ANNUAL REPORT 2016

ALBA
GRUPO MARCH

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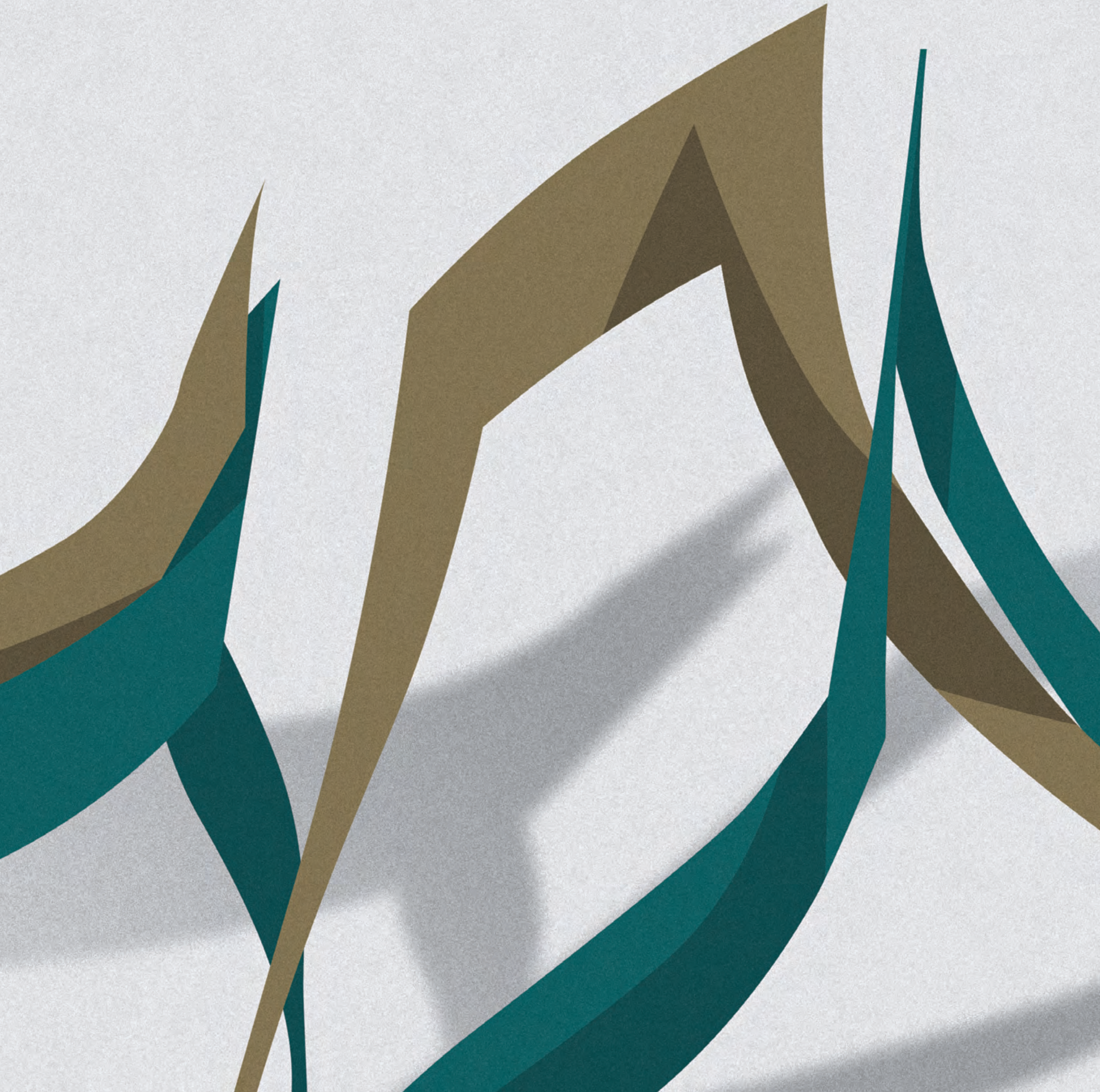

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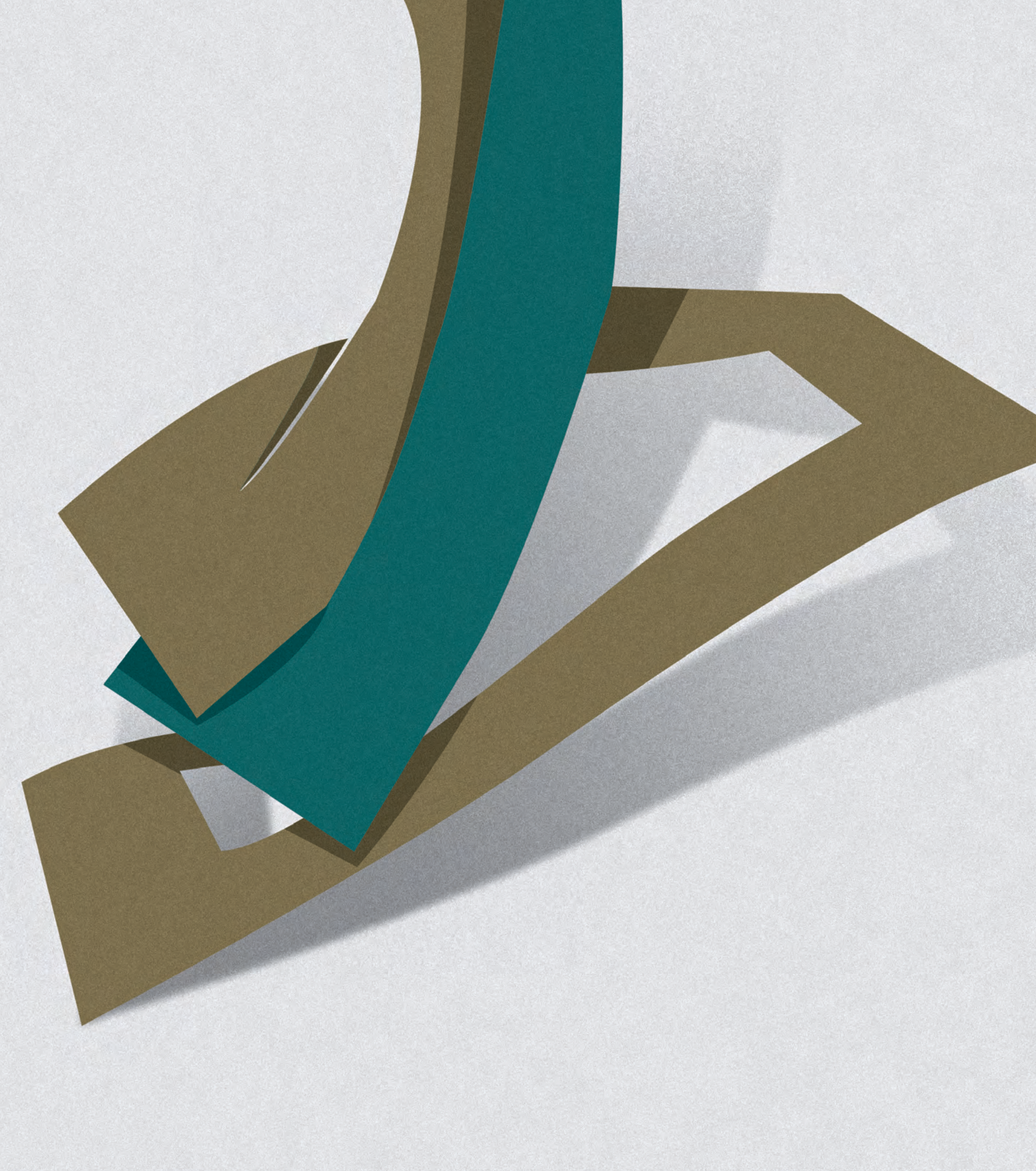

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Chairmen
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Mr. Juan March Delgado

Vice-Chairman
Mr. Juan March de la Lastra

Chief Executive Officer
Mr. Santos Martínez-Conde Gutiérrez-Barquín

Directors
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Mr. Ramón Carné Casas
Ms. Cristina Garmendia Mendizábal
Ms. María Eugenia Girón Dávila
Mr. Carlos González Fernández
Mr. Juan March Juan
Mr. Regino Moranchel Fernández
Mr. José Nieto de la Cierva
Ms. Claudia Pickholz
Mr. Antón Pradera Jáuregui

Secretary and Director
Mr. José Ramón del Caño Palop

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Chairman
Mr. Carlos González Fernández

Members
Mr. José Nieto de la Cierva
Ms. Claudia Pickholz

Secretary
Mr. José Ramón del Caño Palop

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Chairman
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Members
Ms. Cristina Garmendia Mendizábal
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Mr. José Ramón del Caño Palop

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Ms. María Eugenia Girón Dávila
Mr. Juan March de la Lastra
Mr. Juan March Juan
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Mr. José Ramón del Caño Palop

INVESTMENT MONITORING COMMITTEE

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Mr. José Domingo de Ampuero y Osma

Members
Ms. Cristina Garmendia Mendizábal
Ms. Claudia Pickholz
Mr. Juan March de la Lastra
Mr. Juan March Juan
Mr. Santos Martínez-Conde Gutiérrez-Barquín

Secretary
Mr. José Ramón del Caño Palop

MANAGEMENT

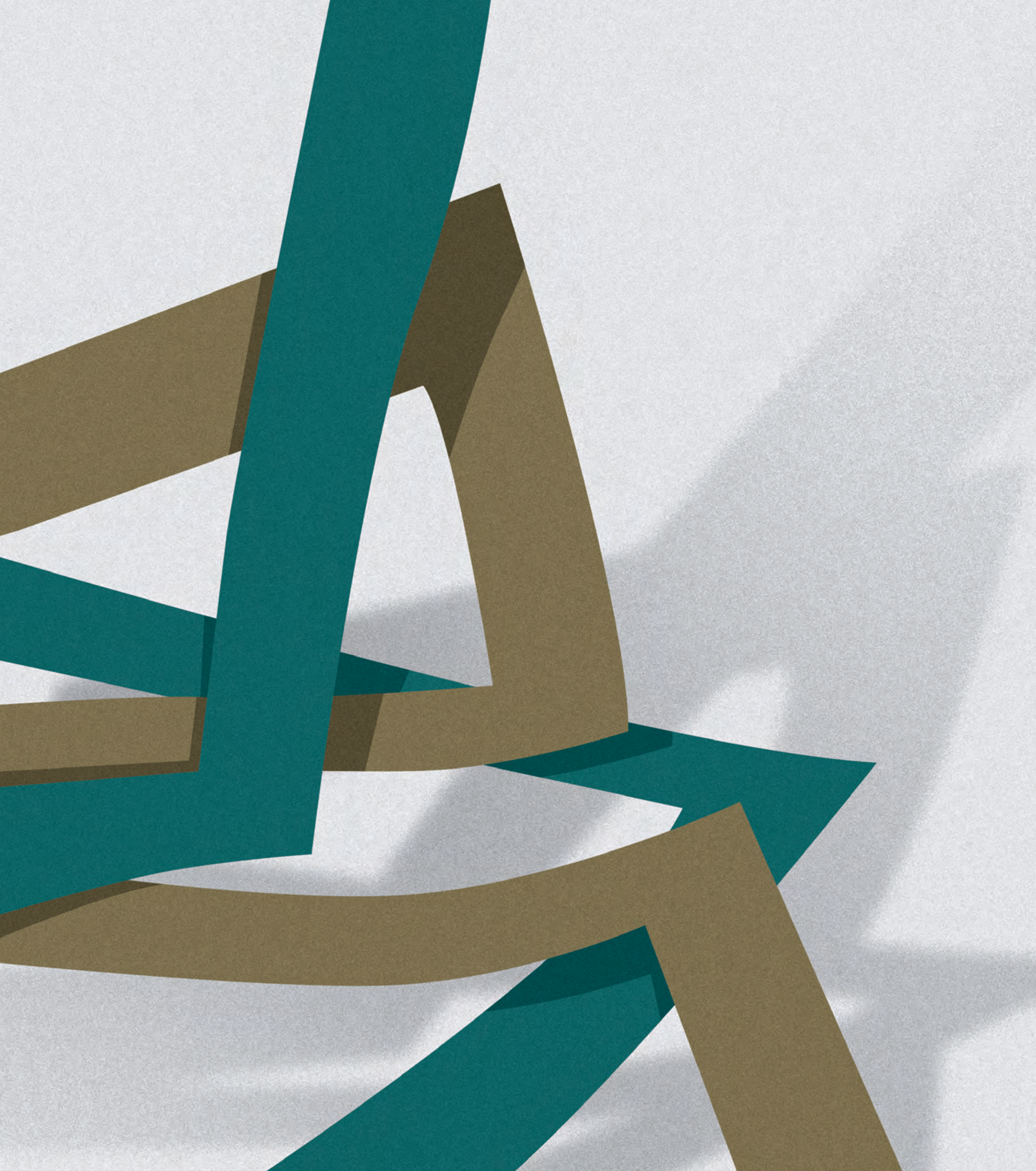
Chief Executive Officer
Mr. Santos Martínez-Conde Gutiérrez-Barquín

Directors
Mr. José Ramón del Caño Palop
Mr. Javier Fernández Alonso
Mr. Ignacio Martínez Santos
Mr. Andrés Zunzunegui Ruano

Heads of department
Mr. Antonio Egido Valtueña
Mr. Diego Fernández Vidal
Mr. Tomás Hevia Armengol
Mr. Félix Montes Falagán
Mr. José Ramón Pérez Ambrojo

Communication
Mr. Luis F. Fidalgo Hortelano

Composition of the Board of Directors and Committees thereof at 27 March 2017, the date of preparation of the Financial Statements for 2016.



LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Dear shareholders,

Once again, we are very pleased to inform you of the progress of Alba and its investees in the last year.

Starting with a brief overview of the macroeconomic situation, it should be noted that 2016 was a positive year in general for the economies of developed countries, but that was clearly marked by various events of a political nature whose results, while being completely unexpected at the beginning of the year, will significantly influence economic and market performance in the coming years.

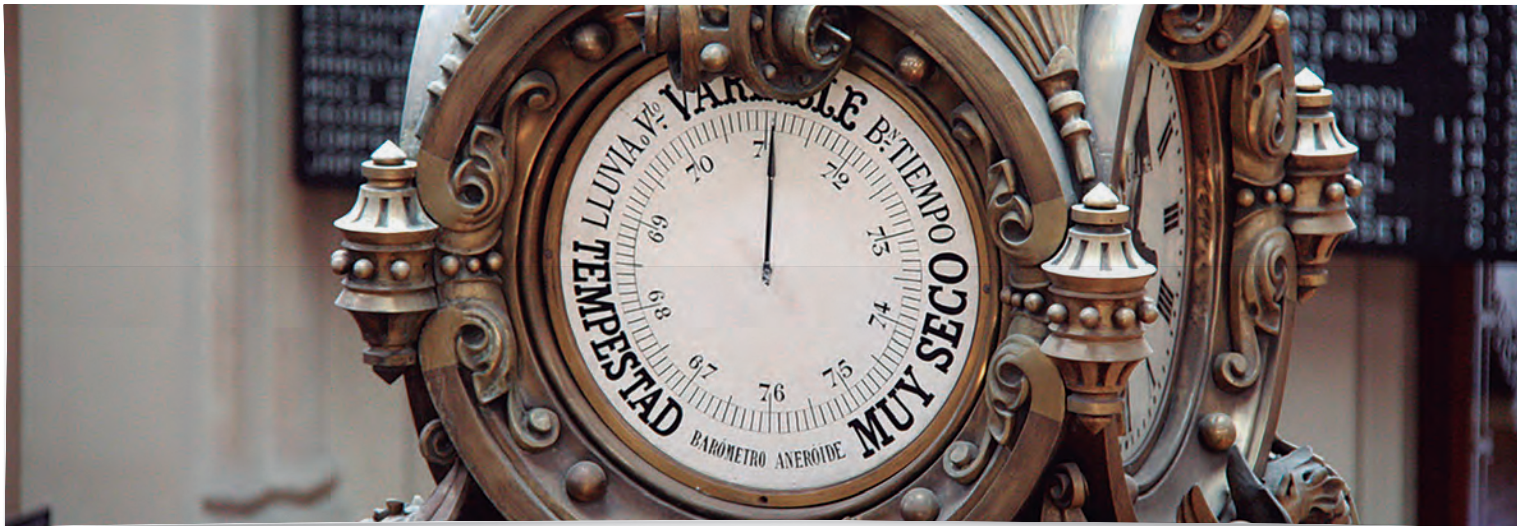
In this connection, despite the reasonable macroeconomic data for 2016 and good market performance in the second half of the year, our perception is that the current level of uncertainty is greater than 12 or 24 months ago, with a very complex global political situation in 2017, conditioned by an alarming increase in populism and economic protectionism in developed countries to levels not seen in the last 30 or 40 years.

Although it could be said that most Western countries overcame the crisis that began in 2008, we believe that the surge in populist political positions, even extremist in some cases, is a direct consequence of the inability of "traditional" political parties to address the challenges posed by the crisis and, in particular, the increase in economic and social inequality arising therefrom.

Particularly alarming is the fact that this current level of political change is being led precisely by countries such as the United States and the United Kingdom, which have been characterised in the last 30 years by their liberalising policies favourable to free trade. These radical and unexpected changes are obliging the European Union, China and emerging countries to reposition themselves without a clear final direction for them to adopt.

In our opinion, the long-term impact of these changes, which could be longer-lasting than that of the crisis from which they arose, should not be underestimated. Therefore, we consider that the current apparent complaisance of the markets could prove to be unjustified. It is very probable that we may have to address new episodes of high volatility, even if only because of the evident unpredictability of the current situation.

With regard to Spain, the economy showed significant dynamism in 2016 with an actual GDP growth of 3.0%, the highest of the main EU countries. Additionally, since September 2013 it has recorded 13 consecutive quarters of economic expansion. The current market consensus points to a growth of 2.5% in actual GDP in 2017 and 2.1% in 2018, with some sources indicating the possibility of a growth



near or above 3% this year. According to the International Monetary Fund, Spain has, once again, the highest medium-term growth prospects within the major Eurozone economies.

This growth is even more outstanding considering that it was achieved in the context of an extremely rare political situation in our country, with two general elections in approximately six months and an interim government for nearly the whole year. However, what could be considered an extraordinary situation is relegated to a mere anecdote if we take into account the global political storm unleashed by the result of the Brexit referendum and by the result of the presidential elections in the United States. We believe that, in the case of Spain, after having achieved certain political stability in the country, the EU's capacity to address the internal and global challenges will be key, which will necessarily require substantial reforms to guarantee is survival in the long term.

Despite good economic growth, in 2016 public deficit in Spain was only reduced from 5.1% to 4.3%, higher than the 3.6% initially envisaged but less than the revised target of 4.6% agreed upon with the European Union. As mentioned earlier, maintaining high public deficit levels implies a continuing increase of the absolute level of public debt and entails the need for additional adjustments to achieve the objectives set for the coming years (the deficit target agreed upon with the EU for 2017 is 3.1% of GDP). These additional measures, such as tax increases or cuts in public investment or overhead expenses could have a negative impact on economic recovery and on job creation in the coming years.

In 2016 the total amount of public debt had risen to nearly EUR 1.1 billion at the end of the year. However, economic growth made it possible to reduce the proportion over GDP by a few decimals to 99.3% at the end of December, very near the all-time high of 100.9% reached in June.

As already mentioned in successive Annual Reports, a net importing economy such as the Spanish economy cannot maintain high public deficits and continued debt increases indefinitely. A high ratio of debt to GDP inevitably lowers investor confidence in the Spanish economy and makes it more vulnerable to market fluctuations.

Neither can we deny that the apparent lack of concern by the market about Spain's public debt, which is reflected in the currently low risk premium, is not only due to the recent good economic performance, but rather is largely justified by the expansive monetary policy of the European Central Bank and, in particular, by the Government Asset Purchase Programme, under which, since its launch in March 2015 to the end of January 2017, has purchased EUR 159,122 million of Spanish public debt. In 2016, the European Central Bank acquired 42% of all the gross debt issues of the Spanish Treasury.

On a more positive note, we would like to highlight that the strong increase in public debt in recent years -growing 186.2% from EUR 0.4 billion at 2007 year-end (35.5% of GDP) to EUR 1.1 billion at the end of 2016 (99.3% of GDP)- was partially offset by the reduction in household and non-financial business debt. The total debt of these players was reduced by 16.1% in the same period, from EUR 1.9 billion to EUR 1.6 billion.

