies envisaged.

Sales in 2004 totalled almost 11 billion euros, or a 2.1% improvement year-on-year. This was thanks to solid growth in the services businesses, compensating for the reduction in construction activity.

In 2004 ACS purchased an additional 5.8% in Abertis, Spain's leading highway operator. This took its shareholding to 17.6% by year-end and ACS has continued to add to it in the first few months of 2005. It is also worth underscoring its 20% shareholding in Inmobiliaria Urbis, one of Spain's largest real estate companies.

Net profit totalled 460 million euros. This is a 21% advance on the previous year and corresponded to a return on equity of above 21%.

We believe the new ACS group has excellent growth prospects, it can expect to generate synergies between the different business areas and it has considerable financial potential. For this reason, we have further increased our stake in the company in the first few months of 2005,

to 16.1% at present, so strengthening the position of the stable core of shareholders.

≈ For Carrefour, 2004 saw a very proactive sales policy in its main markets to strengthen its traditional low-cost profile. Notable price-cutting was reflected in margins and results for the year, since the company believed it necessary to make a large short-term effort to guarantee medium and long-term growth. Nevertheless, it ended 2004 with net sales of 72.668 billion euros, some 3.1% more than in 2003. Ordinary net profit advanced by 2.6% to 1.662 billion euros.

It was also an important year in the rationalisation of group activities, with profitability improvements at group businesses. Carrefour maintained its policy to pull out of any unprofitable or non-strategic business, as well as its efforts to focus on countries where it enjoys a leading position or has strong growth potential. The results of all this included strategic acquisitions in Poland and Greece, discontinuation of franchise agreements in Italy and France and an increase in call options on important subsidiaries like Hyparlo, the main French franchisee, and Finiper in Italy. Furthermore, in 2004 it sold its minority shareholding in the Portuguese company Modelo Continente and in 2005 it has sold its Mexican and Japanese hypermarkets.

On the initiative of the major shareholders, including Alba, in early 2005 Carrefour remodelled the management team and structure. The

company is henceforth to be run by a management board made up of the main executives. It shall also have a Supervisory Board consisting of owner directors, representing major shareholders in the company, and independent directors.

The team has continued to be rejuvenated, so opening the door to the highest management levels for internal executives of proven success in previous work with the group. It has also resulted in a more collegial management form that is better adapted to a company the size and complexity of Carrefour.

≈ In 2004, as well as continuing to integrate the companies acquired in 2002 and 2003, Prosegur bought the firms CESS, Compañía de Servicios de Seguridad and ESC, Servicios Generales. These have a strong presence in Catalonia, Madrid, Andalusia and the provinces of Alicante, Castellón, Murcia and Valencia, areas where Prosegur generates a large part of its business. These acquisitions strengthen its leadership in the Spanish surveillance industry.

Invoicing grew by 6% year-on-year to 1.183 billion euros, thanks to a strong expansion in the surveillance division. However a large increase in extraordinary items, predominantly due to extraordinary amortisation of goodwill from French companies S.E.E.I. and BAC Sécurité, left net profit at 23 million euros, or 49% less than in 2003.

Prosegur continued to reduce debt significantly in the year, by 45 million euros, thanks to strong cash flow generation.

In the aim of strengthening group management, it also appointed a new chairman and chief executive officer in 2004.

≈ Turning to the telecom industry, it is worth noting the excellent performance of Celtel, a Dutch company operating GSM mobile telephone licences and networks in Africa. In 2004, the company bought a controlling interest in Kencell, Kenya's number two mobile phone operator, so achieving unique positioning around all of equatorial Africa, from Congo and Gabon to Tanzania and Kenya and including Sudan, Uganda and Malawi.

Celtel's sales increased by 61%, from 2003's 380 million dollars to 614 million dollars in 2004. Furthermore, net profit expanded in the year by 74 million dollars, to 147 million dollars.