As already mentioned in the last few years, this robust and sustained economic growth has had a very positive impact on the job market with respect to the worst moments of the crisis. According to the Labour Force Survey, in 2016 the number of unemployed fell by 542,000 (-11.3% in the year to 4.2 million unemployed) and the number of employed increased by 414,000 persons (+2.3% to 18.5 million), which reduced the unemployment rate to 18.6% at the end of the year, from 20.9% in December 2015. If these data are compared with the highs of March 2013, the unemployment rate has declined by 8.3 percentage points and the number of unemployed by almost 2.0 million people.

However, it should be noted that this improvement in the job market is still unsatisfactory, since it is still far from the pre-crisis situation and the traditional problems of youth unemployment, high proportion of new contracts of temporary nature and low salaries have not been solved.

Lastly, we consider that the future sustainability of the public pension system is, possibly, one of the greatest challenges faced by Spain and addresses three aspects: economic, social and political.

Increased life expectancy and low birth rates, only mitigated during the pre-crisis years by immigration, explain the gradual worsening of the proportion of contributors and beneficiaries which, added to the economic crisis, exhausted the Social Security Reserve Fund in just six years, raising doubts as to its sustainability. Therefore, an in-depth reform of the system must be undertaken that will include, among other measures, the promotion of private savings alternatives to supplement public pensions, since the new generations must plan their future in a context of possible increases in the age of retirement and low public pensions.

With regard to securities markets, 2016 was characterized by a highly volatile year. Markets recorded sharp drops in most indices in January and February due to the significant reduction in the price of oil and other raw materials (and the ensuing impact on China and other emerging economies), gradually recovering until the end of the year, with isolated drops in June (Brexit) and, only in some indexes, in November (US elections).

As opposed to the widespread losses recorded in the first half of the year, the second half was very positive in general for most stock market indices as a result of higher profit scenario resulting from increased inflation and economic growth expectations, to a foreseeable normalisation of the monetary policy in the United States and to the recovery of prices of oil and other raw materials. In the case of the United States, the indices were driven by the possibility that the Trump Administration may adopt expansive fiscal measures, reducing taxes, removing regulatory barriers, implementing an ambitious infrastructure plan and adopting protectionist policies that will drive local production and employment (at least in the short term). Therefore, North American stock market indices were among the best-performing indices in 2016 (Dow Jones +13.4% and S&P 500 +9.5%, both recording all-time highs), out-performing the main European indices (Eurostoxx +0.7%, German DAX +6.9%, French CAC +4.9% and Ibex 35 -2.0%) or Asian indices (+0.4% Japanese Nikkei and Hong Kong Hang Seng and -11.3% China 300).

Particularly worthy of note is the FTSE 100 of the London Stock Exchange, which grew 14.4%, recording a new all-time high due to the weight, within the index, of global exporting companies with most of their revenue in currencies other than the Sterling Pound and, therefore, less affected by the Brexit. However, if we take into account the devaluation of the Sterling Pound against the Euro, the index in euros would have fallen by 1.8%.

Furthermore, mention should also be made to the drop of 10.2% of the Italian Mibtel caused by the weak situation of the country's financial sector and by its traditional political instability. Although its impact on global markets was almost irrelevant in 2016, the situation in Italy is a reminder that the financial crisis may not have recovered in its entirety, at least in certain countries.

This good market sentiment at the end of 2016 has continued in the first months of 2017, with all the main world indices recording positive figures, led once again by US stock markets, which continue recording all-time highs in a very low volatility environment.

In our opinion, market valuations are reaching very high levels that must be followed by higher profit margins in order to be sustainable. In general, we believe that there is a high degree of complaisance in the market that may give rise to significant adjustments in the event of unexpected negative news. Although the general perception of market risk is currently very low, we understand that there are still multiple unsolved problems that require acting with prudence, always maintaining a long-term vision, low level of indebtedness and adequate balance between profitability and risk.

In the case of Alba, Net Asset Value (NAV) grew 8.8% in 2016, reaching EUR 3,989.9 million at year-end. NAV per share, after deducting treasury shares, performed at the same rate, ending the year at EUR 68.51 per share.

Likewise, Alba's share price increased by 7.5% in 2016 to EUR 42.85 per share at year-end. Alba's share price out-performed the aforementioned Ibex 35 (-2.0%) and Eurostoxx 50 (+0.7%) in the same period.

In the first quarter of 2017, Alba's share price rose 2.7% to EUR 44.00 per share. In the same

period, NAV per share grew 4.0%, ending the quarter at EUR 71.27 per share.

With regard to Alba's results, in 2016 Alba obtained a consolidated profit after tax of EUR 407.8 million, up 51.3% on the net profit of EUR 269.6 million obtained in 2015. Per share, Alba obtained a profit of EUR 7.00 for the year, against EUR 4.63 in 2015.

This report contains a more detailed analysis of the various items comprising Alba's Income Statement and Balance Sheet, in addition to information on the performance of our investees in 2016.

In line with previous years, Alba made significant investments in 2016, both in the incorporation of new investees to its portfolio and in the increased ownership interest in several of its investees. Thus, Alba's investments totalled EUR 268.2 million in the year:

- EUR 126.8 million in the acquisition of 10.53% of the share capital of Parques Reunidos, mainly at the time of its flotation in April and, to a lesser degree, in the acquisition of shares on the market in the following months, becoming the second shareholder of Parques Reunidos at year end.

- EUR 141.4 million in the acquisition of an additional ownership interest in Viscofan (EUR 93.4 million), Bolsas y Mercados (EUR 35.3 million) and Euskaltel (EUR 12.7 million), acquiring 4.16%, 1.49% and 1.00%, respectively. Worth mentioning the investment made in Viscofan, in which it increased its ownership interest to the current 11.02%, converting Alba into the main shareholder of this company.

Furthermore, Alba's only divestment in 2016 was the sale of 4.17% of ACS for EUR 374.6 million, obtaining a gross capital gain of EUR 168.5 million and IRR of 11.4% per annum since the creation of ACS in 1997. At 31 December 2016, Alba had an ownership interest of 7.52% in the share capital of ACS, which accounted for 17.8% of NAV at year end.

As a result of these sales, Alba's net cash at 2016 year-end amounted to EUR 333.3 million, 8.4% of the total NAV, a level above the historical average.

From year end till 31 March 2017, the following main transactions were announced, the acquisition of 4.30% of Parques Reunidos for EUR 49.3 million, sale of an additional 4.97% of ACS for EUR 473.6 million, the agreement for the sale of the entire ownership interest in Flex for EUR 59.2 million and the sale of a building in Madrid for EUR 23.6 million.

Additionally, in the first quarter of this year, private equity funds managed by Artá Capital SGEIC acquired 90% of the share capital of

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Gascan, a Portuguese piped propane gas distribution company. In the first weeks of April, those same companies announced the acquisition of an ownership interests in Alvinesa, a company specialising in wine by-products and waste management for the production, inter alia, of multi-purpose alcohol, tartaric acid and kernel oil, and in Satlink, a company engaging in marine telecommunications via satellite and intelligent buoys for tuna fishing. The three aforementioned investments are the first made by the second fund managed by Artá Capital.

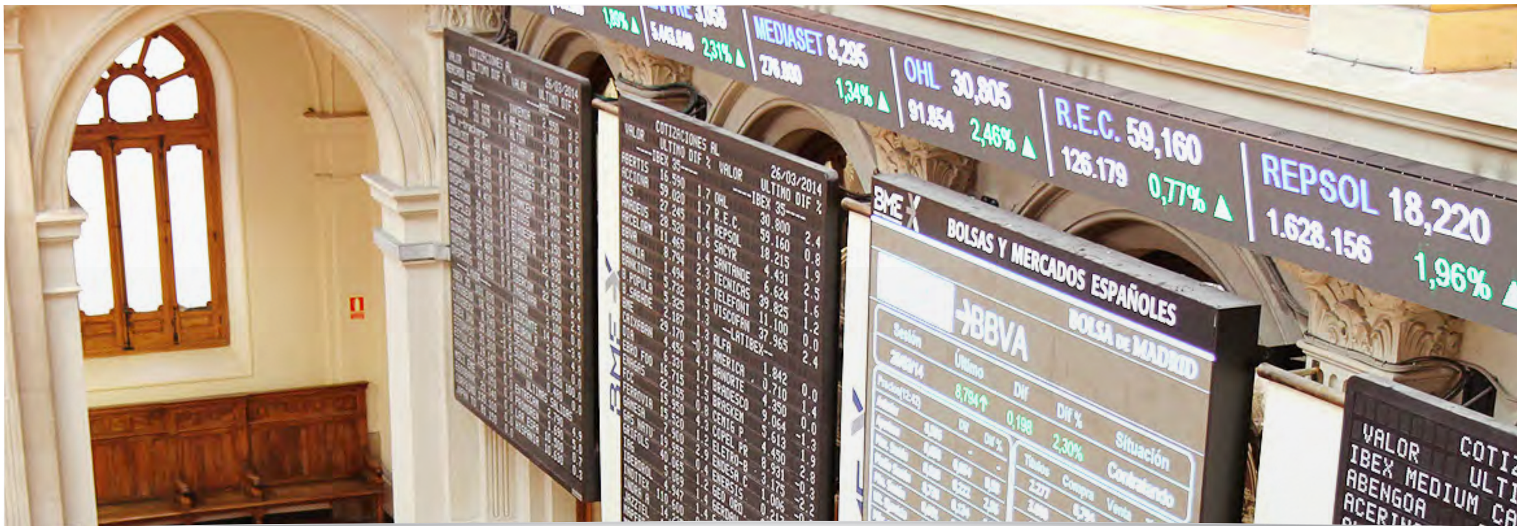
Furthermore, in April another building was sold in Madrid.

We believe the outlook for 2017 is positive for our investees in an apparently more favourable economic environment than in previous years, despite the aforementioned uncertainties. In our opinion, most of our investees have made a considerable effort to improve their efficiency, strengthen their balance sheets and increase their competitiveness in international markets, placing them in a good position to face the current situation and continue their development. Also, despite the high market levels we believe that, with patience, new investment opportunities will appear for Alba and its investees, always maintaining a clear long-term vision and a high degree of prudence.

As regards good corporate governance rules and practices, Alba has continued to maintain a special interest in them, having made considerable efforts during 2015 to incorporate both the new features included in the Spanish Limited Liability Companies Law by Law 31/2014, of 3 December, and those incorporated by the new Code of Good Governance of Listed Companies, to its internal rules and practices, approved by the CNMV on 18 February 2015.

The Bylaws and Board Regulation were also amended, mainly in order to incorporate the amendments made to the Spanish Limited Liability Companies Law by Law 22/2015, on Financial Auditing, in addition to those arising from the Code of Good Governance of Listed Companies, relative to the supervision of the fulfilment of good governance rules, internal codes of conduct and the corporate social responsibility policy.

Also, a new Internal Code of Conduct in the Sphere of the Securities Market was approved, in whose preparation the provisions of the European Market Abuse Regulation (EU Regulation 596/2014, of 16 April 2014) and its implementing regulations were taken into account. The Internal Code of Conduct establishes the necessary controls and transparency to ensure the proper management and control of privileged information and disclosure thereof, transactions with treasury shares, personal transactions subject to disclosure and the preparation or performance of conducts that may imply market manipulation, in addition to the necessary principles for reducing



the risk of conflicts of interest. This is aimed at ensuring correct practices by Alba and persons related thereto and protects the interests of those who invest in the Company's securities.

Also, as a result of the amendment made to the Internal Code of Conduct, the Treasury Share Policy was also amended, mainly in those aspects related to the functions corresponding to the person in charge of managing treasury shares and to the extension of the blocking period (with respect to the dates envisaged to publish the financial information) for performing transactions therewith.

However, the performance of the Board of Directors has not been limited to approving or adapting the internal regulations and policies, but rather has been compliant with them and with the recommendations regarding good corporate governance.

Specifically, it should be noted that in 2016 the Company fulfilled all the recommendations of the Code of Good Governance of Listed Companies applicable thereto, approved by the CNMV in 2015 (56 of the 64 recommendations). In 2015 there were two recommendations that were partially fulfilled and which were completely fulfilled in 2016.

Additional improvements in corporate governance include, namely, the evaluation of the performance of the Board of Directors in 2016 in collaboration with an external consultant and the creation of a new Board Committee dedicated to monitoring the performance of investees in greater detail than that performed by the Board to date.

Also worth noting is the approval of the following: the Annual Corporate Governance Report, the Report on Directors' Remuneration, the

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Report on Related Transactions, the evaluation of the Board and the additional reports issued by the Board Committees. Monitoring reports relating to the functions of Risk Control and Management, Regulatory Compliance and Crime Prevention were also prepared and submitted to the corresponding bodies.

In relation to the distribution of profits obtained in the year, the Board of Directors has proposed to the Annual General Meeting the distribution of an ordinary dividend of EUR 1.00 per share for the financial year 2016, which will involve the payment, once approved by the shareholders at the Annual General Meeting, that will be held in mid-June, of EUR 0.50 per share, in addition to the same amount paid in October last year.

Also, it is worth mentioning the 30th anniversary of Alba's investment activity, accomplished in August 2016.

Since 1986, Alba has become a reference investor in Spain, with a broad presence in multiple companies from different sectors. Over the years, Alba has made investments totalling more than EUR 6,800 million and asset sales totalling nearly EUR 7,000 million. Thus, from December 1986 to the end of 2016, Alba's share price has increased by 5.6% per annum (cumulative of 421.7%), higher than the 4.6% per annum obtained by the Ibex 35. If we consider the dividends distributed, the IRR of Alba's shareholders has been 7.6% per annum over the last 30 years. In this connection, it should be noted that, since 1986, Alba has distributed nearly EUR 725 million in dividends and allocated approximately EUR 950 million to the acquisition of treasury shares for the subsequent amortisation thereof.

We are committed to maintaining these good results in the future, remaining true to the investment philosophy that has guided our activity in these three decades, maintaining a clear long-term vision and adequate prudence at all times and recognising that, undoubtedly, Alba's main asset is its reputation, which must be preserved and promoted at all times.

Finally, we would like to express our gratitude to the employees of our Group and our investees for their professionalism, enthusiasm and dedication, and to all of you, our shareholders, for your trust and support.

Yours faithfully,
Carlos March Delgado
Juan March Delgado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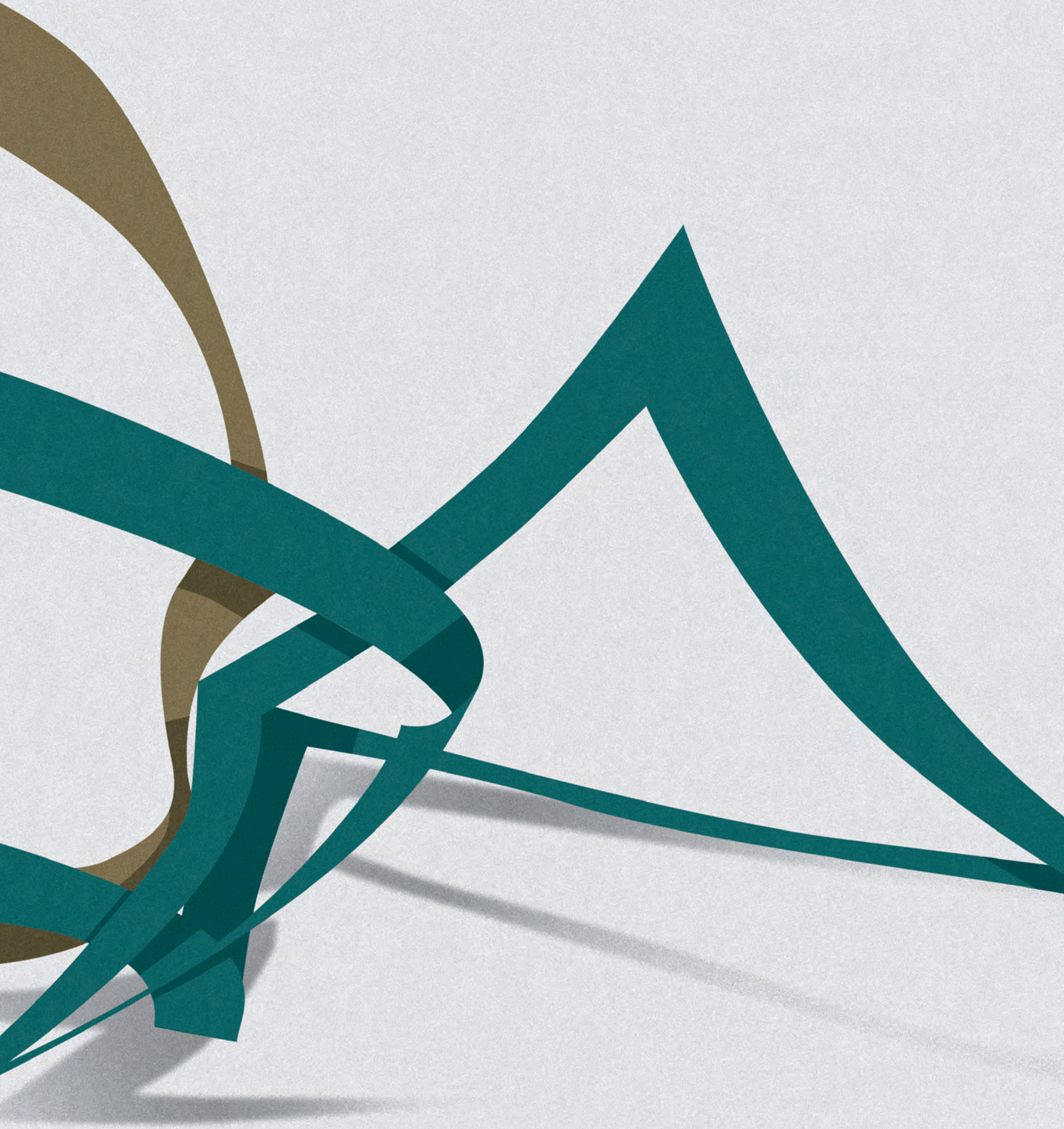


KEY DATA

KEY DATA

ECONOMIC AND FINANCIAL

In millions of euros unless stated otherwise	**2016**	2015	2014	2013
Share capital at year-end	58	58	58	58
Equity at year-end	3,621	3,313	3,077	2,952
Shares outstanding (thousands), average for the year	58,240	58,240	58,235	58,232
Net profit	408	270	241	227
Dividends	58	58	58	58
Earnings per share in euros	7.00	4.63	4.14	3.90
Dividend per share in euros	1.00	1.00	1.00	1.00

Note: Data per share calculated on the basis of average shares outstanding for the year.

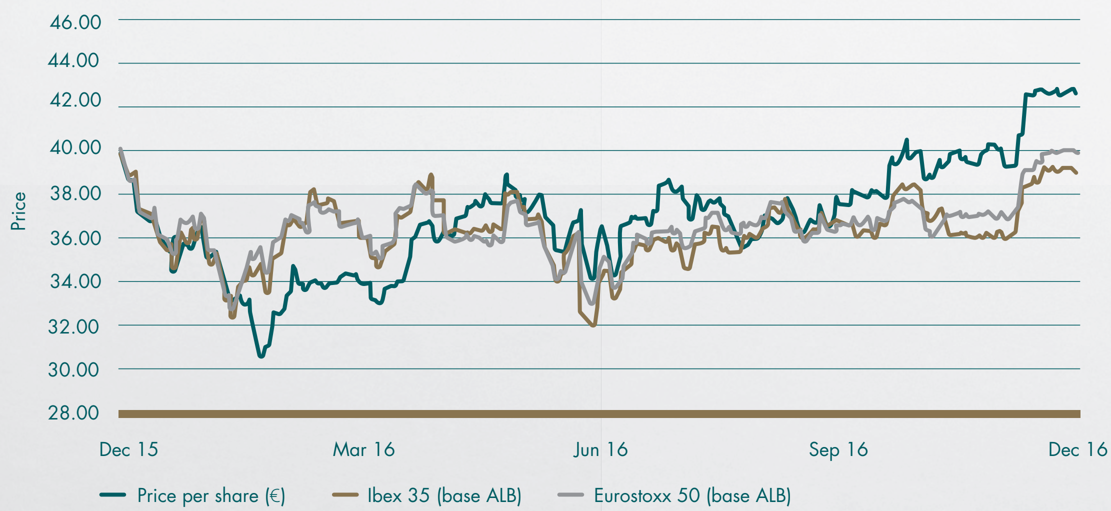
SHARE PRICE PERFORMANCE

	2016	2015	2014	2013
Closing price in euros per share				
High	42.86	50.60	48.37	45.63
Low	30.60	36.92	38.52	32.13
Close	42.85	39.85	40.60	42.50
Market capitalisation at 31/12 (millions of euros)	2,498	2,323	2,367	2,478
Volume traded				
Number of shares (thousands)	8,514	7,826	8,323	6,721
Millions of euros	302	334	365	261
Daily average (millions of euros)	1.2	1.3	1.4	1.0
Dividend yield (on closing price)	2.3%	2.5%	2.5%	2.4%
P/E ratio (on closing price)	6.1 x	8.6 x	9.8 x	10.9 x

KEY DATA

Alba's share price grew 7.5% in 2016, behaving substantially better than the Ibex 35, which fell by 2.0%, and the Eurostoxx 50, which rose by 0.7% in the year.

ALBA SHARE PRICE PERFORMANCE IN 2016 AGAINST THE IBEX 35 AND EUROSTOXX 50



Source: Bloomberg.

Alba's share price performance in the last ten years has been significantly better than that of the Ibex 35 and slightly worse than the Eurostoxx 50. Thus, from December 2006 to the end of 2016, Alba's share price decreased by 24.2% while the Ibex 35 and Eurostoxx 50 fell by 33.9% and 20.1%, respectively. In order to put these sharp drops into context, it should be recalled that in 2007 many world indices, such as the Ibex 35, reached all-time highs. The

graph shows the depth of the stock market crash of 2007 and 2008, the significant subsequent recovery from the lows of March 2009 and the relapse suffered in 2011 and first half of 2012, mainly caused by the sovereign debt crisis in the Eurozone. A new bull cycle began in the second half of 2012 due to the decisive actions of the European Central Bank and the agreements of the Eurogroup in July of that year, which substantially reduced uncertainties about a possible bailout of Spain and the future of the single currency. However, in the second half of 2015 and beginning of 2016 a significant weakness can be observed in the performance of both Alba's share price and in national and international indices, due to doubts about global economic growth -particularly China and other emerging countries -as well as the collapse in oil prices and other raw materials. Since mid-2016, the markets have recovered substantially due to the more positive economic outlook and to the possibility that the aforementioned political changes may further boost growth.

ALBA SHARE PRICE PERFORMANCE OVER THE LAST TEN YEARS AGAINST THE IBEX 35 AND EUROSTOXX 50

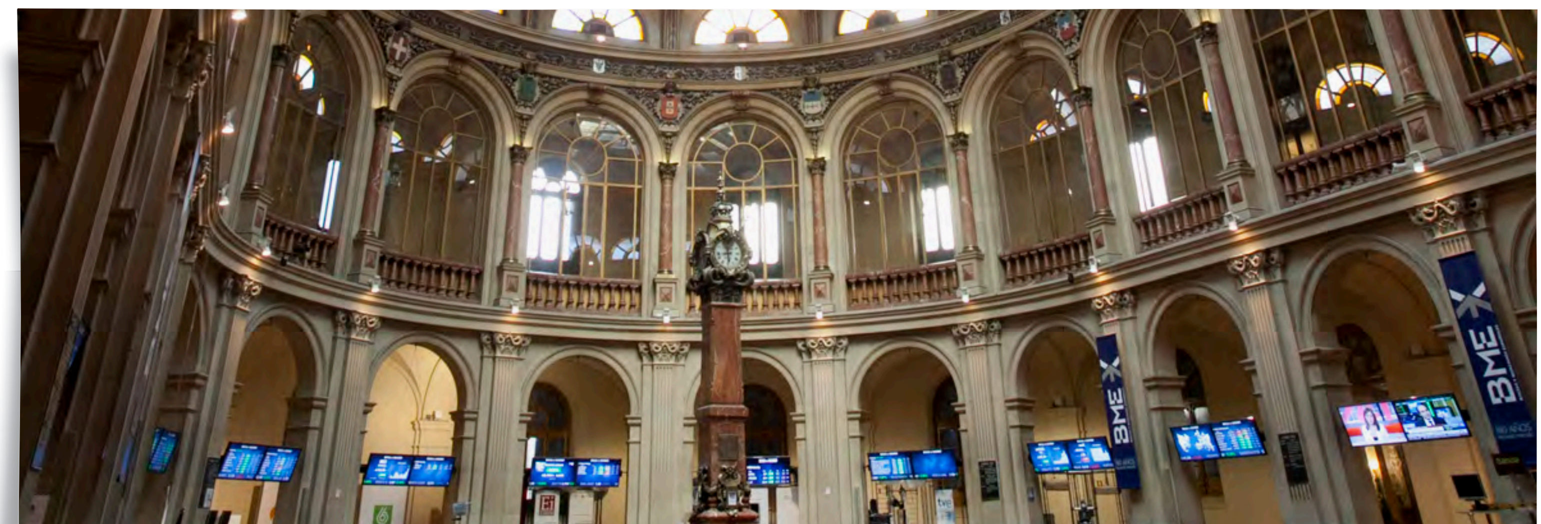
Source: Bloomberg.

KEY DATA

NET ASSET VALUE

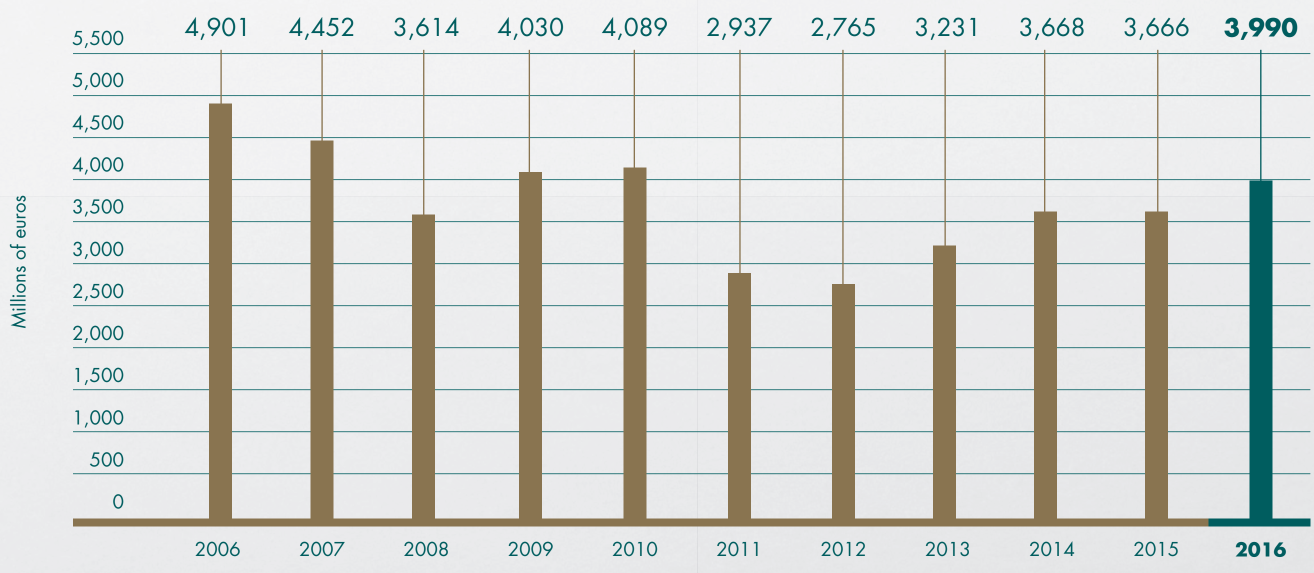
In millions of euros unless stated otherwise	**2016**	2015	2014	2013
Data at 31/12				
Gross Asset Value (1)	3,740	3,379	3,422	3,034
Net Asset Value (2)	3,990	3,666	3,668	3,231
Net Asset Value in euros per share (2)	68.51	62.95	62.98	55.47
Share price in euros per share	42.85	39.85	40.60	42.50
Discount to Net Asset Value	37.5%	36.7%	35.5%	23.4%

(1) Includes investments in listed and unlisted companies, real estate property and, where applicable, the net cash position.
(2) Before taxes. Includes net financial position and other assets and liabilities.



Considering the amounts at the end of each year, Net Asset Value (NAV) grew 8.8% in 2016. NAV per share net of treasury shares varied in the same proportion due to no changes in the number of outstanding shares. The following graph shows the performance of NAV since the end of 2006, where a sharp drop in 2011 can be observed (partly due to the extraordinary dividend paid in that year) and the recovery of NAV since the end of 2012:

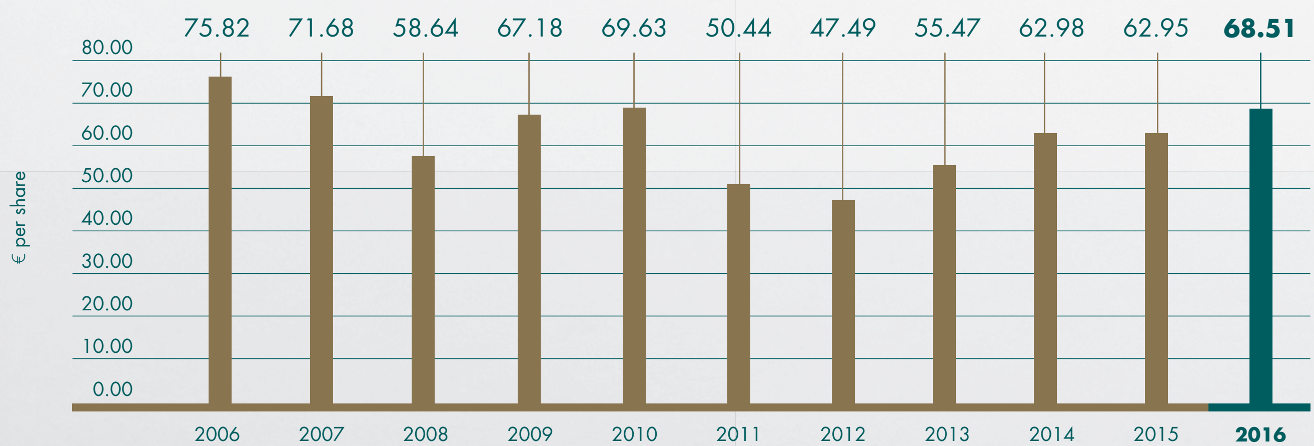
PERFORMANCE OF NET ASSET VALUE BEFORE TAXES (AT 31 DECEMBER)



KEY DATA

The following chart shows the performance of the NAV per outstanding share before taxes for the same period, at 31 December of each year:

PERFORMANCE OF NET ASSET VALUE PER SHARE BEFORE TAXES (AT 31 DECEMBER)



In the last ten years, Alba's NAV per share fell by 9.6%, lower than the drop of 33.9% of the Ibex 35 and 20.1% of the Eurostoxx 50. The drop in NAV per share is the result of the high market valuations at the end of 2006 and 2007, all-time highs of the Spanish stock exchange to date and, to a lesser extent, the extraordinary dividend distributed in 2011. The graph also shows the substantial recovery of NAV per share since the lows of 2012.

In the same period, Alba's share price fell by more than NAV per share, specifically 24.2%, from EUR 56.55 at the end of 2006 to EUR

42.85 at the end of 2016. The different performance of the share price and the NAV per share explains the evolution of the discount at which Alba's shares are traded in the market compared to the value of its assets, which grew from 25.4% at the end of 2006 to 37.5% at the end of 2016. Although there are different causes that can explain this discount, we understand that the negative performance in recent years is the result of the lower liquidity, as a result of purchases and amortisations of treasury shares in 2011, and partly the result of the general decrease in trading volumes in equity markets in recent years.

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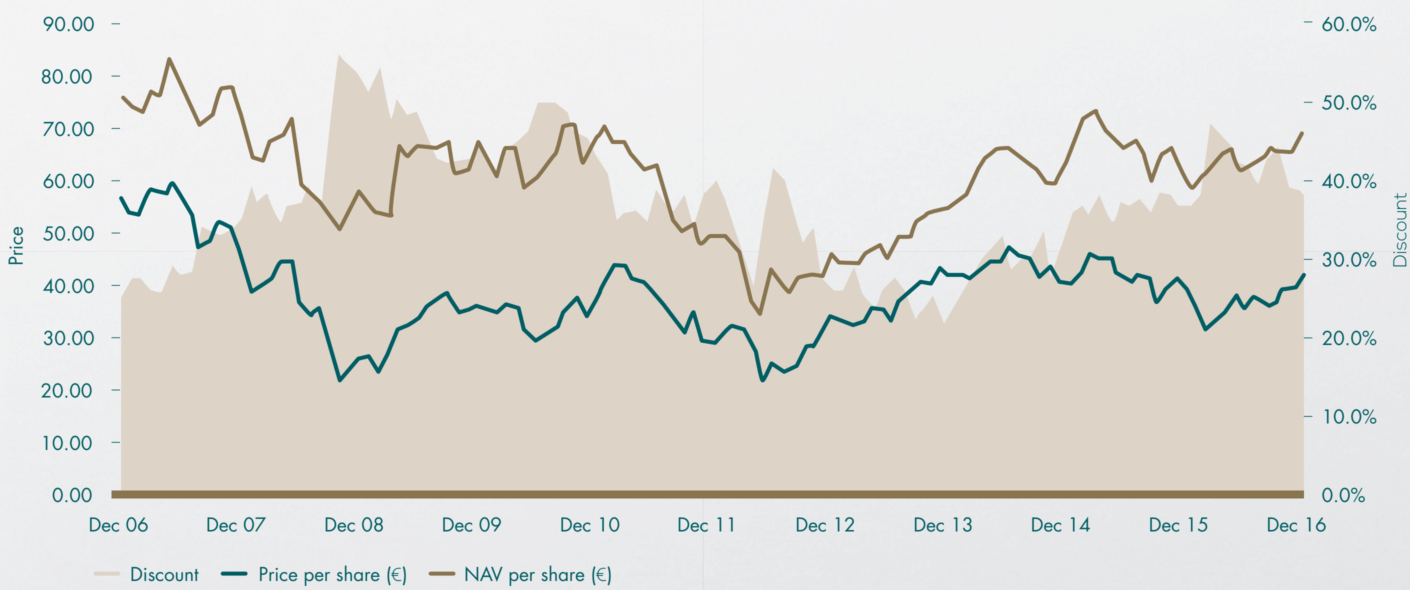
PERFORMANCE OF NET ASSET VALUE PER SHARE VERSUS SHARE PRICE



Source: Bloomberg.

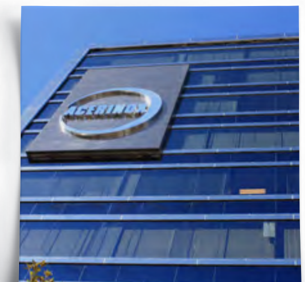
KEY DATA

INVESTMENT PORTFOLIO

Structure of Alba's investees at 31 December 2016:

ACS

7.52%



Acerinox

18.96%

Ebro Foods

10.01%

Bolsas y Mercados Españoles

12.06%

ALBA
GRUPO MARCH

CORPORACIÓN FINANCIERA ALBA

Viscofan

11.02%

Indra

11.32%

Euskaltel

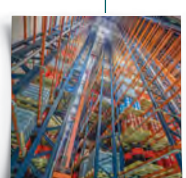
11.00%

Parques Reunidos

10.53%

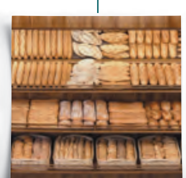
Clínica Baviera

20.00%



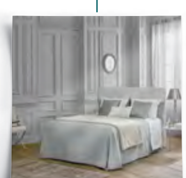
Mecalux

24.38%



Panasa

26.50%

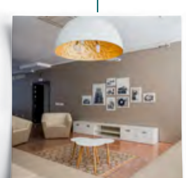


Flex

19.75%

Siresa Campus

17.44%

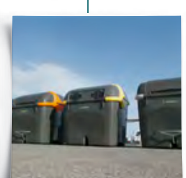


En Campus

32.75%

in-Store Media

18.89%



TRRG Holding

7.50%

KEY DATA

Value of the portfolio at 31 December 2016:

Listed Companies[2]	Ownership interest	Market value[1] Million euros	Market value[1] Euros per share
ACS	7.52	710.4	30.020
Acerinox	18.96	659.7	12.605
Ebro Foods	10.01	306.5	19.905
Bolsas y Mercados Españoles	12.06	282.3	27.995
Viscofan	11.02	240.6	46.850
Indra	11.32	193.5	10.410
Euskaltel	11.00	140.6	8.420
Parques Reunidos	10.53	129.7	15.255
Clínica Baviera	20.00	31.0	9.500
Total market value		**2,694.4**	
Total book value		2,352.4	
Unrealised capital gains		**342.0**	
Unlisted companies		**325.2**	
Real estate property		**387.0**	

(1) Share prices at close in December. All listed investees trade on the Spanish Stock Exchange (SIBE).
(2) Investments accounted under the equity method, except Clínica Baviera.

The following table shows a detail of the performance of the investment portfolio over the last years:

	Ownership interest (%)			
	31-12-2016	**Changes in 2016**	31-12-2015	31-12-2014
Listed companies				
ACS	7.52	(4.17)	11.69	13.88
Acerinox	18.96	(0.66)	19.62	23.09
Ebro Foods	10.01	-	10.01	10.01
Bolsas y Mercados Españoles	12.06	1.49	10.57	8.28
Viscofan	11.02	4.16	6.86	6.79
Indra	11.32	-	11.32	12.53
Euskaltel	11.00	1.00	10.00	-
Parques Reunidos	10.53	10.53	-	-
Clínica Baviera	20.00	-	20.00	20.00
Antevenio	-	-	-	14.54
Unlisted companies				
Mecalux	24.38	-	24.38	24.38
Panasa	26.50	0.04	26.46	26.48
Flex	19.75	-	19.75	19.75
Siresa Campus	17.44	-	17.44	17.44
EnCampus	32.75	-	32.75	32.75
in-Store Media	18.89	-	18.89	-
TRRG Holding	7.50	(9.86)	17.36	17.36
Ocibar	-	-	-	21.66
Pepe Jeans	-	-	-	12.00

KEY DATA

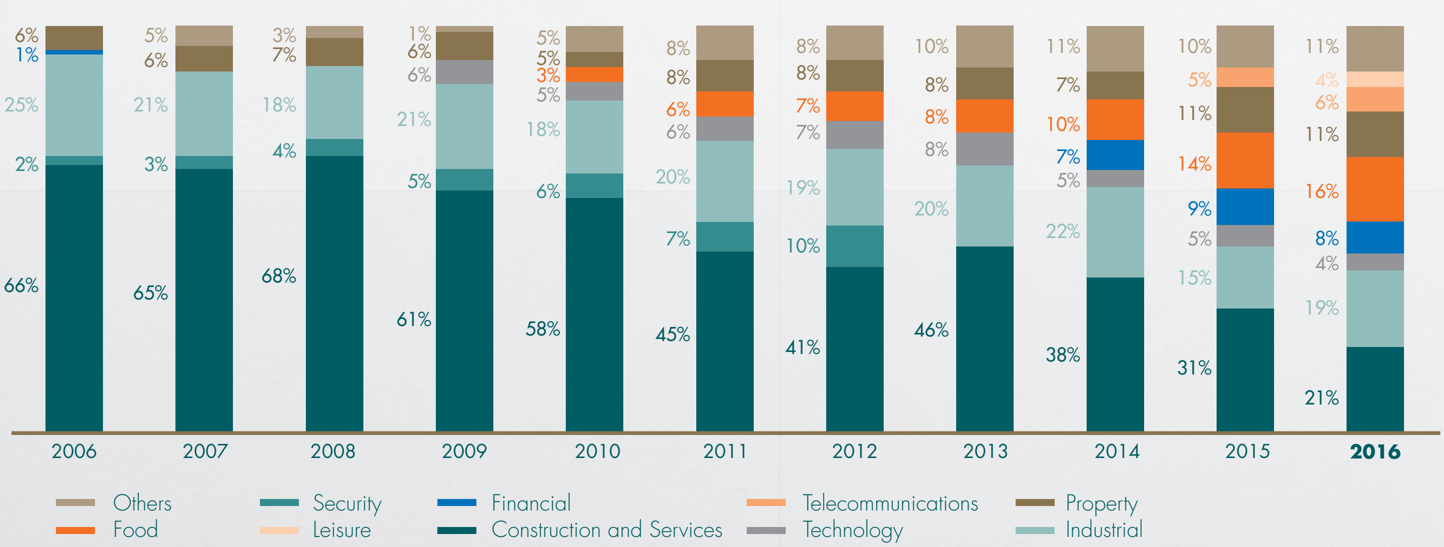
In 2016 a new listed company (Parques Reunidos) was incorporated to Alba's portfolio and the Company increased its ownership interests in Bolsas y Mercados Españoles, Viscofan and Euskaltel, while its interests in ACS and Acerinox decreased. In the case of the latter, the reduction in Alba's ownership interest is due to the dilutive impact of the scrip dividend as a result of new shares issued for shareholders who choose to receive the dividend in shares rather than cash.