The healthy results performance and growth prospects prompted the preparation of an initial public offering of the company. Its management team planned for this to take place in the first half of 2005. However, after procedures began to list the company on the London stock market, an offer was received to buy 100% of the company in very attractive conditions. If the deal is finalised in the terms envisaged, Alba will obtain revenues of 100 million dollars and capital gains of 50.8 million euros on current exchange rates, 85% of which will be booked in 2005 and the remainder in 2007.

≈ In 2004, meanwhile, Xfera stuck to its decision not to launch UMTS telephony services, due to persistently unfavourable mar-

ket conditions and technological availability. However, 2004 did see a slight telecom sector recovery and the launch of the first UMTS mobile phone operators in Europe with noteworthy success. The experience in such countries together with the amendment of licence contract conditions approved by the Spanish government, to take the current market situation into account, should lay the foundations for a suitable launch.

≈ Lastly, Unipsa, an insurance broker where Alba holds an 82.6% stake, handled 271 million euros in premium volumes in 2004. This was some 16% above the previous year's level and so more than double average insurance sector growth.

So far in 2005, the trend in investee companies' results remains very positive and therefore we expect satisfactory improvements in *Net profit from holdings consolidated by equity method*, the most significant recurrent item on our profit and loss account.

In respect of compliance with corporate governance standards and practices, Alba continued to place special emphasis on the subject. Accordingly, last year it adopted related decisions for adapting the articles of association and Regulations of both the General Meeting and the Board of Directors to the provisions of Spain's Act 26/2003, known as the "Transparency Act" (Ley de Transparencia).

Furthermore, the Board adopted a new resolution covering the minimum content of the website, in accordance with the new legislation.

This resulted in new content on the website, which furthermore has been renewed since October 2004.

In addition, approval was given for the Annual Corporate Governance Report, using the form set out in Circular 1/2004 of March 17, 2004 of Spain's National Securities Market Commission (Comisión Nacional del Mercado de Valores). This has been made available to shareholders and investors and contains detailed explanations of aspects relating to Alba's ownership and management structure, risk control systems, functioning of the General Meeting and monitoring of corporate governance recommendations.

With regard to the appropriation of annual results, the Board of Directors is proposing the distribution of a dividend equalling 0.12 euros per share for 2004 to the General Meeting of Shareholders. This would involve paying a final dividend of 0.06 euros per share in the first few days of June, in addition to the interim dividend paid last November. All this represents a continuation of the dividend distribution policy of previous years. Furthermore, the Board is proposing a capital reduction to the General Meeting through the retirement of treasury stock equalling 0.51% of share capital.

The other resolutions submitted to the Meeting for adoption include renewing authorisation for own share buybacks. Appointment of a new auditor is also proposed, since a change was considered appropriate given the time the previous one had been performing its tasks, notwith-

standing the fact that it has done so to our entire satisfaction and with considerable professionalism.

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

Cordially yours,

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

CONSOLIDATED ECONOMIC-FINANCIAL DATA

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

BALANCE SHEET

Changes in Alba's main balance sheet items in 2004 were as follows:

Net tangible fixed assets basically includes properties leased to third parties and totalled 152.3 million euros. The value of this item decreased by 1.6% compared to 2003, as a result of depreciation in the year.

Investments increased by 127.6 million euros to 849.8 million euros, or 17.7% year-on-year growth, due to investments in the period mainly in ACS, Acerinox and Celtel. The rise was partly offset by the sale of a 9.98% shareholding in Banco Urquijo, 3.61% in Havas and 0.06% in Vodafone.

Goodwill to be amortised at year-end equalled 257.2 million euros. The 78.0 million euros increase in the year was from investments made in ACS and Acerinox and was partly compensated for by period amortisation.

Debtors declined from 48.0 million euros to 27.8 million. This resulted from booking the corporate income tax from the sale of Vodafone shares, the payment of which has been recorded early.

Treasury stock covers the 18.0 million euros cost of purchasing the 794,298 Alba shares, or 1.19% of share capital.

Financial Accounts totalled 3.1 million euros at year-end, a similar level to the previous year.

Share capital equalled 66.8 million euros. This represents a 0.7 million euros decrease compared to the previous year, due to retiring 719,781 shares as approved by General Meeting of Shareholders of 25 May 2004.

Company *Reserves* increased by 21% to 767,1 million euros mainly as a result of distributing the previous year's results.

Meanwhile, *Shareholders' equity* equalled 1,047.3 million euros at year-end, having increased by 18.8% year-on-year.

Provisions ended 2004 at 22.4 million euros, close to 2003's level.

Lastly, *Current liabilities* include mainly bank lending and grew by 6.5% to 236.4 million euros in 2004. This was predominantly the result of new borrowing for carrying out investments made in the period.

**CONSOLIDATED BALANCE SHEETS
BEFORE THE DISTRIBUTION OF PROFITS**

(In million €)

ASSETS	As of December 31, 2004	As of December 31, 2003	As of December 31, 2002
Properties under lease	185.9	183.6	187.1
Other tangible fixed assets	9.8	9.7	9.9
Gross tangible fixed assets	195.7	193.3	197.0
Accumulated depreciation	(43.4)	(38.5)	(35.3)
Net tangible fixed assets	152.3	154.8	161.7
Listed securities	811.4	660.5	634.9
Unlisted securities	36.7	59.9	94.2
Other financial investment	1.7	1.8	1.7
Provisions for the securities portfolio	—	—	(25.8)
Investment	849.8	722.2	705.0
Total fixed assets	1,002.1	877.0	866.7
Goodwill	257.2	179.2	126.9
Debtors	27.8	48.0	77.7
Treasury stock	18.0	21.1	44.1
Financial accounts	3.1	3.5	2.4
TOTAL ASSETS	1,308.2	1,128.8	1,117.8

**CONSOLIDATED BALANCE SHEETS
BEFORE THE DISTRIBUTION OF PROFITS**

	(In million €)		
SHAREHOLDERS' EQUITY & LIABILITIES	As of December 31, 2004	As of December 31, 2003	As of December 31, 2002
Share capital	66.8	67.5	74.7
Reserves	767.1	635.4	664.3
Interim dividend... ..	(4.0)	(4.0)	(4.3)
Profit for the year	217.4	182.5	177.0
Shareholders' equity	1,047.3	881.4	911.7
Minority interests	0.0	0.7	0.7
Provisions	22.4	23.7	74.6
Long-term creditors	2.1	2.0	2.0
Loans received	230.9	218.2	103.1
Other debts, accruals and deferred income ...	5.5	2.8	25.7
Current liabilities	236.4	221.0	128.8
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES... ..	1,308.2	1,128.8	1,117.8

PROFIT AND LOSS ACCOUNT

Alba's *Net profit* grew by 19.1% year-on-year in 2004, to 217.4 million euros. The expansion on the earnings per share line was larger still, improving by 20.1% from 2003's 2.74 euros to 3.29 euros per share in 2004. The proportionately better earnings per share performance was a result of Alba's share retirement policy.

The contribution to results from *Net profit from holdings consolidated by equity method* equalled 153.8 million euros. This represented 75.8% growth from the previous year's 87.5 million euros, thanks to healthy performances in results of companies consolidated by the equity method, mainly ACS and Acerinox, and to increased shareholdings in the same two companies.

Rental income from the property portfolio totalled 11.4 million euros and so remained close to the previous year's level. On December 31, 2004 the buildings' occupancy rate equalled 94%.

Profit from the securities portfolio advanced by 26.9% from 2003's 83.3 million euros to 105.7 million euros in 2004. This predominantly includes capital gains from divesting shareholdings in Vodafone, Havas and Banco Urquijo.

Overheads came to 11.4 million euros, similar to the previous year's level, while *Financial expenses (net)* totalled 3.1 million euros.

Depreciation was 4.9 million euros, close to 2003's figure. *Amortisation of goodwill*, meanwhile, came to 14.7 million euros, or 4.6 million euros

above 2003's level, as a result of increased goodwill due mainly to the ACS and Acerinox investments.