As regards the composition of the unlisted companies portfolio, the ownership interest in Panasa increased slightly and the interest in Ros Roca (currently TRRG Holding Limited) decreased as a result of its merger with the environmental division of the Dutch group Terberg.

INDUSTRY DIVERSIFICATION

The aggregate market value of ownership interests in listed companies, unlisted companies and real estate property gives the following industry distribution of the Company's investments (as a percentage):

ALBA PORTFOLIO INDUSTRY BREAKDOWN (AT 31 DECEMBER)



The composition of Alba's portfolio has changed substantially in recent years due to the investments and divestments made and to the stock market performance of the different investees. New industries were incorporated which, together with the divestments made, have contributed to substantially reducing the weight of the Construction and Services sector (ACS) on the portfolio, one of highest in the last decade. Thus, from 2006 to 2016 Alba invested in new industries such as Food (Ebro Foods and Viscofan), Technology (Indra), Financial (BME), Telecommunications (Euskaltel) and Leisure (Parques Reunidos) and significantly increased its investments in the Others section (a category which at the end of 2016 included shares in Clínica Baviera, Mecalux, Panasa, Flex, EnCampus, Siresa Campus, in-Store Media and TRRG Holding). By contrast, in the last ten years it has completely divested its interests in the Security industry (Prosegur, in 2013).

All these movements have jointly contributed to increase the industry diversification of Alba's portfolio, reducing the combined weight of the Construction, Services and Industrial industries from 91% at the end of 2006 to 40% at the end of last year.

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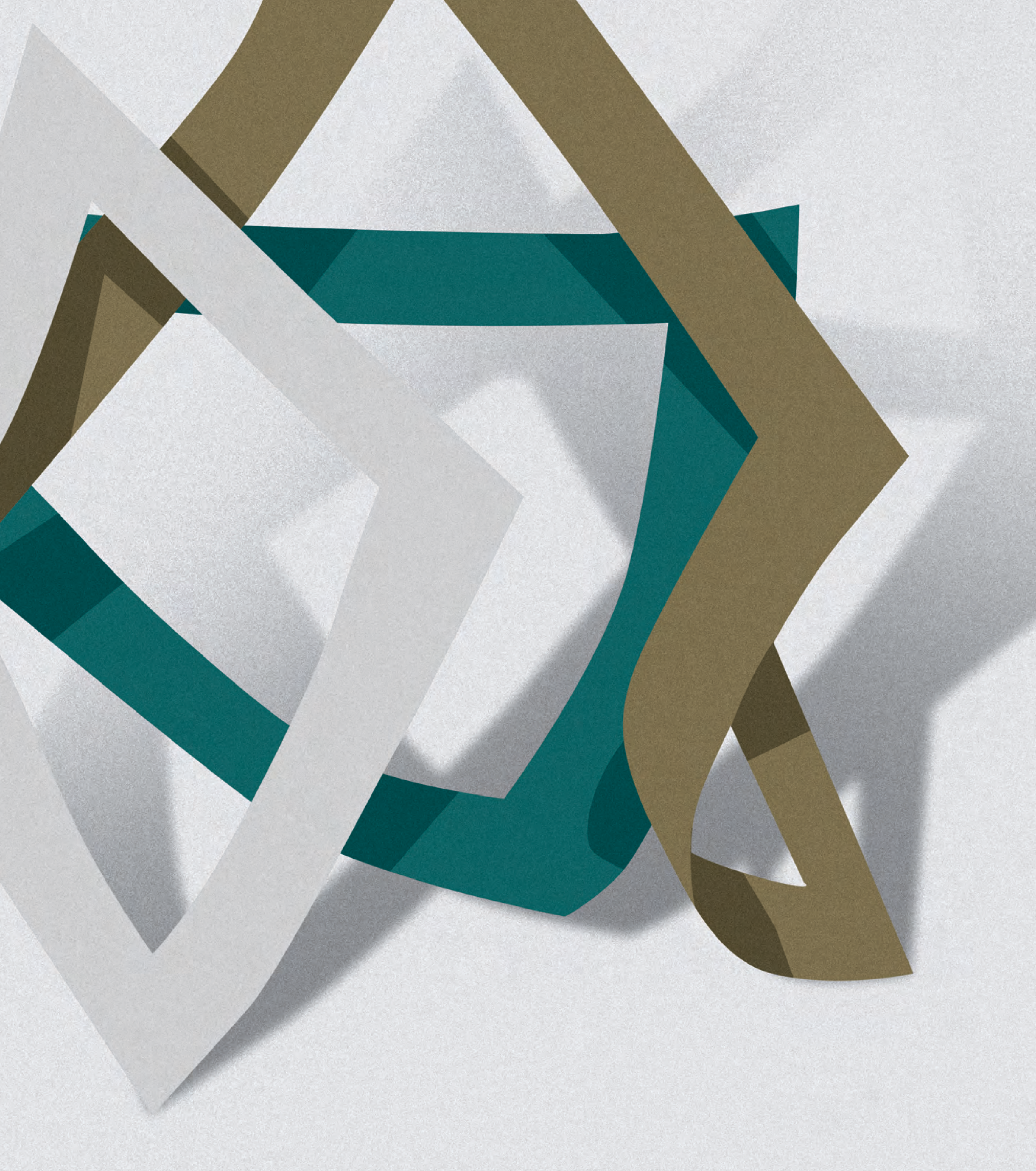


CONSOLIDATED FINANCIAL INFORMATION

The consolidated financial information was prepared in accordance with International Financial Reporting Standards (IFRS).

The last part of this report includes the consolidated financial statements, audited by Ernst & Young, S.L., in more detailed.

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS BEFORE DISTRIBUTION OF PROFIT

	Millions of euros		
Assets	**At 31 December 2016**	At 31 December 2015	At 31 December 2014
Property investments	349.1	352.2	204.9
Property, plant and equipment	7.0	7.7	8.3
Net tangible assets	**356.1**	**359.9**	**213.2**
Investments in associates	2,321.4	2,236.0	2,214.7
Financial investments at fair value with changes in P&L	325.2	285.9	276.7
Other financial assets	133.8	149.9	149.8
Financial assets	**2,780.4**	**2,671.8**	**2,641.1**
Total non-current assets	**3,136.4**	**3,031.7**	**2,854.3**
Cash and cash equivalents	469.9	298.8	492.5
Other current assets	193.2	162.0	201.5
Total current assets	**663.1**	**460.8**	**694.0**
Total Assets	3,799.5	3,492.5	3,548.3

Liabilities	Millions of euros At 31 December 2016	At 31 December 2015	At 31 December 2014
Share capital	58.3	58.3	58.3
Reserves	3,185.7	3,016.0	2,808.3
Treasury shares	(2.4)	(2.4)	(2.4)
Interim dividend	(29.1)	(29.1)	(29.1)
Profit for the year	407.8	269.6	241.3
Minority interests	0.7	0.6	0.6
Equity	**3,621.0**	**3,313.0**	**3,076.9**
Bank borrowings	127.5	136.6	-
Other debt	3.5	2.9	1.9
Other liabilities	32.3	26.9	29.3
Non-current liabilities	**163.3**	**166.4**	**31.2**
Bank borrowings	9.1	9.0	435.8
Other debt	6.2	4.1	4.4
Current liabilities	**15.3**	**13.1**	**440.2**
Total Equity and Liabilities	**3,799.5**	**3,492.5**	**3,548.3**

Balance sheet

In 2016, the performance of the main items of Alba's Balance Sheet was as follows:

Property Investments, which includes rental properties, fell by EUR 3.1 million in 2016 to EUR 349.1 million at year end, mainly due to the transfer to ***Non-current assets classified as held for sale*** of a building located in Madrid for EUR 22.5 million, whose sale was completed at the beginning of 2017, which exceeds the amount, inter alia, of the increase in the estimated fair value of the real estate property portfolio (EUR 15.8 million) and net investments made in various buildings (EUR 3.8 million). Buildings are appraised annually by independent experts and the increase or decrease in their value is recognised against the Income Statement, under ***Changes in fair value of property investments***.

Property, plant and equipment decreased from EUR 7.7 million to EUR 7.0 million, due to the depreciations for the year.

Investments in associates increased by EUR 85.4 million in 2016. This increase is explained by the results contributed by investees (EUR 165.0 million), by the net book value of investments and divestments made (EUR 60.0 million, which includes the investments made in Parques Reunidos, Viscofan, Bolsas y Mercados Españoles and Euskaltel, higher than the book value of the sales made in ACS) and by the partial reversal of the impairment recognised in previous years in the book value of the ownership interest in Indra Sistemas (EUR 24.3 million) and Clínica Baviera (EUR 3.6 million). This account is reduced by the dividends accrued (EUR 94.9 million), the negative net contribution of changes in the consolidated equity of associates (EUR 41.6 million) and the transfer of the ownership interest in Clínica Baviera to ***Non-current assets classified as held for sale*** (EUR 31.0 million), due to the existence of an organised sale process for the ownership interest in the Company.

Financial investments at fair value with changes in Profit and Loss increased EUR 39.3 million due to the increase in fair value of unlisted companies.

Other financial investments decreased by EUR 16.1 million, due mainly to the impairment made of a long-term loan.

Cash and cash equivalents increased from EUR 298.8 million to EUR 469.9 million due to the divestments made.

Other current assets increased from EUR 162.0 million to EUR 193.2 million due to the aforementioned transfers of the ownership interest in Clínica Baviera and of the building sold at the beginning of 2017 to ***Non-current assets classified as held for sale***, which offset

the decrease of EUR 16.9 million in accounts receivable related to withholdings and instalments with a charge to ***Corporate tax***, included, together with other items, in ***Other current assets***.

In 2016 there were no changes in ***Share capital***, which was maintained at EUR 58.3 million.

Reserves increased by EUR 169.7 million, from EUR 3,016.0 million to EUR 3,185.7 million, due to the results of the previous year, net of dividends distributed by Alba, and to the positive changes in investee reserves, especially due to exchange rate differences.

Interim dividends amounted to EUR 29.1 million at the end of 2016 and reflect the ordinary interim dividend for 2016 of EUR 0.50 gross per share paid in October.

Treasury shares include the cost of Alba's treasury shares, which did not change during the year. Thus, at 31 December 2016, Alba had 59,898 treasury shares, representing 0.10% of its share capital, with a cost of EUR 2.4 million.

Profit for the year stood at EUR 407.8 million, 51.3% higher than the profit of EUR 269.6 million obtained in 2015.

As a result of the above, ***Equity***, including Minority interests, increased by 9.3% in the year, to EUR 3,621.0 million.

Non-current liabilities include, namely, bank borrowings with a maturity over one year for EUR 127.5 million and deferred tax liabilities for EUR 32.3 million.

Current liabilities, which include both bank loans maturing within one year and other short-term debts, increased from EUR 13.1 million at the end of 2015 to EUR 15.3 million at the end of 2016, due almost entirely to an increase in ***Other debt***.

At 31 December 2016, Alba's net cash position, calculated as the cash position less current and non-current financial debt, was EUR 333.3 million, compared with the net cash position of EUR 153.2 million at the end of 2015. This increase in net cash position is due mainly to the positive balance of asset sales less investments made and to the dividends received from investees. In the first months of 2017, the net cash balance continued to increase as a result of the additional sales made.

CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT[1]

	Millions of euros		
	2016	2015	2014
Share of results of associates	165.0	61.3	148.6
Lease and other income	18.7	15.8	13.0
Changes in fair value of property investments	15.8	4.7	2.0
Financial income	7.0	8.0	19.4
Asset impairment and changes in fair value of financial instruments	65.7	63.1	41.7
Gains on disposal of and income from financial and other assets	168.6	139.0	104.0
Total	**440.8**	**291.9**	**328.7**
Operating expenses	(23.2)	(20.8)	(19.8)
Financial expenses	(2.7)	(1.6)	(5.1)
Amortisations	(0.9)	(0.9)	(0.9)
Corporate income tax	(5.4)	1.6	(61.0)
Minority interests	(0.9)	(0.5)	(0.6)
Total	**(33.1)**	**(22.3)**	**(87.4)**
Net Profit/(Loss)	**407.8**	**269.6**	**241.3**
Net profit per share (euros)	**7.00**	**4.63**	**4.14**

(1) Income Statement as per management criteria, which explains the differences in some items with the data shown in the Financial Statements.


BME
BOLSAS Y MERCADOS ESPAÑOLES
INDICE
INDICES NAC
MADRID
IBEX 35
IBEX MEDIUM
IBEX SMALL C
LATIBEX TOP
LATIBEX BRAS
IBEX TOP DIV
FTSE4G IBEX
IBEX 35 DIV
IBEX 35 INV
IBEX 35 IMP
INTERNACIONALES
DOW JONES IN
DAX
CAC 40 PARIS
FTSE 100 LON
FTSE ITALIA
EUROTOP 100
NASDAQ COMPO
NIKKEI
HANG SENG
IPC
IBOVESPA
IGPA CHILE
SOLARIA
TECNOCOM
TUBOS RE
URBAS
VOCENTO

Income statement

Alba's ***Net profit*** amounted to EUR 407.8 million in 2016, up 51.3% on the previous year. Net profit per share increased from EUR 4.63 in 2015 to EUR 7.00 in 2016.

The amount recognised in ***Share of results of associates*** increased by 169.2%, from EUR 61.3 million in 2015 to EUR 165.0 million in 2016, also exceeding the one obtained in 2014. This substantial recovery is due mainly to the improvement in Indra's net profit (after the significant losses recorded by this company in 2015) and to the greater contribution of the other investees, both due to their higher profits and to the increased ownership interest in some of them (including the inclusion of Parques Reunidos in April 2016), which offset the smaller contribution of ACS as a result of the reduction of Alba's ownership interest in this Company, among other effects.

Lease and other income, arising mainly from property investments, increased by 18.4% to EUR 18.7 million due, inter alia, to the fact that 2016 was the first full year of the building located in Paseo de la Castellana no. 89 in Madrid in Alba's real estate property portfolio, which was purchased in June 2015 and represented a substantial increase in the total leasable surface area of Alba's real estate property portfolio. At 31 December 2016, the level of building occupancy amounted to 81.8%.

According to the appraisal performed by independent experts, the estimated value of the real estate portfolio increased EUR 15.8 million in 2016, crediting this amount to ***Changes in fair value of property investments***. At 31 December 2016, the fair value of property investments stood at EUR 349.1 million, excluding the building transferred to ***Non-current assets classified as held for sale*** and finally sold at the beginning of 2017.

Financial income stood at EUR 7.0 million in 2016, against EUR 8.0 million in 2015. The fall in this item is explained by the lower interest earned on cash due to the lower remuneration obtained as a result of lower market interest rates.

Asset impairment and changes in fair value of financial instruments, which amounted to EUR 65.7 million in 2016, include, inter alia, an income of EUR 54.5 million, due to the higher estimated fair value of the investments included in ***Financial investments at fair value with changes in Profit and Loss*** (which are ownership interests in unlisted companies), an increase of EUR 24.3 million for the partial recovery of write-downs in previous years on the book value of the ownership interest in Indra Sistemas and an impairment loss of EUR 16.8 million in the value of a long-term debt, mentioned earlier.

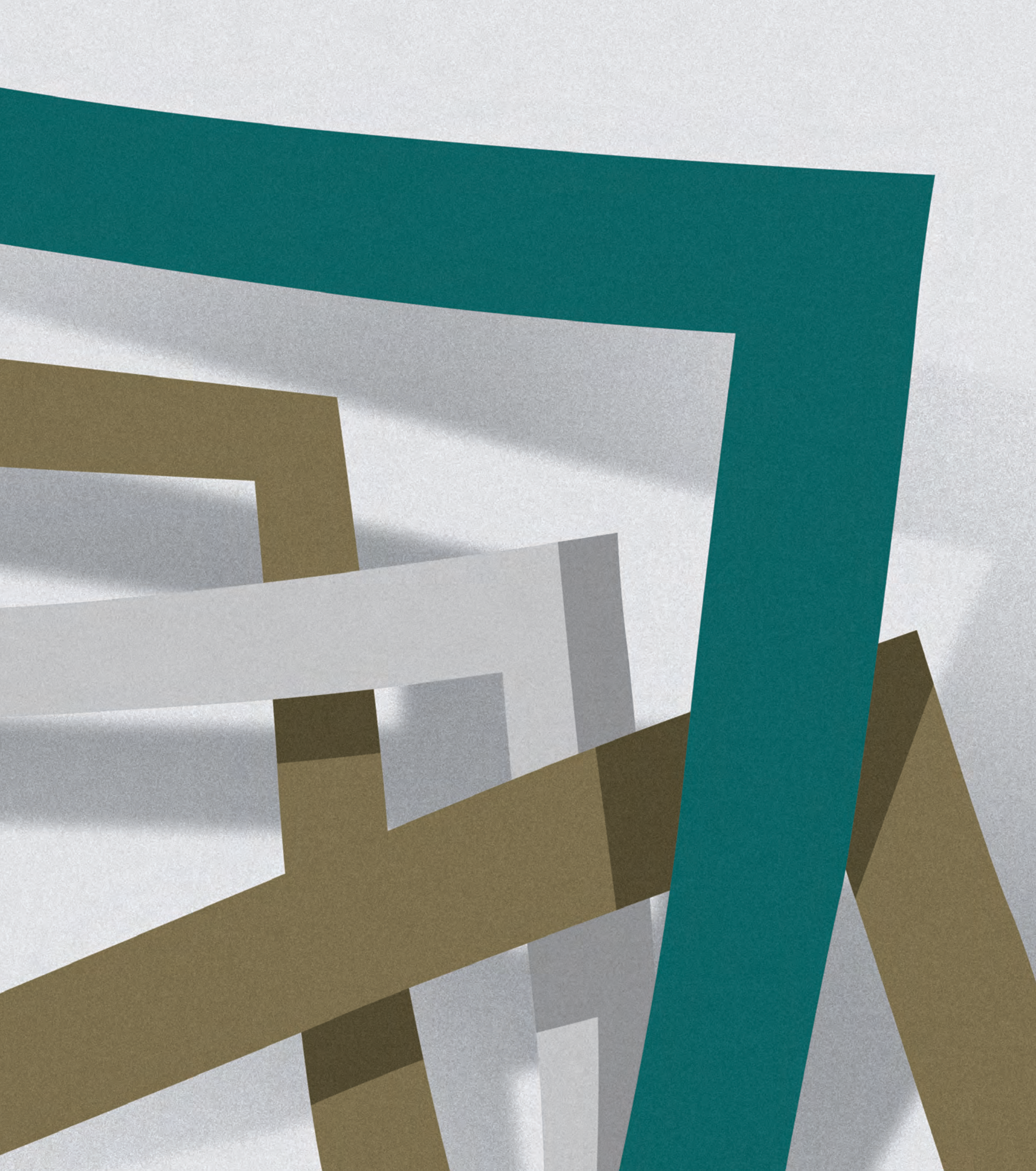
Gains on disposal of and income from financial and other assets include an income of EUR 168.6 million in 2016, up 21.3% on the

previous year, corresponding entirely to the capital gains before tax obtained from the sales of shares of ACS made during the year.

Operating expenses amounted to 23.2 million Euros in 2016, up 11.5% on the previous year. This item includes staff costs, expenses directly linked to real estate activity and other general expenses. Overall, *Operating expenses* accounted for 0.58% of Net Asset Value before tax at year end.

Financial expenses increased from EUR 1.6 million to EUR 2.7 million, due mainly to being the first full year of accrued interest expense on the only bank loan existing at year end.

Corporate income tax includes an expense of EUR 5.4 million against an income of EUR 1.6 million in 2015.



INFORMATION ON INVESTEE COMPANIES

INFORMATION ON INVESTEE COMPANIES - LISTED

ACS

ACS
ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS

www.grupoacs.com

DESCRIPTION OF THE COMPANY

ACS is one of the largest groups in the world engaging in construction, turnkey projects and infrastructure concessions, with significant presence in Europe, North America, Australia, Asia and the Middle East. Once again, in 2016 ACS led the global rankings of various specialised publications of the largest international construction contractors and major transport infrastructure concession groups.

ACS structures its activity in three major business areas: Construction, Industrial Services, and Services.

- The **Construction** area encompasses civil work construction activity and residential and non-residential construction, both of ACS, through Dragados, and Hochtief and its subsidiaries, with CIMIC being the most relevant in Australia and Turner, Flatiron and EE Cruz in the USA and Canada.

  ACS is one of the world's leading companies in the development, construction, management and operation of new transport infrastructure. It holds ownership interests in motorway, railway and public facilities in countries such as Spain, USA, Canada, Chile, Ireland, Peru, Portugal and United Kingdom.

- ACS has extensive experience throughout the **Industrial Services** value chain, from the development, applied engineering and construction of new projects to the maintenance of industrial infrastructures in the communications, control systems and energy sectors, which in some cases includes the operation of said infrastructures.

- Ultimately, the **Services** area includes the comprehensive maintenance of public buildings and spaces and assistance services, activities carried on by Clece.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

The comparison between ACS's results in 2016 and 2015 is affected by the sale of 75% of Saeta Yield and of the energy project development company Bow Power in the first quarter of 2015. These transactions have affected the comparison of the results obtained by the Industrial Services area with those of the previous year. Furthermore, Urbaser's activity, as a result of its sale, was classified as a discontinued operation in the income statement for 2016 and 2015.

INFORMATION ON INVESTEE COMPANIES - LISTED

KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Sales	31,975	33,291	34,881
EBITDA	2,023	2,141	2,553
EBIT	1,445	1,421	1,684
Net profit	751	725	717
Total assets	33,373	35,280	39,321
Net financial debt	1,214	2,624	3,722
Own funds[1]	3,582	3,421	3,034
Equity	4,982	5,197	4,898
Order backlog (31/12)	66,526	58,942	63,871
Employees (31/12)	176,755	196,967	210,345
Share price (31/12) (in euros per share)	30.02	27.02	28.97
Market capitalisation (31/12)	9,446	8,501	9,116
Gross dividend yield (on closing price)	3.8%	4.3%	4.0%

Note: 2015 figures restated in 2016 to facilitate comparison. Urbaser is classified as available for sale in 2015.
1. Shareholders' equity plus adjustments for changes in value. Does not include Minority interests.

In 2016, consolidated sales of ACS amounted to EUR 31,975 million, 4.0% less than in the previous year. Domestic sales fell by 12.8% due to the decline in Construction and Industrial Services segments, while international sales fell by 2.4%. Activities outside Spain accounted for 86.6% of total sales in 2016 and 89.9% of the order backlog at year end.

Meanwhile, EBITDA fell by 5.5% to EUR 2,023 million, while EBIT grew by 1.7% to EUR 1,445 million. Excluding the impact of the sale of renewable assets, EBITDA would have fallen by 4.1% and EBIT would have grown by 1.7%.

In 2016 net profit amounted to EUR 751 million, up 3.5% on 2015, due to the gains obtained on the sale of Urbaser and to lower minority interests, which offset the exceptional provisions recognised in 2016 in relation to the Royal Decree Law 3/2016 on tax matters and the probable impairments of certain financial assets.

In 2016 total order backlog grew by 12.9% to EUR 66,526 million due to the growth in all activities: Construction (+14.1%, based on the increase in North America), Industrial Services (+4.0%) and Services (+21.2%).

In 2016, total investments of the ACS Group amounted to EUR 1,545 million, while divestments amounted to EUR 2,068 million. Those investments include, namely, concession projects and financial investments in the Construction activity, which totalled EUR 942 million. With regard to main divestments, worth mentioning the sale of 100% of Urbaser's share capital for EUR 1,144 million.

It should also be noted that in 2016 the Group allocated EUR 131 million to the purchase of treasury shares, mainly in Hochtief, as well as EUR 326 million to dividend payments to ACS shareholders and minority interests of Hochtief, CIMIC and other companies within the consolidated group.

Overall, in 2016 the net financial debt of the ACS Group, excluding debt related to assets held for sale, was reduced to EUR 1,214 million, EUR 1,410 million less than in 2015, thanks to the cash flows generation from operations and, mainly, to the sale of Urbaser. The net debt/EBITDA ratio was 0.6, substantially better than the net debt/EBITDA ratio of 1.1 reported in 2015.

INFORMATION ON INVESTEE COMPANIES - LISTED

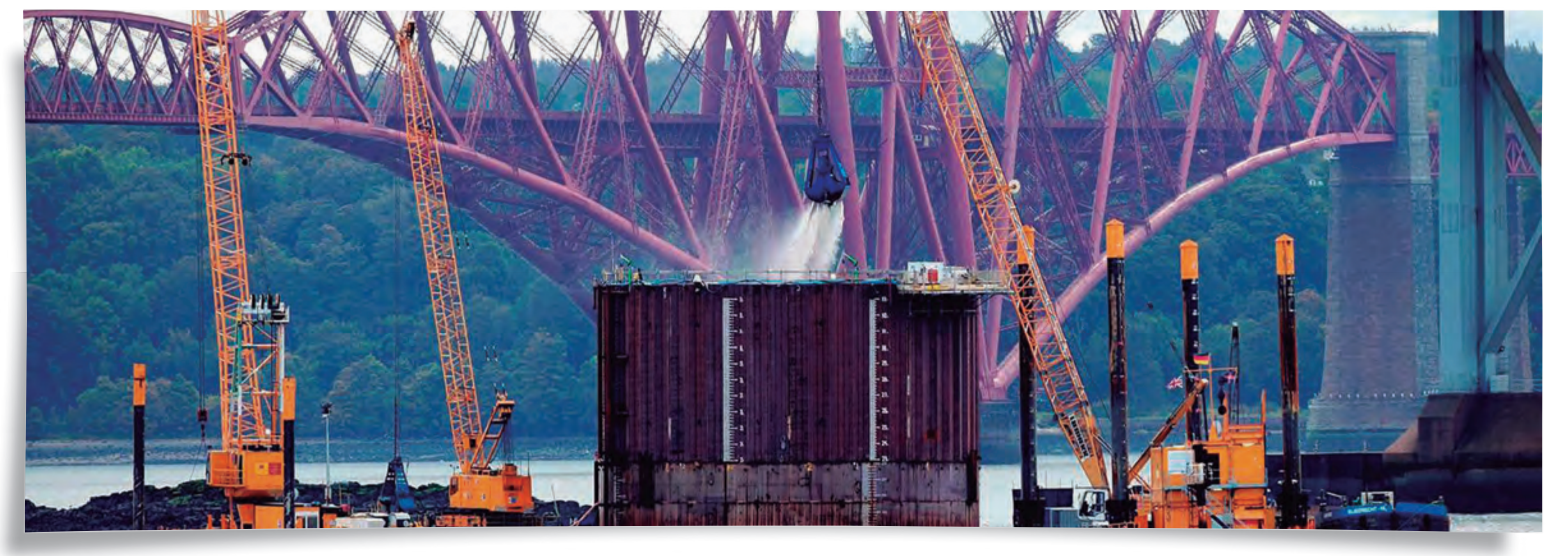
ALBA'S PERCENTAGE OF OWNERSHIP

At the end of 2016, Alba's ownership interest in the share capital of ACS was 7.52% after selling 4.17% during the year for EUR 375 million, obtaining a consolidated gross capital gains of EUR 169 million.

In the first quarter of 2017, Alba has sold an additional 4.97%, reducing its ownership interest to 2.55% at the end of March.

SHARE PRICE PERFORMANCE

In 2016 the share price of ACS grew by 11.1% to EUR 30.02 per share at year end, with a market capitalisation at that date of EUR 9,446 million. In the same period, Ibex 35 saw a drop of 2.0%.



ACS SHARE PRICE PERFORMANCE IN 2016

Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES - LISTED

ACERINOX

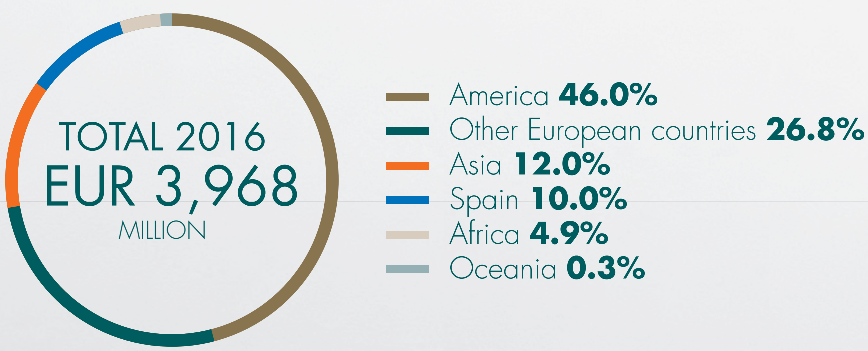
www.acerinox.es

DESCRIPTION OF THE COMPANY

Acerinox is one of the world's leading companies in the manufacture of stainless steel, with an annual production capacity of 3.5 million tonnes.

The Company has four flat product factories (Spain, USA, South Africa and Malaysia), three long product factories (two in Spain and one in the USA) and an extensive sales network, with warehouses and service centres in 36 countries. Acerinox sells its products in more than 80 countries on all five continents.

SALES BY REGION



By market, worthy of note is the position of North American Stainless (NAS) in the USA, where it is market leader and possibly has the most efficient and profitable plant in the world. The USA is the largest market for Acerinox by sales in 2016, followed by Spain and Germany.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

According to figures published by the International Stainless Steel Forum, world stainless steel production totalled 45 million tonnes, up 8.9% on 2015, after the standstill recorded in the previous year. This growth rate allows the industry to return to the usual average growth rates recorded historically (+5.9% per annum since 1950).

Production grew in all the main markets, namely, once again, China, with a growth of 13.6% with respect to the previous year. This country continues to account for most of the industry's total growth and continues to be the main stainless steel producer with a 54% share of world production. It should be noted that, in 2016, the first stainless steel factories were shut down in China in line with the policy announced by the Chinese Government, enabling to reduce the country's industrial over-capacity. America was the region that recorded the second-largest growth in stainless steel production, with a rate of 6.4%.

Furthermore, apparent consumption recorded a positive performance in all markets with the exception of the South African market, where the consumption of flat products fell by 8.5% with respect to the previous year due to the weakness of the economy. China was the region that recorded the highest apparent consumption in the world with 19 million tonnes and a growth of 15.7% with respect to 2015. In Europe, the apparent consumption of flat products grew by 7.2%, recording the second-highest consumption figure in history, only behind that recorded in 2006. Lastly, in the USA, apparent consumption grew by 4.1% with respect to the previous year, boosted by the flat product market (+7.0%) and despite the 13.6% fall in long products.

With regard to the performance in price of raw materials, the price of nickel grew by 17.6% in 2016. Despite this increase in annual terms, prices began the year at a low of USD 7,700 per tonne in the London Metal Exchange at the beginning of February and closed the year at USD 10,000 per tonne, after having recorded an annual high of USD 11,700 per tonne in November. This rise in nickel prices was due to the shutdown of several production plants in the Philippines, added to an increase in world nickel consumption. For the first time in five years, world nickel consumption exceeded production, nevertheless global nickel stock levels remained high.

Lastly, the anti-dumping measures adopted in the sector in Europe against imports of certain products from China and Taiwan did not prevent imports of flat products from growing 11.9% with respect to the previous year. South Korea continued to be the leading exporting country of stainless steel to Europe, followed by China.

2016 was a good year in terms of production for the Acerinox Group. Thus, all of the Group's plants recorded increases in production with respect to the previous year. Crude steel and hot-rolled production reached the second-highest figure in history, with 2.5 and 2.2 million tonnes, respectively, representing a growth of 6.7% and 8.3% with respect to the previous year. Furthermore, cold-rolled production reached 1.7 million tonnes in the year, representing a 6.6% growth with respect to the previous year and the highest volume of production recorded in the Group's history.

Annual production in thousands of tonnes	**2016**	2015	2014
Crude steel	2,475	2,320	2,325
Hot-rolled products	2,209	2,039	2,049
Cold-rolled products	1,716	1,609	1,556
Long products (hot-rolled)	224	216	242

KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Sales	3,968	4,221	4,380
EBITDA	329	286	454
EBIT	157	121	298
Net profit	80	43	136
Total assets	4,455	4,126	4,430
Net financial debt	620	711	616
Equity	2,169	2,023	1,856
Employees (31/12)	6,573	6,506	6,693
Share price (31/12) (in euros per share)	12.61	9.42	12.51
Market capitalisation (31/12)	3,480	2,512	3,273
Gross dividend yield (on closing price)	3.5%	4.8%	3.6%

INFORMATION ON INVESTEE COMPANIES - LISTED

In terms of financial results, Acerinox's sales fell by 6.0% during the year to EUR 3,968 million. This fall in sales was due to the reduction in the average sale price per tonne of stainless steel on the back of weak nickel prices, which offset the 9% rise in the number of tonnes sold. The average price of stainless steel fell by 18% in the USA, 11% in Europe and 10% in Asia.

In this complex market environment, EBITDA and EBIT grew by 15.0% and 30.2% to EUR 329 million and EUR 157 million, respectively. Meanwhile, net profit amounted to EUR 80 million in 2016, 87.3% more than in the previous year. This substantial rise in net profit was favoured by a positive quarterly performance throughout the year, after raw material prices were stabilised on the back of progressive improvement in market conditions in the North American and European market.

This improvement in the Group's profitability was also due to the efficiency and cost savings measures implemented by the Company over the last years. Thus, in 2016 the Group finalised the IV Excellence Plan, which encompassed 2015 and 2016, with 74% of the objectives achieved, representing a recurring impact in profit of EUR 50 million per year. In December 2016 the Board of Directors of Acerinox approved the implementation of the V Excellence Plan, which will include 2017 and 2018, and aimed at achieving recurring savings of an additional EUR 50 million per year.

At 31 December 2016, Acerinox's equity stood at EUR 2,169 million and a net debt of EUR 620 million, 12.8% less than at the end of 2015, as a result of higher cash flow generation than in the previous year.

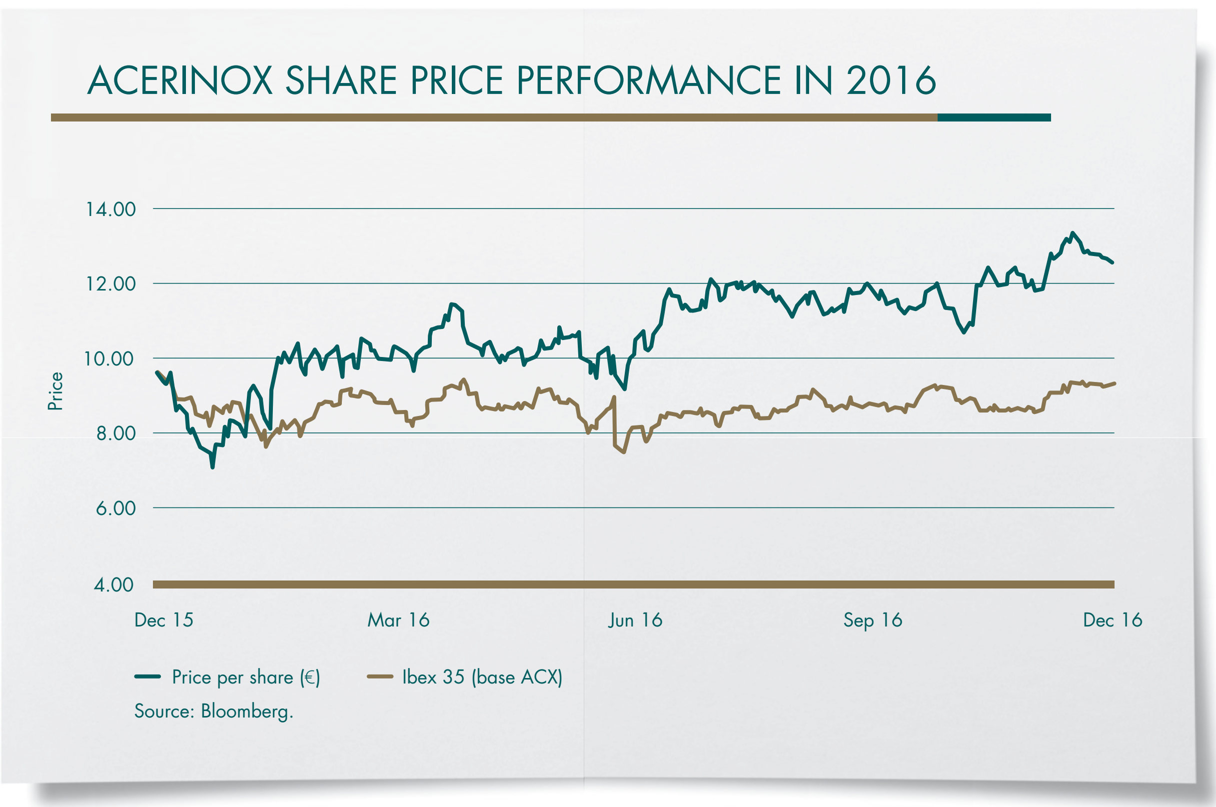
In 2016 Acerinox's investments totalled EUR 173 million against EUR 94 million in 2015. Most of these investments were approved in 2015, with the aim of increasing production capacity and enabling the manufacture of certain higher value-added products in the European and North American market. They include, inter alia, a bright annealing line and a cold rolling mill in NAS, in addition to the acquisition of an annealing and pickling line and a cold rolling mill in Algeciras.

ALBA'S PERCENTAGE OF OWNERSHIP

At 31 December 2016, Alba continued to be the main shareholder of the Company with an ownership interest of 18.96% of its share capital. In 2016 Alba slightly reduced its ownership interest due to the capital increase performed by the Company as a result of new shares delivered to shareholders that opted for shares instead of cash under the scrip dividend.

SHARE PRICE PERFORMANCE

In 2016 Acerinox's share price closed at 12.61 Euros per share, representing an increase of 33.9%, far better than the Ibex 35 (-2.0%). Market capitalisation amounted to EUR 3,480 million at year end.



EBRO FOODS

Ebro

www.ebrofoods.es

DESCRIPTION OF THE COMPANY

Ebro Foods is a multinational food company, world leader in the rice sector and second world pasta producer. It has commercial or industrial presence through an extensive network of subsidiaries and brands in more than 25 countries in Europe, North America, Asia and Africa.

Ebro Foods has a wide range of leading brands and its main markets comprise the USA and France, while Spain represents a small part of its business (6.0% of sales in 2016).

In recent years the Company has expanded its activities through selective acquisitions, which it has successfully integrated, consolidating leadership positions or reinforcing its presence in certain products and markets and substantially improving its profitability. Thus, since 2012 it has acquired, for example, Deoleo's global rice business, various pasta and rice companies and brands in the USA, Canada and Italy, a basmati rice factory in India and one of the leading fresh dish companies in France. In line with its inorganic growth strategy, in 2016 the Company acquired a 100% ownership interest in the French company Celnat, a pioneer in the field of biological nutrition and one of the leading manufacturers of organic cereals in France, and a 52% ownership interest in Santa Rita Harinas, a company engaging in the production and marketing of flours and ready-to-cook food. At the beginning of 2017, Ebro Foods announced the acquisition of the Spanish company Vegetalia, which specialises in ecological products and production of vegetable protein.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

Sales of Ebro Foods in 2016 remained flat (-0.1%) compared to the previous year to EUR 2,459 million, due to the slight drop in the price of raw materials and despite the positive contribution to the perimeter of EUR 53 million in sales from the acquisitions made.

Meanwhile, EBITDA and EBIT increased by 9.3% and 8.5% to EUR 344 million and EUR 267 million, respectively. EBITDA margin over sales grew to 14.0%, from 12.8% the previous year, thanks to the improvement in gross margin and the contribution in the change in perimeter, and despite an increase in advertising costs, particularly in the Pasta activity.

Net profit amounted to EUR 170 million, up 17.2% on the previous year, due to the good business performance, the change in perimeter and the sale of the rice business in Puerto Rico and a building in Madrid.

INFORMATION ON INVESTEE COMPANIES - LISTED

KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Sales	2,459	2,462	2,121
EBITDA	344	315	287
EBIT	267	246	227
Net profit	170	145	146
Total assets	3,645	3,404	3,162
Net financial debt	443	426	406
Equity	2,106	1,993	1,874
Employees (average)	6,195	5,759	5,189
Share price (31/12) (in euros per share)	19.91	18.16	13.71
Market capitalisation (close 31/12)	3,063	2,793	2,109
Gross dividend yield (on closing price)	2.7%	3.6%	3.6%

In 2016 the Company's net financial debt increased 4.0% to EUR 443 million due to the aforementioned acquisitions of Celnat and Santa Rita Harinas. Even so, the net debt/ EBITDA ratio for the year was 1.29, a very moderate level, slightly lower than in 2015 and allows Ebro Foods to continue its strategy of geographic and product consolidation.

The Group's return on capital employed (ROCE) stood at 16.6%, higher than the 15.6% achieved the previous year, due to the aforementioned improvement in margins.