Corporate income tax recorded in 2004 totalled 19.4 million euros, relating to capital gains on the year's sale of Vodafone shares.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS (1)

	(In million €)		
	2004	2003	2002
Net profit from holdings consolidated by equity method ...	153.8	87.5	103.8
Rental income	11.4	11.3	12.0
Profit on real estate transactions	0.0	2.5	1.2
Profit from the securities portfolio	105.7	83.3	81.5
Extraordinary income and provisions	0.0	49.5	29.1
Subtotal	270.9	234.1	227.6
Overheads	(11.4)	(11.2)	(11.1)
Financial expenses (net)	(3.1)	(0.3)	2.0
Depreciation	(4.9)	(4.9)	(5.0)
Amortisation fo goodwill	(14.7)	(10.1)	(34.0)
Corporate income tax	(19.4)	(25.1)	(2.6)
Minority interests	0.0	0.0	(0.1)
Subtotal	(53.5)	(51.6)	(50.6)
NET PROFIT	217.4	182.5	177.0
Earnings per share	3.29	2.74	2.44

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

SECURITIES PORTFOLIO AS OF DECEMBER 31, 2004

LISTED COMPANIES	Percent stake	Market value of shares (1)		Main quoting exchange
		Million €	€ per share	
Acerinox (*)	10.40	323.3	11.8	Madrid
ACS (*)	15.54	921.0	16.8	Madrid
Carrefour (*)	3.39	837.5	35.0	París
Havas	0.63	11.2	4.2	París
Prosegur (*)	5.23	46.8	14.5	Madrid
Spirent	0.68	6.7	1.0	Londres
Vodafone	0.07	98.1	2.0	Londres
Total market value		2,244.6		
Total book value		811.4		
Goodwill		257.2		
Unrealised capital gains		1,176.0		
UNLISTED COMPANIES	Percent stake	Book value		
		Million €		
Celtel	3.3	26.5		
March Gestión de Fondos (*)	35.0	1.3		
March Gestión de Pensiones (*)	35.0	1.0		
Unipsa (*)	82.6	3.7		
Xfera	11.3	0.0		
Others (2)	n.a.	4.2		
Total book value		36.7		
Real estate		146.7		

(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 Publicidad (28.8%), Palio (17.0%) and Princes Gate.

(*) Holdings consolidated by equity method.

The changes in the portfolio of shareholdings in 2004 are detailed below:

LISTED COMPANIES	Percent stake		
	31-12-04	31-12-03	Change
Acerinox	10.40	6.56	3.84
ACS	15.54	13.32	2.22
Carrefour	3.39	3.35	0.04
Havas	0.63	4.24	(3.61)
Prosegur	5.23	5.24	(0.01)
Spirent	0.68	0.67	0.01
Vodafone	0.07	0.13	(0.06)
UNLISTED COMPANIES			
Banco Urquijo	—	10.0	(10.0)
Celtel	3.3	2.4	0.9
March Gestión de Fondos	35.0	35.0	—
March Gestión de Pensiones	35.0	35.0	—
Quavitae	—	20.0	(20.0)
Unipsa	82.6	82.6	—
Xfera	11.3	11.0	0.3

The increased shareholdings in Acerinox, ACS and Celtel resulted from further purchases in the year. The increased stake in Carrefour was due to the company's own retirement of treasury stock. Furthermore, the shareholding in Xfera rose as a result of a capital increase that Alba participated in but was not subscribed by all shareholders.

Divestments in the year resulted in reductions of Havas, Vodafone, Banco Urquijo and Quavitae.

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		
	2004	2003	2002
— Construction	40	28	21
— Distribution and retail	37	47	47
— Industrial	14	7	7
— Real estate	10	10	10
— Telecommunications	6	9	13
— Security	2	2	1
— Banking and financial services	1	3	3
— Media	1	3	2
— Others	—	1	1
— Net debt	-11	-10	-5
	100	100	100

Due to investments and divestments in recent years and the various movements in investee companies' share prices, weightings of the Construction and Industrial sectors have increased considerably while those of Telecommunications and of Distribution and retail have declined.

INFORMATION ON HOLDINGS

ACERINOX

Acerinox experienced excellent sales and results performance throughout 2004, amid increases in both output and prices. With a 12.4% operating margin, it remains the world's most profitable stainless steel producer.

At the Algeciras plant, Acerinox's steel production declined by 9% year-on-year, to 921,000 metric tonnes. This was a result of a 29 day strike between February and March. Rising steel prices compensated for the reduction in output at the parent company, however, and sales were up by 20% to 1.724 billion euros, while net profit held fast at the previous year's 103 million euros.

For its part, NAS, Acerinox's US subsidiary, increased steel output by 28%, to 691,000 million tonnes. The entry into operation of the new cold-rolling mill enabled 39.5% growth in cold-rolling facilities' output compared to 2003. Both this healthy production growth and price increases were driven by an 11.86% increase in US apparent consumption. This enabled sales to double on the previous year, to 1.708 billion US dollars, while net profit expanded by 4.6 times to 168 million US dollars. NAS has thus become the largest contributor to group consolidated profit and provided 44% of the figure in 2004.

Meanwhile, steel output expanded by 12% to 718,000 million tonnes at Columbus, Acerinox's South African subsidiary. The new cold-rolling mill's entry into operation allowed the section's output to increase by 18.7%. The upshot was a 42% year-on-year increase in sales, to 1.061 billion euros. This healthy production performance, combined with a price recovery in south-east Asia, allowed Columbus to return to profitability, so reporting 52 million in net profit in the year.

Accordingly, group consolidated sales came to 4.041 billion euros, or a 38.7% improvement on the previous year. Profit before tax increased by 178% compared to 2003, to 490 million euros, while net profit equalled 303 million euros, or a 141% improvement year-on-year.

Despite the increase in working capital due to output growth and above all rising raw material costs, Acerinox's cash flow generation capacity enabled it to keep net debt to 668 million euros, a similar figure to the previous year. Acerinox's shareholders' equity totals 1.767 billion euros.

Key figures

(in million euros unless otherwise indicated)

	2004	2003	2002
Shareholders' equity	1,767	1,658	1,601
Gearing	38.2	39.5%	22.2%
Sales	4,041	2,913	2,500
EBITDA	639	311	408
Net profit	303	126	175
ROE	17.1%	7.6%	11.0%
Stock market capitalisation (at 12/31)	3,108	2,460	2,302

www.acerinox.es

ACS

The process of integrating ACS's operations with Grupo Dragados, which began in 2003 and has progressed faster than initially expected, is now almost complete. In 2004 reorganisation of both central corporate services and the environmental and construction areas was finalised. This merger has cemented the group's position as Spain's leading construction and services operator and among the foremost in Europe.

The group employs more than 111,000 people and in 2004 achieved sales of almost 11 billion euro, some 2.1% above that of the previous year, thanks to solid growth in the industrial and services businesses.

Construction revenues totalled 5.230 billion euros, of which 91% came from Spain. This equals a 6.5% decline, resulting from a decisive policy to improve working capital, adapting the implementation times for works to the customer's budgetary constraints.

In industrial services, covering network businesses, specialist facilities, integrated projects and control systems, it extended its leading position to several countries including Spain. Sales came to 3.491 billion euros, or 13.6% growth, with an impressive expansion in revenues from energy plants as part of integrated projects, predominantly for combined cycle and renewable energies, as well as from off-shore platforms.

Services and Concessions covers the environmental, port and logistics, passenger transport and integrated building maintenance businesses, as well as infrastructure and transport concessions. This business line's sales reached 2.344 billion euros. In addition to ACS's presence in infrastructure concession development, it also has a stake in Abertis,

Spain's leading concession-holder. It added to this shareholding both in 2004 and in the first few months of 2005, taking it to 19.1%.

Group net profit expanded by 21.1% year-on-year in 2004, to 460 million euros.

Net debt at end-2004 was 1.424 billion euro and so gearing was almost unchanged on 2003. This stands in comparison to the 1.848 billion euros market value for its shareholdings in Abertis and Urbis. Taking into account a significant increase in working capital, funds obtained from operations enabled 1.230 billion euros in investments on the part of the group, including the purchase of a further 6% of Abertis for 452 million euros.

On December 31 its order book contained 20 months work for Construction, 12 months in Industrial Services and 62 months in Services.