SALES BY ACTIVITY

- Rice **50.9%**
- Pasta **49.1%**

Note: Breakdown of sales by activity before intra-group eliminations.

SALES BY GEOGRAPHICAL AREA

- Other European countries **47.8%**
- North America **39.4%**
- Other **6.8%**
- Spain **6.0%**

By business area, sales of the **Rice** division remained flat compared to 2015 in an environment of stability of raw materials' price in the main markets and affected by the divestment of the rice business in Puerto Rico. EBITDA and EBIT grew by 10.9% and 10.1% to EUR 196 million and EUR 164 million, respectively, enabling the return on the capital employed for the division to reach a 18.3% in 2016 against a 17.1% in 2015.

Sales of the **Pasta** division amounted to EUR 1,236 million in the year, up 1.0% on 2015, supported by the dry pasta branding business in Europe and the contribution of Celnat and Monterrat to the perimeter and despite the difficulties in the North American market. Both EBITDA and EBIT recorded positive growth of 5.7% and 2.8% to EUR 157 million and EUR 113 million, respectively, despite a significant increase in advertising, concretely in North America.

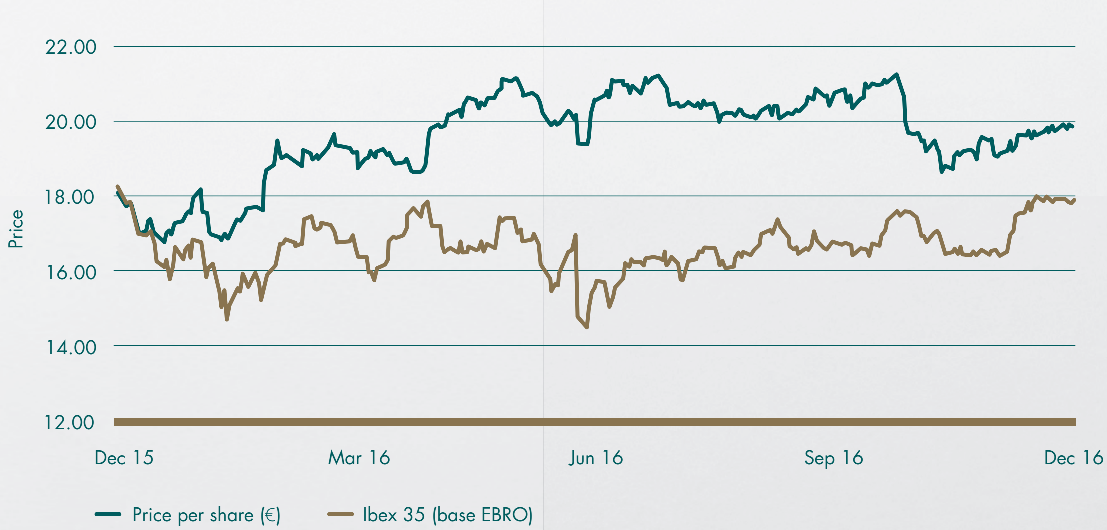
ALBA'S PERCENTAGE OF OWNERSHIP

In 2016 Alba's 10.01% ownership interest in the Company's share capital remained stable and is one of its main shareholders.

SHARE PRICE PERFORMANCE

In 2016 the market price of Ebro Foods increased by 9.6% to EUR 19.91 per share, in contrast with the Ibex 35, which fell by 2.0%. At 31 December, the market capitalisation of Ebro Foods was EUR 3,063 million.

EBRO FOODS SHARE PRICE PERFORMANCE IN 2016



Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES - LISTED

BOLSAS Y MERCADOS ESPAÑOLES

www.bolsasymercados.es

DESCRIPTION OF THE COMPANY

Bolsas y Mercados Españoles (BME) is the operator for all stock markets and financial systems in Spain and the benchmark trading platform for transactions related to shares of Spanish listed companies. The Company trades on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

BME has been listed since July 2006 and is an international benchmark in the sector in terms of solvency, efficiency and profitability.

The Company's activities are diversified and organised into seven business units: Equities, Fixed Income, Derivatives, Clearing, Settlement and Registration, Information and IT & Consulting.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

In 2016, BME obtained a net profit of EUR 160 million, down 7.6% on 2015, due mainly to the drop in volumes across all markets.

Thus, nearly all the segments directly related to market activity reported a decrease in revenue. Total revenues from BME's activities totalled EUR 327 million, 6.1% down on 2015, despite the good performance of the Information (+19.1%), IT & Consulting (+7.0%) and Clearing (+33.9%) segments.

Furthermore, EBITDA fell by 11.8% to EUR 216 million, due to the decrease in volumes and the extraordinary costs arising from the integration of Infobolsa. Efficiency indicators continue to uphold BME as a benchmark in its industry, with a ratio of 33.2% in 2016, 9 percentage points higher than the average obtained by its peers.

This high level of efficiency and cash flow generation allowed BME to obtain a ROE of 37.5% in 2016 and maintain an attractive shareholder remuneration. If the proposed supplementary dividend proposed to the shareholders at the Annual General Meeting is approved, BME will have distributed a total gross dividend of EUR 1.80 per share against 2016 results, representing a pay-out of 93.5% and a dividend yield of 6.4%, based on the share price at the end of 2016.

INFORMATION ON INVESTEE COMPANIES - LISTED

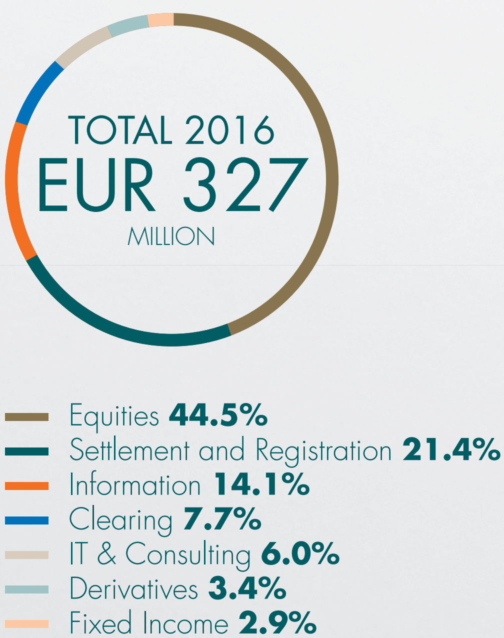
KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Revenue	327	348	342
EBITDA	216	245	239
EBIT	208	239	233
Net profit	160	173	165
Total assets	23,081	31,272	33,949
Net financial debt / (Net cash)	(283)	(322)	(290)
Equity	424	433	419
Employees (31/12)	762	700	698
Share price (31/12) (in euros per share)	28.00	31.06	32.14
Market capitalisation (31/12)	2,341	2,597	2,687
Gross dividend yield (on closing price)	6.4%	6.1%	5.1%

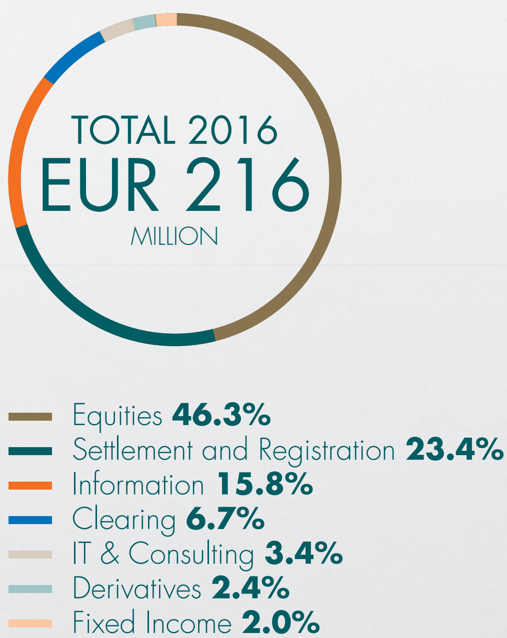
By business unit, the Equities (Listing and Trading) segment, which accounts for 44.5% of the Company's total revenue, recorded a decrease both in revenue (-9.7%) and EBITDA (-14.5%) compared to the previous year. Revenue from the Listing activity fell by 8.2% compared to 2015, due mainly to a decrease in investments flows channelled through the Spanish Stock Market in the year.

As regards the Trading activity, and in line with the Listing activity, revenue fell by 9.9%, due mainly to the decrease in both the number of transactions (-12.1%) and in total turnover (-31.9%). Trading of exchange traded funds (ETFs) also reflected the lower volume and effective volume traded.

SALES BY BUSINESS UNIT



EBITDA BY BUSINESS UNIT



Note: Breakdown before corporate results and intra-group eliminations.

The Settlement and Registration segment, the second-largest segment in terms of revenue, reported negative growth compared to the previous year in both revenue (-15.6%) and EBITDA (-18.7%), affected mainly by the entry into force of the Securities Registry, Clearing and Settlement System reform, which substantially reduced the number of transactions settled.

Revenue from the Information segment grew 19.1% as a result of the global consolidation of Infobolsa in 2016. However, EBITDA grew barely 0.9%, precisely due to the costs arising from the integration of said Company.

The Clearing segment, which includes the clearing and settlement of all financial and electricity derivatives, fixed income transactions and, mainly, equity transactions, reported an increase in revenue of 33.9% and an increase in EBITDA of 74.9%.

In connection with the IT & Consulting segment, both revenue and EBITDA recorded a growth of 7.0% and 3.7%, respectively, due to higher contributions from technology infrastructure, interface, market access and regulatory compliance.

In relation to the other segments, both Derivatives and Fixed Income reported a negative performance in both revenue and EBITDA as a result of lower activity in their respective segments.

At 2016 year-end, the Company had a net cash position of EUR 283 million, including short-term financial assets.

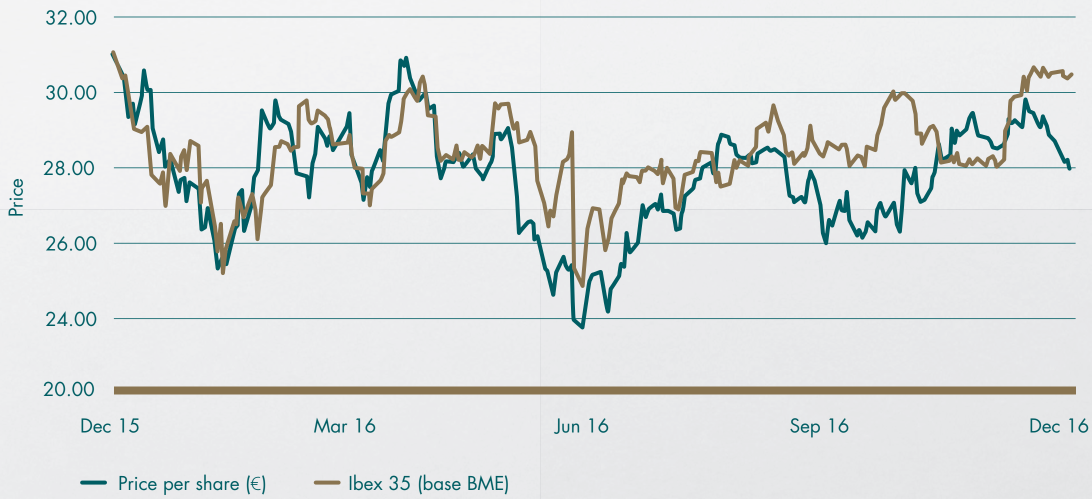
ALBA'S PERCENTAGE OF OWNERSHIP

In 2016 Alba increased its ownership interest in BME's share capital to 12.06% through the acquisition of an additional 1.49% interest for EUR 35 million, consolidating its position as the Company's main shareholder.

SHARE PRICE PERFORMANCE

BME's share price fell by 9.9% in 2016 (compared to a decline of 2.0% in the Ibex 35) to EUR 28.00 per share, with a market capitalisation of EUR 2,341 million at year end.

BME SHARE PRICE PERFORMANCE IN 2016



Source: Bloomberg.

VISCOFAN

www.viscofan.com

DESCRIPTION OF THE COMPANY

Viscofan is world leader in artificial casings for meat products and is the only worldwide producer that manufactures the entire range of casings: cellulose, collagen, fibrous and plastic.

The Company's revenue is widely diversified, with around 2,000 clients in over 100 countries around the world. In 2016, 86.6% of sales corresponded to international business.

Viscofan has a wide network of casing production centres in Europe (Spain, Germany, Czech Republic and Serbia), North America (USA), Latin America (Brazil, Mexico and Uruguay) and Asia (China). In addition, it has 14 sales offices in various countries.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

2016 is the Company's first year within the Strategic Plan 2016-2020 ("MORE TO BE"), which is aimed at positioning Viscofan as leader in service, cost and technology in all the main casing markets. In 2016 these initiatives included, namely, the commissioning of the new plastics plant in Mexico and the Nanopack technology-based plastics plant in Spain. Also within this strategy, the Company announced the acquisition, in October 2016, of the plastic casings company Vector, present in Europe and the USA.

As regards the business performance in 2016, the casings market was characterised by a growth rate below its historical average and a highly volatile foreign currency environment, particularly in emerging countries.

INFORMATION ON INVESTEE COMPANIES - LISTED

KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Sales	731	741	687
EBITDA	204	214	185
EBIT	154	161	136
Net profit	125	120	106
Total assets	931	832	877
Net financial debt / (Net cash)	9	(3)	75
Equity	708	633	576
Employees (average)	4,363	4,233	4,089
Share price (31/12) (in euros per share)	46.85	55.64	44.07
Market capitalisation (31/12)	2,183	2,593	2,054
Gross dividend yield (on closing price)	3.1%	2.2%	2.6%

Note: In 2014 and 2015, the IAN Group was consolidated as a discontinued operation / available for sale. 2016 consolidates only the months of November and December of Vector's activity.

Viscofan's sales fell by 1.3% in 2016 to EUR 731 million, due to the volatility of foreign currencies, the decrease in revenue from cogeneration and the lower sales volumes in Brazil. In terms of type of revenue, Casings sales remained practically flat (-0.5%) compared to the previous year. Meanwhile, revenue from Cogeneration fell by 13.9%, with respect to 2015, to EUR 40 million due to the lower electricity prices, particularly in the second half of the year. If we exclude the impacts of foreign currencies, the change on perimeter and non-recurring income, revenue would have remained stable.

SALES BY ACTIVITY

- Casings **94.6%**
- Cogeneration **5.4%**

SALES BY GEOGRAPHICAL AREA

- Europe and Asia **56.3%**
- North America **29.7%**
- Latin America **14.0%**

By geographical area, the increase in sales recorded in North America, Europe and Asia offsets the decrease in sales in Latin America. Both Europe and Asia and North America recorded positive organic growth in revenue of 0.7% and 2.3%, respectively. However, in organic terms Latin America recorded a decrease of 7.0% in revenue due to the weak volumes in Brazil. Considering the figures reported -which include the impact on changes in foreign exchange and changes in the scope of consolidation-, sales in North America grew 0.7% while falling 0.2% in Europe and Asia, and 9.4% in Latin America.

EBITDA fell by 4.6% in 2016 to EUR 204 million, with a margin over sales of 27.9% compared to 28.9% in 2015. Meanwhile, EBIT amounted to EUR 154 million, down 4.0% on the previous year. This decrease arose as a result of a drop in volumes in Latin America and lower revenue from Cogeneration, partially offset by the growth in other geographical areas and costs containment.

Net profit reached a new all-time high of EUR 125 million, up 4.2% on 2015. This growth in net profit, as opposed to the fall in EBIT, is explained by lower financial expenses, positive exchange rate differences and a lower tax rate.

Net bank borrowings amounted to EUR 9 million in December 2016, compared to a net cash position of EUR 3 million in 2015, due to the distribution of an interim dividend and the acquisition of the Vector Group. Moreover, in 2016 Viscofan increased the dividend paid to its shareholders by 7.4% to EUR 68 million.

ALBA'S PERCENTAGE OF OWNERSHIP

In 2016 Alba acquired an additional 4.16% of the Company for EUR 93 million, thus raising its ownership interest to 11.02% of its share capital at year end. Alba is currently Viscofan's main shareholder.

SHARE PRICE PERFORMANCE

Viscofan's share price increased by 15.8% in 2016 to EUR 46.85 per share and its market capitalisation amounted to EUR 2,183 million at year end. It should be noted that from 2009 to 2015, Viscofan's share price has increased by 213.3%, with annual increases of close to or above 50% in 2010 and 2012.

VISCOFAN SHARE PRICE PERFORMANCE IN 2016

Source: Bloomberg.

INDRA

www.indracompany.com

DESCRIPTION OF THE COMPANY

Indra is the leading information technology and security and defence systems company in Spain, and one of the largest in Europe and Latin America. It offers high added-value solutions and services for the Transport and Defence (which includes the Defence and Security and Transport and Traffic sectors) and Information Technology (IT) vertical markets, which include the Energy and Industry, Financial Services, Public Administration and Healthcare, and Telecom and Media sectors.

The Company operates in more than 140 countries and had close to 34,000 professionals at the end of 2016. Indra's international presence has grown substantially in recent years and accounted for 57.0% of total sales in 2016, with America representing 24.1% of total sales. In 2010 international sales barely accounted for 38.7% of the total.

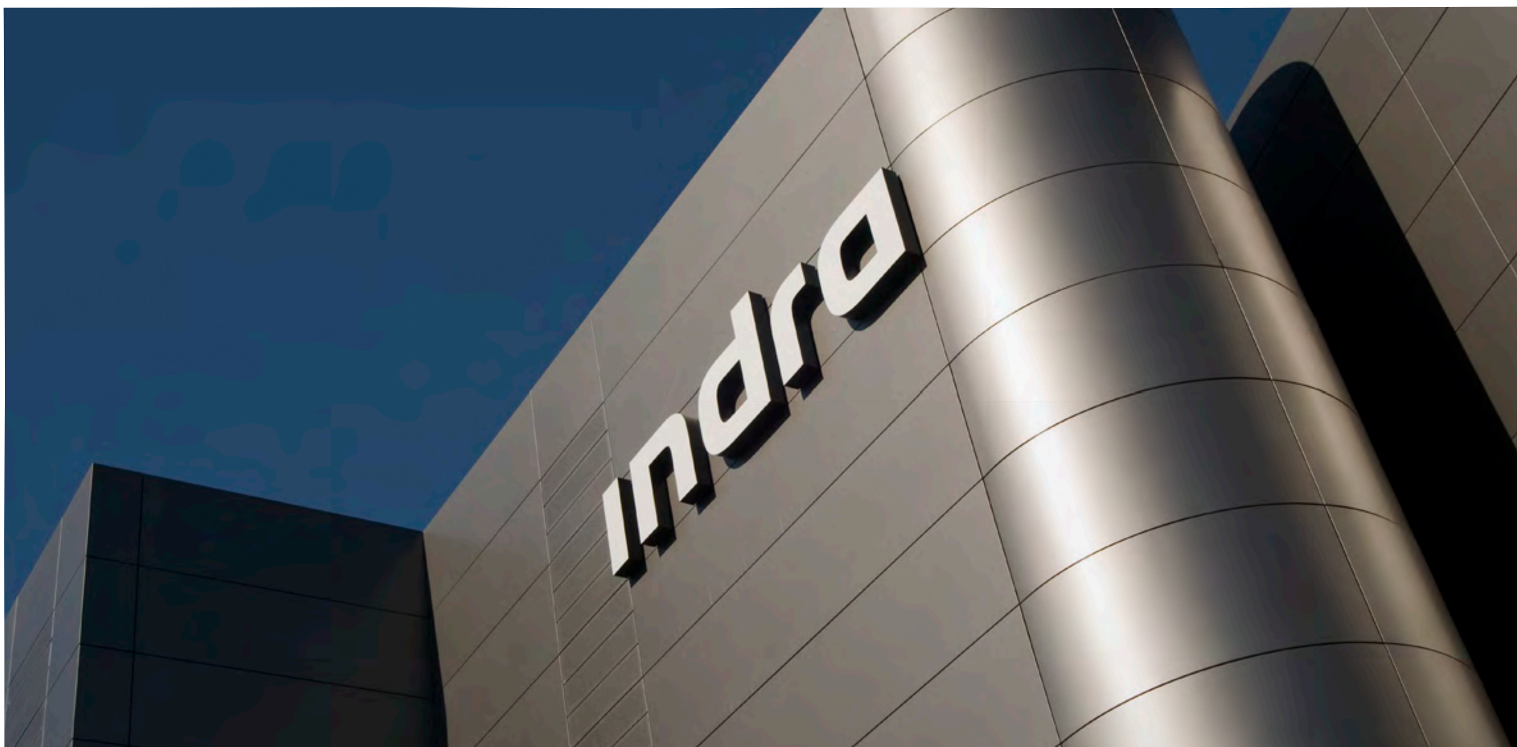
Indra provides end-to-end management of customer needs, from the design of a solution to its development and implementation, and operational management. Indra offers its customers a wide range of proprietary and third-party integrated systems, applications and components for the collection, processing, transmission and subsequent presentation of data, basically focused on the control and management of complex processes. Additionally, Indra provides outsourcing services for the management, maintenance and operation of systems and applications for third parties and also outsources certain business processes where technology is a strategic and differential element. The Company also offers technology, operations and strategic consulting services.