Key figures

(in million euros unless otherwise indicated)

	2004	2003(1)	2002(1)
Shareholders' equity	2,104	1,796	1,805
Net debt	1,424	1,230	979
Gross turnover	10,961	10,734	9,962
Ordinary profit	645	537	443
Net profit	460	380	326
ROE	21.9%	21.1%	19.2%
Stock market capitalisation (at 12/31)	5,928	4,587	1,963

(1) Pro forma data, obtained by considering the merger as effective since 1 January 2002.

www.grupoacs.com

CARREFOUR

For Carrefour, a key aspect of 2004 proved to be the very proactive sales policy in its main markets, particularly France. Thanks to these efforts, the group was able to strengthen its traditional low-cost profile and position its hypermarkets as the cheapest in their areas of influence in France, its main market.

Given that consumer spending still appears lacklustre in France and that French consumers in 2004 had still to perceive how price competitive the company has become, greater sales volumes were unable to compensate for these cost-cutting efforts in full. However, the company ended the year with 72.668 billion euro net sales, or a 3.1% improvement on the previous year. Ordinary net profit advanced by 2.6%, to 1.662 billion euros.

The year also saw a rationalisation of group businesses and profitability improvements. Carrefour maintained its policy to pull out of any unprofitable or non-strategic business and focus on countries where it has a leadership position or strong growth potential. As part of its strategy to consolidate its position on main markets, the group purchased 28 stores in Greece and 13 hypermarkets in Poland and reached franchising agreements with 104 supermarkets in Italy. This has continued in the present year through signing agreements to bolster its shareholdings in Italy and in France through Hyparlo, one of the company's main franchisees. Furthermore, as part of its ongoing business rationalisation, it sold its shareholding in the Portuguese company Modelo Continente in the year. In 2005, furthermore, it has agreed the sale of its Mexican and Japanese hypermarkets.

Meanwhile, there was a noteworthy increase in shareholder remuneration, with the dividend per share increasing by 27% to 0.94 euros.

The company also invested more than 350 million euros in an own share buyback plan that is set to continue in 2005 and as a result of which 11.2 million shares have been retired, equivalent to a 1.6% reduction in the company share capital.

On the initiative of the major shareholders, furthermore, the management team and structure were remodelled in early 2005. The company is henceforth to be run by a Management Board made up of the main executives and a Supervisory Committee consisting of independent directors and owner directors representing the major shareholders. This enables a rejuvenation of management and opens the door to internal executives with proven success within the group, in the quest for a more collegial structure better adapted to a company the size and complexity of Carrefour.

Key figures

(in million euros unless otherwise indicated)

	2004	2003	2002
Shareholders' equity	6,886	6,559	6,163
Sales (excluding VAT)	72,668	70,486	68,729
EBITDA	4,917	4,871	4,675
EBITA	3,234	3,251	3,025
Net ordinary profit			
– Before amortisation of goodwill	1,981	1,938	1,699
– After amortisation of goodwill	1,662	1,620	1,389
Net profit	1,387	1,629	1,374
Earnings per share before extraordinary items (€)... ..	2.29	2.23	1.92
Dividend per share(€)	0.94	0.74	0.64
Stock market capitalisation (at 12/31)... ..	24,700	31,166	30,386

www.carrefour.com

PROSEGUR

Prosegur reported 1.183 billion euros in revenues in 2004. This equalled a 6% increase on the previous year, although organic growth totalled 7%.

The Surveillance business reported 756 million euros in invoicing, representing an 8.5% expansion on 2003. There was healthy performance in all countries despite the negative impact of US dollar movements against the euro on Latin America's strong organic growth.

Invoicing for Fund Transportation was similar to 2003, at 354 million euros. European sales declined due mainly to developments in Portugal relating to the existence of a third operator. However, this was compensated for by positive trends in the Latin American business, which represents 52% of division sales though was also negatively affected by currency movements.

The Alarms business line, for its part, posted 73 million euro in revenues, or 6.4% year-on-year growth.

The contribution of each business to the year's revenues was thus 64% for Surveillance, 30% for Fund Transportation and 6% for Alarms.

The geographical breakdown gives 52% generated in Spain, 24% elsewhere in Europe and the other 24% in Latin America.

Net profit totalled 23 million euros in 2004, or a 49% year-on-year decrease due mostly to 19.2 million euro in extraordinary goodwill amortisation for the French companies S.E.E.I., Bac Sécurité and Force Gardiennage, as well as to the provision for business termination expenses of these companies in the Paris region. Prosegur retains a large presence in France through its companies in the south of the country (Cinieri), which invoiced 100 million euro in 2004.

In parallel, the group's net debt shrank sharply in 2004, thanks to a continuation of the previous year's strong cash flow generation. Gearing declined from 2003's 64% to 54% last year. The brighter financial picture enabled the year-end purchase of CESS, Compañía de Servicios de Seguridad, and ESC, Servicios Generales, representing another step in its strategy of external growth by buying companies that strengthen its position in markets where it already operates. The purchase of both firms puts Prosegur on an optimal footing to increase business in important Spanish geographical areas.

Prosegur also appointed a new Chairman and Chief Executive Officer in the year. These appointments aim to strengthen management of a group that in recent years has experienced strong growth and geographical expansion.

Key figures

(in million euros unless otherwise indicated)

	2004	2003	2002
Shareholders' equity	244	236	203
Sales	1,183	1,117	1,101
EBITDA	135	136	138
Net profit	23	45	41
Stock market capitalisation (at 12/31).....	895	797	599

www.prosegur.es

CELTEL

In 2004, Celtel consolidated its presence in Sub-Saharan Africa thanks to organic growth in its client base and the acquisition of a controlling interest in Kencell, Kenya's number two mobile phone operator. The number of clients managed by Celtel-controlled companies increased to 5.2 million.

This purchase of a 60% controlling interest in Kencell from Vivendi makes Celtel the only operator simultaneously present in Tanzania, Uganda and Kenya, countries where it has considerable growth potential. In December 2004, Kencell had 1.2 million clients.

Celtel also made very significant efforts in the year to harmonise the brand across all countries where it is present. It introduced the "Celtel" name in countries where it was not already used and designed a new logo for those already in use in the 13 countries where it is present.

In financial terms, Celtel increased sales by 61% from 2003's 380 million dollars to 614 million in 2004. Meanwhile, net profit expanded by 100% to 147 million dollars. This excellent financial performance enabled it to refinance existing debt with credits from commercial and development banks on favourable terms. The company thus has sufficient liquidity to implement growth plans in the next few years.

The company's bright outlook prompted Celtel's shareholders to plan its initial public offering for the first half of 2005. However, while in the preparation stages, it received a purchase offer from MTC, a Kuwait-based telecom operator, valuing Celtel at 3.361 billion dollars. This offer was analysed by the Board of Directors and recommended to shareholders.

If the deal is agreed in the terms envisaged, Alba will receive 100 million dollars for its shareholding in Celtel, of which 85 million dollars would be in cash and the remaining 15 million over two years.

Key figures

(in million dollars unless otherwise indicated)

	2004	2003	2002
Sales	614	380	266
EBITDA	201	126	66
EBIT	107	79	13
Net profit	147	74	(24)
Clients (thousands) (1).....	3,613	1,731	991

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

www.celtel.com

UNIPSA

In 2004, Unipsa and its dependent companies brokered premiums totaling 271.3 million euros and so an increase of 15.6%, a satisfactory figure considering the insurance sector's 7.4% expansion. Consolidated revenues equalled 7.7 million euros, or a 10.8% increase, and net profit came to 3.2 million euros, so expanding year-on-year by 13.3%.

Unipsa is parent company of a corporate group and specialised in the industrial sector. It posted 10.1% premium growth to 119.7 million euros, or 44.1% of total premiums brokered.

Total premium volumes at **GDS** increased by 16.4% to 76.6 million euros, or 28.2% of the total.

March Correduría de Seguros markets insurance through the Banca March network. Its premium volumes brokered grew by 20.9% to 41.1 million euros, representing 15.1% of the total and consolidating its market leadership in the Balearic Islands.