At the end of November 2016, Indra announced the agreement to acquire 100% of Tecnocom's share capital through a takeover bid in cash and shares totalling approximately EUR 345 million.

This acquisition will reinforce the IT business in Spain, particularly in the financial and payments industry, with significant potential for extracting costs synergies. The transaction is expected to be completed in the first half of 2017.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

Indra recorded positive results in 2016 after extraordinary write-downs and impairments of varying nature in 2015. In 2016 net profit amounted to EUR 70 million, compared to losses of EUR 641 million in 2015.



INFORMATION ON INVESTEE COMPANIES - LISTED

KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Sales	2,709	2,850	2,938
EBITDA	229	131	268
EBIT	162	(642)	(43)
Net profit/(loss)	70	(641)	(92)
Total assets	3,332	3,063	3,481
Net financial debt	523	700	663
Equity	378	308	954
Employees (31/12)	34,294	37,060	39,130
Share price (31/12) (in euros per share)	10.41	8.67	8.07
Market capitalisation (close 31/12)	1,709	1,423	1,325
Gross dividend yield (on closing price)	0.0%	0.0%	4.2%

In terms of revenue, in 2016 Indra reported total sales of EUR 2.709 million, down 4.9% on the previous year.

By **vertical market**, mention should be made of the negative performance of IT, whose revenue fell by 8.4%, which was negatively affected by factors such as the exchange rates of Latin American currencies against the euro, the repositioning of the business in Brazil, more selective contracting criteria, the delay in certain tenders with the public administration in Spain, the decrease in revenue from the elections business and the fall in activity levels in those regions most dependent on oil prices. Revenue from the Transport and Defence vertical market remained practically stable, falling 0.4% in the year, but with major differences between the two segments that comprise it: thus, while revenue from Defence and Security grew by 7.9%, with a positive performance in all geographic areas, revenue from Transport and Traffic fell by 7.2% due to the slowdown of certain projects, particularly railway transport, ticketing and intercity traffic.

As regards business performance by **geographical area**, revenue in Spain and America fell by 4.8% and 15.3%, respectively, due to the significant weight of the IT vertical in said geographical areas. Europe recorded a revenue growth of 6.3% as a result of the good performance in practically all vertical markets, although most of the activity in the area was concentrated in the Defence and Security and Transport and Traffic vertical markets. Lastly, the Asia, Middle East and Africa division reported a revenue growth of 1.3% thanks to the contribution of the vertical market with the greatest weight on revenue in the region, Transport and Traffic.

Order intake grew 3.5% to EUR 2,744 million as a result of the good performance of IT and despite the slight drop in Transport and Defence, which is explained by the high level of order intake recorded at the end of 2015.

As regards EBIT performance, the Company reported a positive result of EUR 162 million compared to a loss of EUR 642 million in 2015, as a result of the non-recurring costs recognised in the period. EBIT margin over sales stood at 6.0%. This improved margin is due to the greater profitability of ongoing projects, efficiency plans and the reduction of onerous projects.

INFORMATION ON INVESTEE COMPANIES - LISTED

SALES BY VERTICAL MARKET

- Transport and Traffic **23.1%**
- Security and Defence **22.1%**
- Financial Services **17.6%**
- Energy and Industry **14.8%**
- Public sector and Healthcare **14.7%**
- Telecom and Media **7.7%**

SALES BY GEOGRAPHICAL AREA

- Spain **43.0%**
- America **24.1%**
- Europe **19.3%**
- Asia, Middle East & Africa **13.6%**

Cash flow for the year amounted to EUR 184 million, compared to a net cash consumption of EUR 50 million in the previous year. This increase resulted from the robust operating performance of the business and the good management of working capital that offset a cash consumption of EUR 51 million due to a restructuring of the labour force carried out and EUR 76 million due to onerous projects, already provisioned in 2015. Excluding these non-recurring elements, the cash flow generated in the period would have amounted to EUR 311 million. As a result of the foregoing, Indra's net debt at year end decreased to EUR 523 million, down 25.3% on 2015. Net debt equates to 2.3 times the EBITDA for the year.

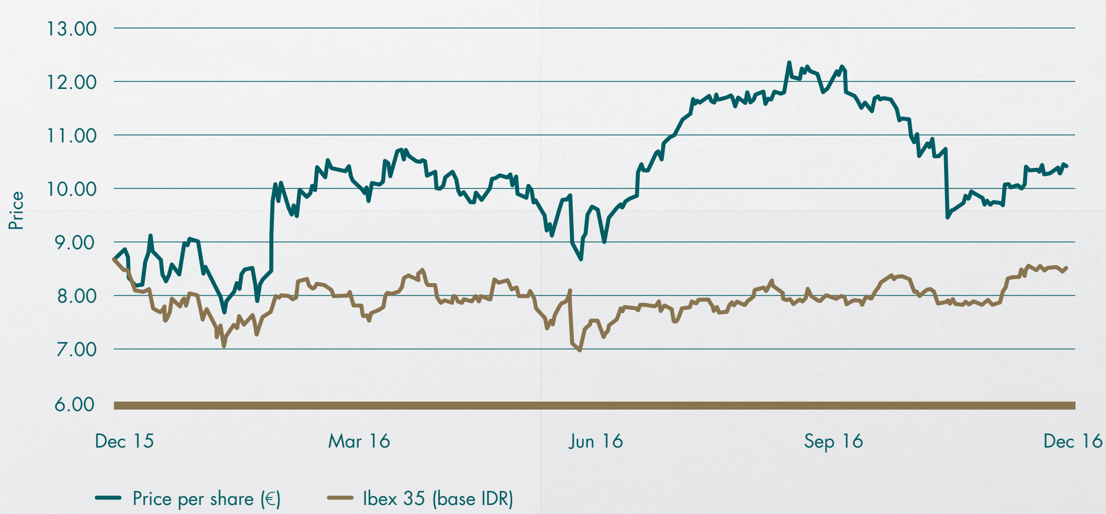
ALBA'S PERCENTAGE OF OWNERSHIP

In 2016 Alba's ownership interest of 11.32% in the Company's share capital remained stable, being one of its main shareholders.

SHARE PRICE PERFORMANCE

As in 2015, Indra's share price outperformed the Ibex 35 in 2016. Thus, while the benchmark index in the Spanish market fell by 2.0% in 2016, Indra's share price grew 20.1% to EUR 10.41 per share at 31 December. At 2016 year-end, Indra's market capitalisation was EUR 1,709 million.

INDRA SHARE PRICE PERFORMANCE IN 2016



Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES - LISTED

EUSKALTEL

euskaltel

www.euskaltel.com

DESCRIPTION OF THE COMPANY

Euskaltel is a regional telecommunications operator offering high-speed broadband, digital pay TV, fixed and mobile telephony services to private customers and companies in the Autonomous Community of the Basque Country and in the Autonomous Community of Galicia (through R Cable). It is one of the leading operators in both regions, with market shares of over 30% in various of the segments in which it operates.

The Company has its own fibre optic cable network which covers 85% of households in the Basque Country and 51% of households in Galicia, a Wi-Fi network with 120,000 available points and a proprietary LTE network with two 2.6 GHz frequency bands that complete its mobile telephony service offering through the agreement with Orange.

Euskaltel and R Cable offer a combination of fixed, mobile, broadband and television services through convergent packages that provide one or more of these services (1P, 2P, 3P or 4P) to private customers, self-employed customers, SMEs and large companies.

In December 2016 Euskaltel and R Cable jointly had 546,040 residential customers and 89,322 business customers. Euskaltel and R Cable cover close to 1.7 million households between the Basque Country and Galicia.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

Euskaltel's results for 2016, shown below, include the consolidation of the activity of Euskaltel and R Cable over the last twelve months, while 2015 refers to the consolidation of the activity of Euskaltel over the last twelve months and the activity of R Cable for the month of December.

In 2016 Euskaltel obtained total revenue of EUR 573 million, up 68.3% on 2015, due mainly to the consolidation of R Cable for the full year. In like-for-like terms, revenue for the period grew 1.3% with respect to the previous year as a result of the positive performance of the Residential segment.

INFORMATION ON INVESTEE COMPANIES - LISTED

KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Revenue	573	349	321
EBITDA	281	152	156
EBIT	125	67	74
Net profit	62	7	37
Total assets	2,340	2,282	978
Net financial debt	1,223	1,358	237
Equity	742	703	647
Employees (average)	561	362	500
Share price (31/12) (in euros per share)	8.42	11.58	n.a.
Market capitalisation (31/12)	1,279	1,758	n.a.
Gross dividend yield (on closing price)	4.3%	0.0%	n.a.

Note: The results for 2016 include the consolidation of R Cable for the whole year, while 2015 only includes one month of activity, since the acquisition was completed at the end of November. EBITDA for 2016 makes reference to the EBITDA reported by the Company adjusted for non-recurring expenses incurred during the process of integration of Euskaltel and R Cable.

The **Residential segment** increased its revenue by 73.0% (+3.9% in like-for-like terms) to EUR 373 million. This growth is the result of the consolidation of R Cable's twelve month activity (EUR 166 million), an improvement in ARPU (EUR 58.44 in 2016, up EUR 2.44 on 2015) and the increase in products contracted per customer (from 3.3 to 3.5 products per customer).

The **Business segment**, which includes SMEs, large accounts and the small company sub-segment (SOHO) obtained revenue of EUR 167 million, up 67.7% on the previous year due to the contribution of R Cable. In like-for-like terms, revenue for the period fell by 3.4% with respect to the previous year as a result of the pressure on prices applied by the competition and the loss of a contract with public institutions in the Basque Country. Furthermore, the SOHO sub-segment performed favourably in 2016, recording a growth of 2.9% in revenue in like-for-like terms.

The **Wholesale segment** grew 30.6% to EUR 33 million due to the contribution of R Cable and the favourable performance of the segment.

SALES BY SEGMENT

EBITDA, adjusted for non-recurring expenses incurred during the process of integration of the companies Euskaltel and R Cable, amounted to EUR 281 million, up 68.0% on the same period in the previous year. In like-for-like terms, EBITDA for the period would have grown 5.1% with respect to the previous year, led by the rise in revenue, the decrease of direct costs and the synergies obtained from the integration of R Cable. Thus, EBITDA margin over revenue stood at 49.0% in 2016, up 260 basis points on 2015.

Net profit grew from EUR 7 million in 2015 to EUR 62 million in 2016. It should be noted that the results for 2015 included significant extraordinary non-recurring costs linked to the IPO and to the acquisition of R Cable, and only one month of consolidation of the results of this Company.

Operating cash flow, defined as the difference between EBITDA and net capex, amounted to EUR 185 million in 2016, representing an EBITDA conversion ratio of 65.8%, higher than that of comparable companies in the sector in Europe.

Net financial debt stood at EUR 1,223 million in December 2016 against EUR 1,358 million a year before. In terms of net debt/EBITDA ratio, debt decreased from 5.1 to 4.2 during the year.

ALBA'S PERCENTAGE OF OWNERSHIP

Alba is the second-largest shareholder of the Company with an ownership interest of 11.00% in its share capital at 31 December 2016. During the year, Alba acquired an additional 1.00% interest for EUR 13 million.

SHARE PRICE PERFORMANCE

In 2016 the Company's share price fell by 27.3% to EUR 8.42 per share, while its market capitalisation fell to EUR 1,279 million at year end.

EUSKALTEL SHARE PRICE PERFORMANCE IN 2016

Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES - LISTED

PARQUES REUNIDOS

www.parquesreunidos.com

DESCRIPTION OF THE COMPANY

Parques Reunidos is one of the three leading leisure park operators in the world, with a strong presence in Spain and other European countries and in the USA. With more than 20 million visitors each year, Parques Reunidos is the second leisure park operator in Europe and eighth in the world, and is the world's leading water park operator.

At 30 September 2016, the closing date of its last reporting period, Parques Reunidos had a platform of 61 parks in 14 countries, including various projects under way. Its parks portfolio is highly diversified, both geographically and by type of park, and includes, inter alia, amusement parks, animal parks and water parks.

In addition to the potential organic growth of its current portfolio, Parques Reunidos has four additional venues for growth: expansion projects in current parks, development of leisure centres in malls and similar centers (Mall Entertainment Centers or MECs), management contracts of parks owned by third parties and the purchase of regional parks, many of which are family-owned. From an organic point of view, growth will arise from the increased number of visitors and from higher income per person, both through net ticket price and higher restaurant and other sales inside the parks.

Parques Reunidos began trading on 29 April 2016, after the completion of an initial public offering by the main shareholder and the subscription of newly issued shares to reduce the Company's net debt.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

The operating results of Parques Reunidos for 2016 were affected by adverse weather conditions in the Northeastern area of the United States during the fourth quarter (from 30 June to 30 September), the most important of the year for the Company, and by the losses of the Marineland park in the Côte d'Azur in France, due to the extensive damage caused by a storm at the beginning of the fiscal year and to the terrorist attack in Nice in July. Both effects were partially offset by the good results obtained in Spain and in other European countries.

INFORMATION ON INVESTEE COMPANIES - LISTED

SALES BY GEOGRAPHICAL AREA

- United States **39.8%**
- Other European countries **36.4%**
- Spain **23.8%**

EBITDA BY GEOGRAPHICAL AREA

- United States **38.3%**
- Other European countries **34.4%**
- Spain **27.3%**

Thus, the total number of visitors and consolidated revenue fell by 1.8% and 1.2%, respectively, to 19.8 million visitors and EUR 584 million, which explains the fall of 2.9% in EBITDA for the year to EUR 188 million. International revenue in 2016 accounted for 76.2% of total revenue, namely the USA with 39.8%.

KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Sales	584	606	543
EBITDA	188	195	170
EBIT	120	127	111
Net profit	4	20	5
Total assets	2,208	2,253	2,088
Net financial debt	540	1,047	928
Equity	1,132	610	583
Employees (annual average)	8,397	8,542	9,173
Share price (31/12) (in euros per share)	15.26	n.a.	n.a.
Market capitalisation (close 31/12)	1,232	n.a.	n.a.
Gross dividend yield (on closing price)	0.0%	n.a.	n.a.

Note: The reporting period of Parques Reunidos ends on 30 September each year.

The Company's net profit includes various non-recurring negative elements, such as financial expenses arising from the high debt prior to the capital increase performed at the time of the flotation of the Company, the cost of the debt refinancing performed at the same time as the IPO, in addition to legal costs and costs of financial advisors associated therewith. As a result, net profit for the year amounted to a bare EUR 4 million, compared to the EUR 20 million obtained in the previous year. Excluding these non-recurring effects and adjusting borrowing costs to the new debt structure subsequent to the flotation, net recurring profit would have amounted to EUR 76 million.

At year end Parques Reunidos had a net debt of EUR 540 million, 48.4% less than in 2015 due to the capital increase of EUR 525 million performed at the time of the IPO. This net financial debt equates to 2.9 times the recurring EBITDA for the year and the Company aims to reduce this ratio to 2.0-2.5 times in the medium term.

Furthermore, Parques Reunidos undertakes to distribute 25%-30% of the net profit to its shareholders in the form of dividends. Therefore, it will propose the distribution of a dividend of EUR 20 million in 2017 to the shareholders at the Annual General Meeting, calculated on the basis of the net profit for 2016 after eliminating the aforementioned non-recurring negative elements.

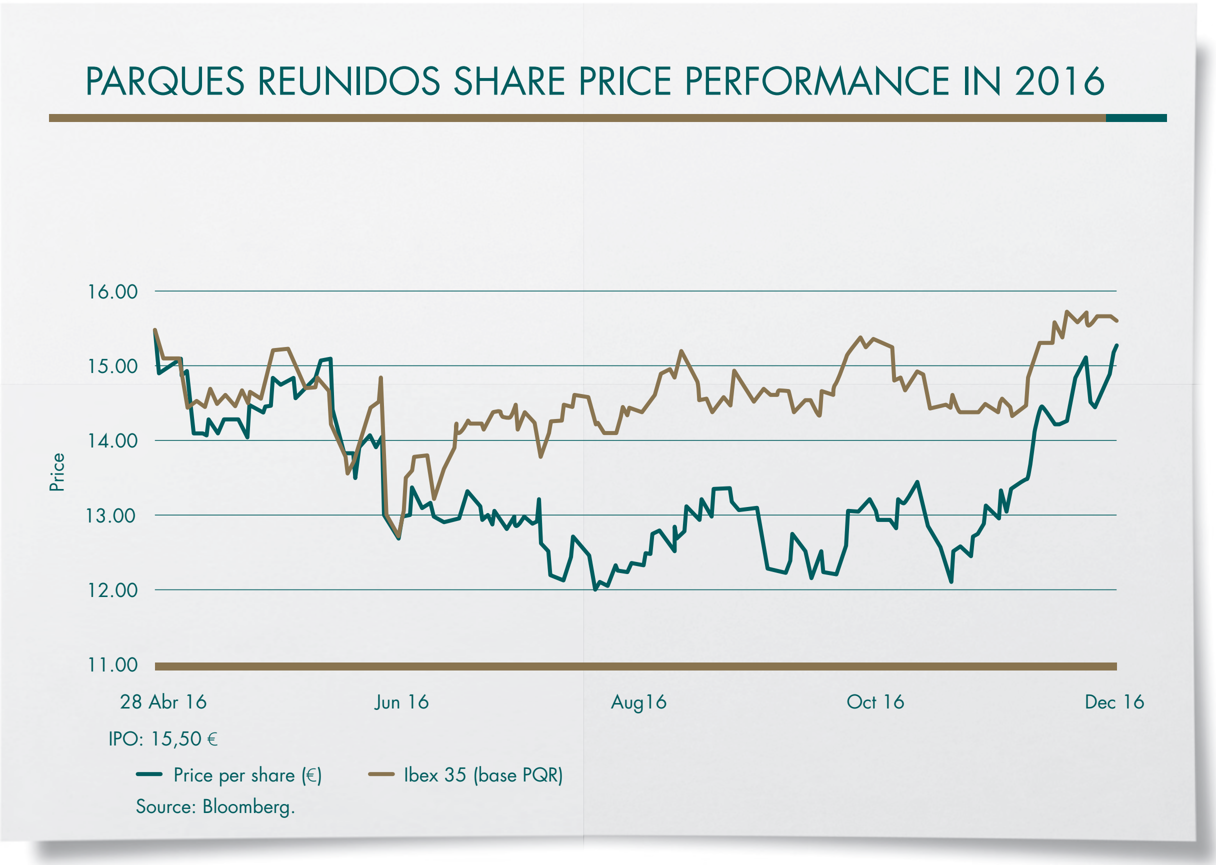
ALBA'S PERCENTAGE OF OWNERSHIP

Alba is the second-largest shareholder of the Company with an ownership interest of 10.53% of its share capital at 31 December 2016. Most of this ownership interest was acquired in the context of the IPO on 29 April and the rest of the shares were purchased on the market in the months following the IPO. Total investment amounted to EUR 127 million.

In the first days of 2017, Alba acquired an additional 4.30% for EUR 49 million, increasing its ownership interest to the current 14.83%.

SHARE PRICE PERFORMANCE

Since its flotation at the end of April, Parques Reunidos's share price fell by 1.6% to EUR 15.26 per share, with a market capitalisation of EUR 1,232 million at year end. It should be noted that the share price performance was negative during the first months of the year, falling to EUR 12-13 per share but recovering significantly after mid-October, following the publication of the results corresponding to the year ended 30 September 2016.


PARQUES REUNIDOS SHARE PRICE PERFORMANCE IN 2016
Price
16.00
15.00
14.00
13.00
12.00
11.00
28 Abr 16
Jun 16
Aug16
Oct 16
Dec 16
IPO: 15,50 €
Price per share (€)
Ibex 35 (base PQR)
Source: Bloomberg.

CLÍNICA BAVIERA

CLÍNICA BAVIERA
INSTITUTO OFTALMOLOGICO EUROPEO

www.clinicabaviera.com

DESCRIPTION OF THE COMPANY

Clínica Baviera is the leading provider of ophthalmological services to correct eye problems such as myopia, hyperopia, astigmatism, presbyopia or cataracts in Spain and has a strong presence in Germany and Italy. In terms of revenue and results, Clínica Baviera is the largest ophthalmology group in Europe.