Carrefour is continuing its gradual introduction and development and recorded 69% premium volume growth, to 17.4 million euros. This represented 6.4% of the group total.

Meanwhile, **Urquijo Correduría de Seguros** registered 16.5 million euros, equalling 6.2% of the group total. Year-on-year growth came to 3.2%, despite Banco Urquijo's changing its marketing and investment strategy in the business sector.

Key figures

(in million euros unless otherwise indicated)

	2004	2003	2002
Premium volume	271.3	234.8	186.4
Consolidated revenues.....	7.7	6.9	5.8
Profit before tax	4.0	3.7	3.3
Group's share in net profit	3.2	2.8	2.5

www.unipsa.com

XFERA

After several years of crisis in the telecom sector with repeated delays in the arrival of UMTS technology, the economic recovery among operators began in 2004, as did the launch of this new technology's networks in several countries.

Hutchison Whampoa was the first to launch UMTS technology operators in Europe, with a notable presence in Italy and the UK. In Spain, Vodafone, Telefónica Móviles and Amena announced the launch of their UMTS services throughout the year but by December 2004 client numbers were not calculated to have exceeded 100,000.

In June 2004, the government approved the amendment of licence conditions by a ministerial order that adapted commitments to the current business environment and reduced Xfera's to a rolling guarantee of 176 million euros. Together with a brightening sector outlook, advances in UMTS technology augur for a new scenario that should enable Xfera to be launched as Spain's fourth operator in a mature market where the operators present are well consolidated.

Key figures

(in million euros unless otherwise indicated)

	2004	2003	2002
Shareholders' equity	301	306	373
Fixed assets	652	675	672
Capitalised expenses	42	47	57
Operating profit (1)	(17)	(15)	(18)
Net profit (1)	(31)	(67)	(124)

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

www.xfera.com

MARCH GESTION DE FONDOS
MARCH GESTION DE PENSIONES

For both investment managers, 2004 was undoubtedly a good year, with assets under management increasing by 29% compared to 2003, to 934.3 million euros. This is the second successive year when assets managed have expanded by more than 20%.

Firstly, March Gestión de Fondos S.G.I.I.C. increased assets under management by 33% to 806.3 million euros. This was thanks to healthy performance in both investment funds, where growth equalled 32% to 475.8 million euros, and in Sicav open-ended investment companies, of which assets increased to 331 million euros, or 34% year-on-year.

As in previous years, there was special emphasis on the quality of management for the abovementioned collective investment institutions, as reflected in the return ratings achieved compared to other financial institutions. Thus almost all the Private Banking funds were once again in 2004 rated in the top third of their corresponding group rankings.

Secondly, total pension fund assets managed by March Gestión de Pensiones, S.G.F.P. came to 128.0 million euros, or 11% growth on 2003. There were notable developments in the individual pension fund system, where assets expanded by 23%, to 80.8 million euros.

www.bancamarch.es

REAL ESTATE ACTIVITIES

Alba's real estate assets consist mainly of office buildings in Madrid and Barcelona and include built surface area of around 100,000 m². Based on a recent valuation by C.B. Richard Ellis their market value is 248 million euros.

Net rental income from Alba's property portfolio leases in 2004 equalled 11.4 million euros, almost the same as in 2003.

Investments in the year came to 2.5 million euros. These consisted of optimising both the construction and facilities of various buildings in order to provide the best service and comfort possible to lessees, of strengthening loyalty levels and of positioning them in both quality and price in a market that is ever more competitive, due to surplus office space in Madrid and Barcelona. This is resulting from:

- Weak demand;
- New availability of surface area, due to the construction of large corporate headquarters by leading companies; and
- Excessive construction of tertiary buildings in recent years, resulting in increased vacancy rates, particularly in both cities' outlying areas.

Despite the adverse circumstances, it is worth noting a satisfactory 94% overall occupancy rate of total surface area at year-end.

It should also be highlighted that the market has appeared generally more buoyant in the first few months of 2005 and so the results of the present year are being awaited with certain optimism.