At 31 December 2016, Clínica Baviera has 76 opthalmology clinics and surgeries, of which 52 are in Spain, 20 in Germany and Austria and 4 in Italy. At that date it had a total staff of 907 employees, up 4.5% on 2015 year-end.

NOTES ON THE COMPANY'S ACTIVITIES IN 2016

Clínica Baviera's results for 2016 were marked by the growth in revenue and profitability in its core markets and continued improvement in its financial results as the year progressed.

KEY DATA

In millions of euros unless stated otherwise	**2016**	2015	2014
Sales	**92**	86	83
EBITDA	**16**	11	11
EBIT	**12**	7	6
Net profit	**8**	5	4
Total assets	**47**	46	49
Net financial debt	**5**	1	3
Equity	**19**	21	20
Employees (31/12)	**907**	868	834
Share price (31/12) (in euros per share)	**9.50**	5.44	8.49
Market capitalisation (31/12)	**155**	89	138
Gross dividend yield (on closing price)	**6.6%**	4.0%	5.8%

INFORMATION ON INVESTEE COMPANIES - LISTED

Total revenue grew 7.0% to EUR 92 million on the back of the favourable performance of both domestic business, whose sales grew 6.5% to EUR 68 million, and international business, which grew 8.6% to EUR 24 million driven by the German market. The improved performance of international business explains that Spain reduced its weight to 74.0% of total sales.

SALES BY GEOGRAPHICAL AREA

EBITDA BY GEOGRAPHICAL AREA

EBITDA grew 44.8% to EUR 16 million, with an increased margin over sales which grew from 13.3% in 2015 to 18.0% in 2016. This improvement in profitability confirms the trend begun in 2015 and is explained mainly by the growth of refractive laser surgery, which has a higher gross margin, and the positive impact of the Company's operating leverage. Worthy of note is the growth in the EBITDA margin over revenue of the international business, which grew from 3.0% in 2015 to 15.4% in 2016.

EBIT and net profit attributable to the Parent Company grew 78.2% and 64.2%, respectively, to EUR 12 million and EUR 8 million.

In 2016 Clínica Baviera's investments amounted to EUR 7 million, of which 75.0% were destined to the maintenance and replacement of existing equipment and facilities and the remaining 25.0% to new openings and clinic relocations. During the year, the Company opened three new clinics, one in Madrid and the other two in the Autonomous Community of Valencia.

At 31 December 2016, Clínica Baviera had a net debt of EUR 5 million, EUR 4 million more than at the end of the previous year as a result of the dividends distributed in the year. In 2016 the Company distributed an ordinary dividend of EUR 5 million, equivalent to 80% of consolidated net profit, and an extraordinary dividend of EUR 5 million.

ALBA'S PERCENTAGE OF OWNERSHIP

In 2016 Alba maintained its ownership interest of 20.00% in Clínica Baviera's share capital, being one of its main shareholders.

SHARE PRICE PERFORMANCE IN 2016

Clínica Baviera's share price increased by 74.6% in 2016, compared to the drop of 2.0% of the Ibex 35, ending the year at EUR 9.50 per share. This sharp growth was due to the significant improvement of the results obtained during the year, in addition to a possible takeover bid by a third party. In this regard, on 8 April 2017, various relevant shareholders (including Alba), jointly representing 69.3% of the share capital, announced an irrevocable agreement to sell their shares to the Aier Eye Group for EUR 10.35 per share, excluding the gross dividend of EUR 0.22 per share to be distributed in May, in the context of the takeover bid that said purchaser will formulate in the coming months after obtaining all the relevant authorisations.

INFORMATION ON INVESTEE COMPANIES - LISTED

CLÍNICA BAVIERA SHARE PRICE PERFORMANCE IN 2016

Source: Bloomberg.


CLINICA BAVIERA
INSTITUTO OFTALMOLOGICO EUROPEO

INFORMATION ON INVESTEE COMPANIES - UNLISTED

MECALUX

www.mecalux.com

DESCRIPTION OF THE COMPANY

Mecalux is one of the world's leading companies in the storage systems market. Its activity consists of the design, manufacture, marketing and provision of services related to metal pallet shelves, automated warehouses and other storage solutions, using cutting-edge technology in the sector.

Mecalux has an extensive international presence, with sales in nearly 70 countries and more than 80% of its activity carried on outside Spain. It has production centres in Spain, Poland, the USA, Mexico, Brazil and Argentina and an extensive sales and distribution network, converting it into a leading company in the shelving markets of southern Europe, NAFTA and Mercosur.

At 31 December 2016, Alba held an ownership interest of 24.38% in Mecalux's share capital, 8.78% directly and 15.60% through Deyá Capital.

PANASA

www.berlys.es

DESCRIPTION OF THE COMPANY

Founded in 1968, Panasa (Panaderías Navarras) is one of the leading manufacturers of fresh and frozen bread, pastries and cakes in Spain, and is uniquely positioned in its market.

Through Berlys, it offers its products to more than 24,000 customers including bakeries, hotels, restaurants, supermarkets and other food stores, thanks to its extensive distribution network distributed throughout Spain. It also has a network of more than 200 exclusive bakeries located mainly in the north of Spain, which distribute fresh and frozen products.

It has modern production facilities, having made significant investments over the last years.

At 31 December 2016, Alba held an ownership interest of 26.50% in Panasa, through Deyá Capital.

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INFORMATION ON INVESTEE COMPANIES - UNLISTED

FLEX

www.flex.es

DESCRIPTION OF THE COMPANY

Flex is one of the leading companies in bed rest equipment in Europe, with a strong international presence. Founded in 1912, it manufactures and markets mattresses, pillows, adjustable beds and other accessories.

Thanks to a powerful brand portfolio (including Flex, Vi-Spring, Kluft, Mash and Molaflex, among others) it is the largest best rest equipment manufacturer in Spain, Portugal and the United Kingdom (luxury segment) and has an excellent positioning in the USA, Chile, Brazil and Cuba. More than 75% of the Group's activity is carried on outside Spain. It has production plants located in Spain, Portugal, United Kingdom, the USA, Brazil, Chile and Cuba.

In addition, the Group has a network of over 100 stores under the brands Noctalia, Plumax and And So To Bed (United Kingdom and Middle East).

At 31 December 2016, Alba held an ownership interest of 19.75% in Flex through Deyá Capital. On 28 March 2017 Alba entered into an agreement to sell its entire ownership interest for EUR 59.2 million, obtaining a gross capital gains of EUR 40.7 million.

SIRESA ENCAMPUS

resa
Residencias universitarias

www.resa.es

DESCRIPTION OF THE COMPANY

EnCampus engages in the purchase, development and management of university residences and residential schools in order to create the largest portfolio of university student residences in Spain.

At 2012 year-end, the company acquired an ownership interest in Siresa, a leading company in student residences in Spain with more than 6,700 places in 25 residences located in the main Spanish cities. To date, EnCampus has developed a portfolio of new projects with 1,500 places through the acquisition and development of new residences in Madrid (3), Barcelona (2), Tarragona (1) and Valencia (1).

At 31 December 2016, Alba held an ownership interest of 32.75% in EnCampus through Deyá Capital.

INFORMATION ON INVESTEE COMPANIES - UNLISTED

in-STORE MEDIA

in-Store Media

www.in-storemedia.com

DESCRIPTION OF THE COMPANY

in-Store Media, created in 1998, is currently one of the world's leading companies in the operation of advertising displays at points of sale through exclusivity agreements with retailers and the provision of services to the advertisers.

The company works with more than 40 retailers and manages nearly 2,000 annual campaigns in more than 4,500 points of sale for large brands.

in-Store Media has a strong international presence with more than 65% of its activity generated outside Spain (Portugal, Mexico, Argentina, Chile, France and Poland).
The Company is a leading firm in terms of technology, innovation and revenue in all these markets.

At 31 December 2016, Alba held an ownership interest of 18.89% in in-Store Media through Deyá Capital.

TERBERG ROS ROCA

RosRoca

www.rosroca.com

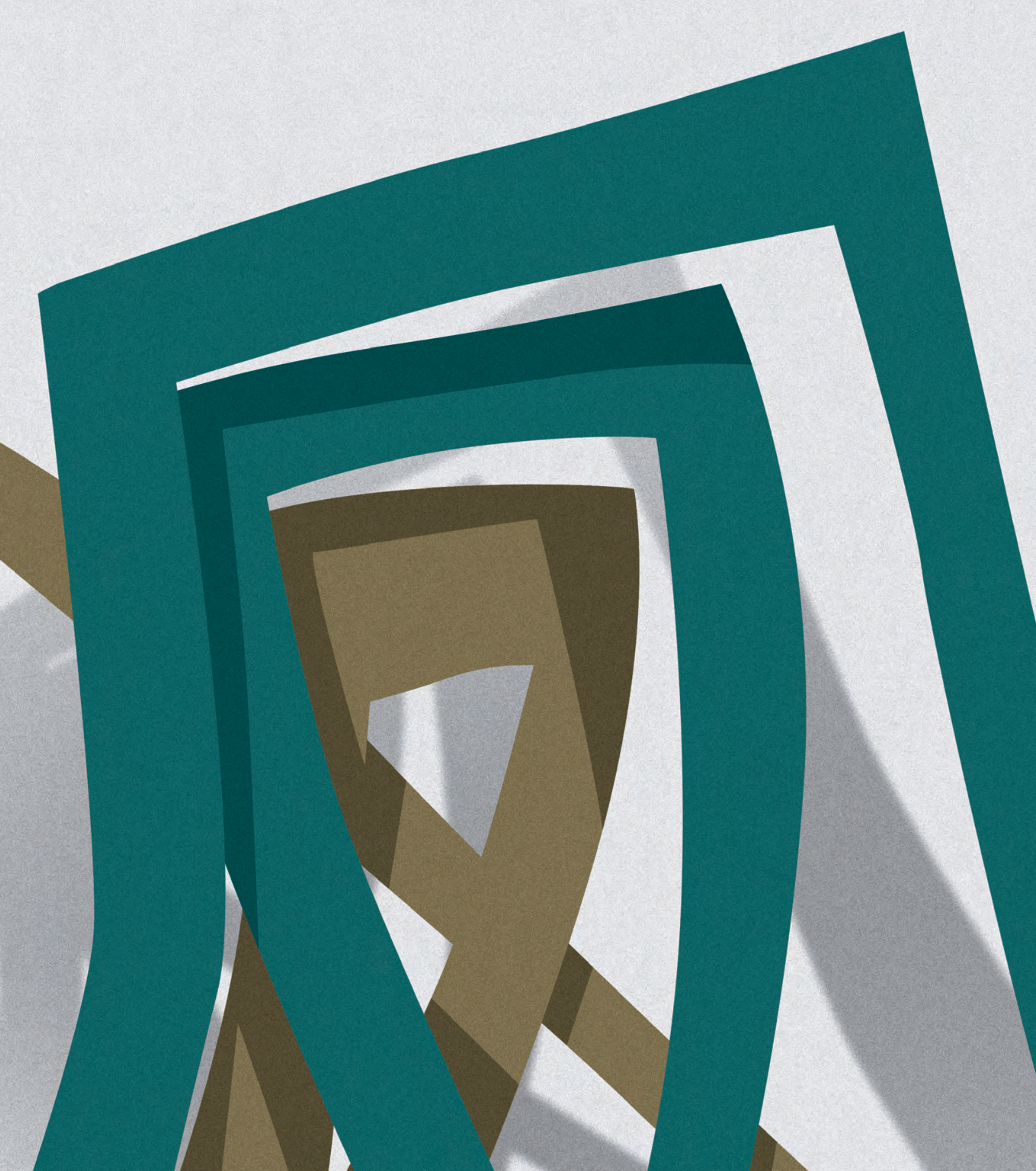
DESCRIPTION OF THE COMPANY

Since its foundation in 1953, Ros Roca has focused its activity on the manufacture of vehicles for urban waste collection and capital goods applied to the environment. The Company specialises in the manufacture and marketing of special vehicles for urban waste collection and cleaning (truck-mounted compactor collectors, street cleaning machinery and sewer cleaning equipment).

In the first quarter of 2016, Ros Roca Environment and the Dutch company Terberg Environmental completed their merger, creating TRRG Holding Limited. Terberg Environmental is the environmental subsidiary of the Dutch family conglomerate Terberg.

With a complementary portfolio of products and markets, the merger of the two companies creates a leader excelling in the management of urban waste with the manufacture of collection equipment, special chassis and lift systems, with production centres in the United Kingdom, Spain, Holland, Germany and France.

At 31 December 2016, Alba held an ownership interest of 7.5% in TRRG through Deyá Capital.



REAL ESTATE ACTIVITY

REAL ESTATE ACTIVITY

At 2016 year-end, Alba had nearly 97,800 square metres of leasable area and 1,500 parking spaces, mainly in office buildings located in Madrid (78,000 square metres) and Barcelona (18,000 square metres).

The book value of the real estate property is updated annually based on the appraisal performed by an independent expert which, at 31 December 2016, valued them at EUR 371.6 million, up EUR 19.4 million on the previous year. This appraisal value exceeds the net value of the investment by EUR 128.9 million.

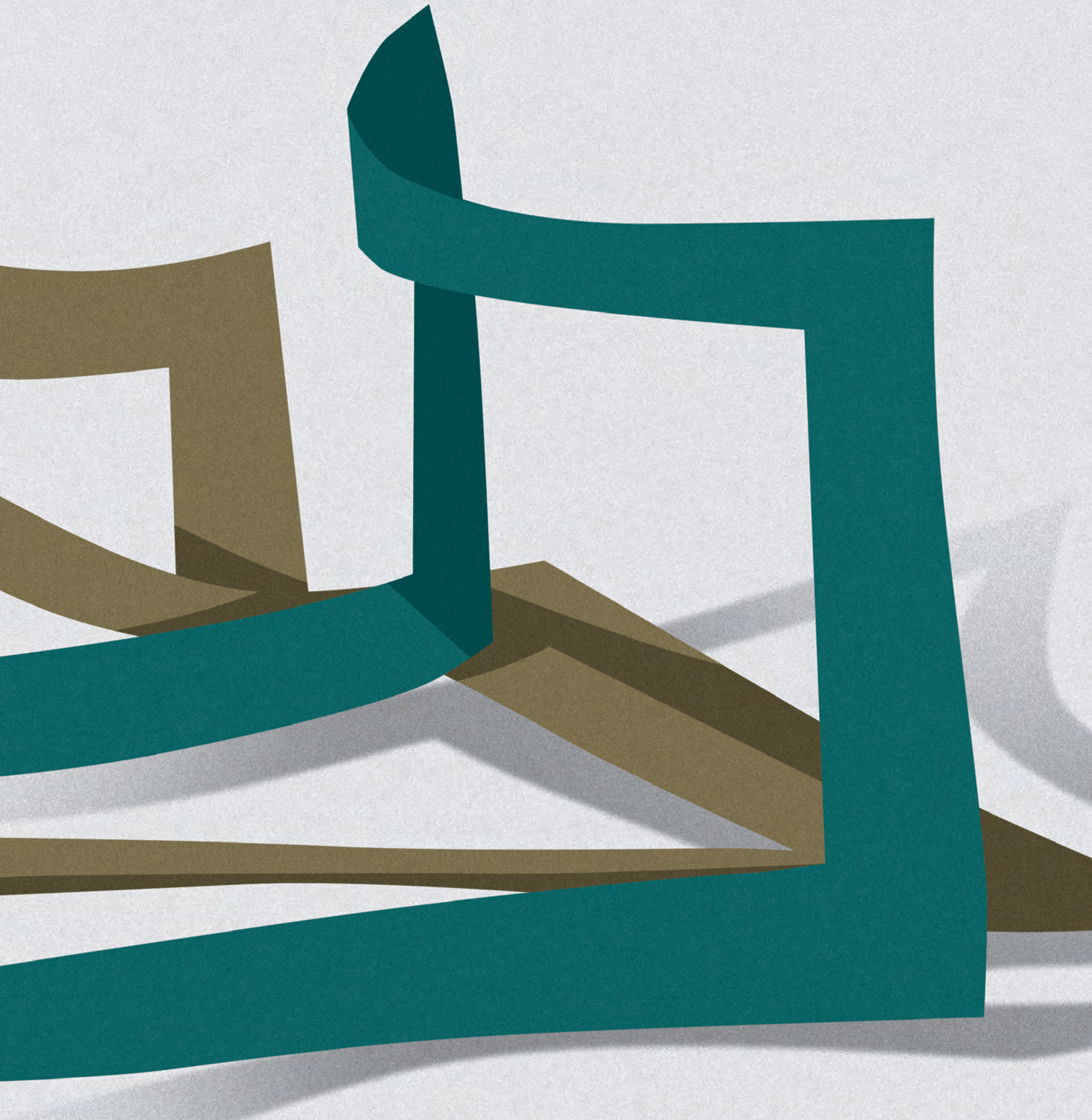
The occupancy rate at 2016 year-end was 81.8%, down 3.4 points on the occupancy rate at 2015 year-end.

Lease income from the real estate portfolio totalled EUR 18.6 million for the year. Direct costs from real estate activity amounted to EUR 5.0 million.

Gross profitability, measured over the appraisal value at year-end, stood at 5.0%. During the year, investments amounting to EUR 3.8 million were made with a view to modernising the leasable areas, improving the image of the buildings that required it and modernising the facilities, thereby achieving greater efficiency and added value.

In the first quarter of 2017, four office floors and 70 parking spaces located in the building at Calle Miguel Ángel no. 23 (Madrid) were sold. The sale price was EUR 24.5 million (equivalent to 5,833 €/m^2 above ground), which gave rise to a capital gain of EUR 3.1 million.

In mid-April another office building was sold in Madrid for EUR 13.3 million, obtaining a capital gain of EUR 2.4 million.



AUDITORS' REPORT

AUDITORS' REPORT

Building a better working world

INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES CONSOLIDADAS

A los accionistas de CORPORACIÓN FINANCIERA ALBA, S.A.:

Informe sobre las cuentas anuales consolidadas

Hemos auditado las cuentas anuales consolidadas adjuntas de CORPORACIÓN FINANCIERA ALBA, S.A. (la sociedad dominante) y sociedades dependientes (el Grupo), que comprenden el balance de situación consolidado a 31 de diciembre de 2016, la cuenta de pérdidas y ganancias consolidada, el estado consolidado del resultado global, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio terminado en dicha fecha.

Responsabilidad de los administradores en relación con las cuentas anuales consolidadas

Los Administradores de la sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados de CORPORACIÓN FINANCIERA ALBA, S.A. y sociedades dependientes, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales consolidadas adjuntas, basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales consolidadas están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de los Administradores de la sociedad dominante de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales consolidadas tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Building a better working world

2

Opinión

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de CORPORACIÓN FINANCIERA ALBA, S.A. y sociedades dependientes a 31 de diciembre de 2016, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión consolidado adjunto del ejercicio 2016 contiene las explicaciones que los Administradores de la sociedad dominante consideran oportunas sobre la situación del Grupo, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2016. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de CORPORACIÓN FINANCIERA ALBA, S.A. y sociedades dependientes.

AUDITORES

ERNST & YOUNG, S.L.

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores de Cuentas con el Nº S0530)

Francisco V. Fernández Romero

20 de abril de 2017

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of CORPORACIÓN FINANCIERA ALBA, S.A.:

Report on the consolidated financial statements

We have audited the consolidated annual accounts of CORPORACIÓN FINANCIERA ALBA, S.A. (the Parent) and subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2016 and the related consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Responsibility of the directors in relation to the consolidated financial statements

The directors of the Parent are responsible for the preparation and fair presentation of the accompanying consolidated financial statements of CORPORACIÓN FINANCIERA ALBA, S.A. and subsidiaries in conformity with International Financial Reporting Standards as adopted by the European Union and other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for the internal control that they consider necessary to permit the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

It is our responsibility to express an opinion on the accompanying financial statements based on our audit. We performed the audit in accordance with the audit regulations in force in Spain. Said regulations require us to comply with ethical requirements as well as plan and execute the audit in order to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves the application of procedures to obtain audit evidence in relation to the amounts and information disclosed in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement or irregularities in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor takes into account the internal control relevant to the preparation of the consolidated financial statements in order to design audit procedures that are appropriate based on the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes the assessment of the appropriateness of the accounting policies used, of the reasonableness of the accounting estimates made by the directors and of the overall presentation of the financial statements.

We consider that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

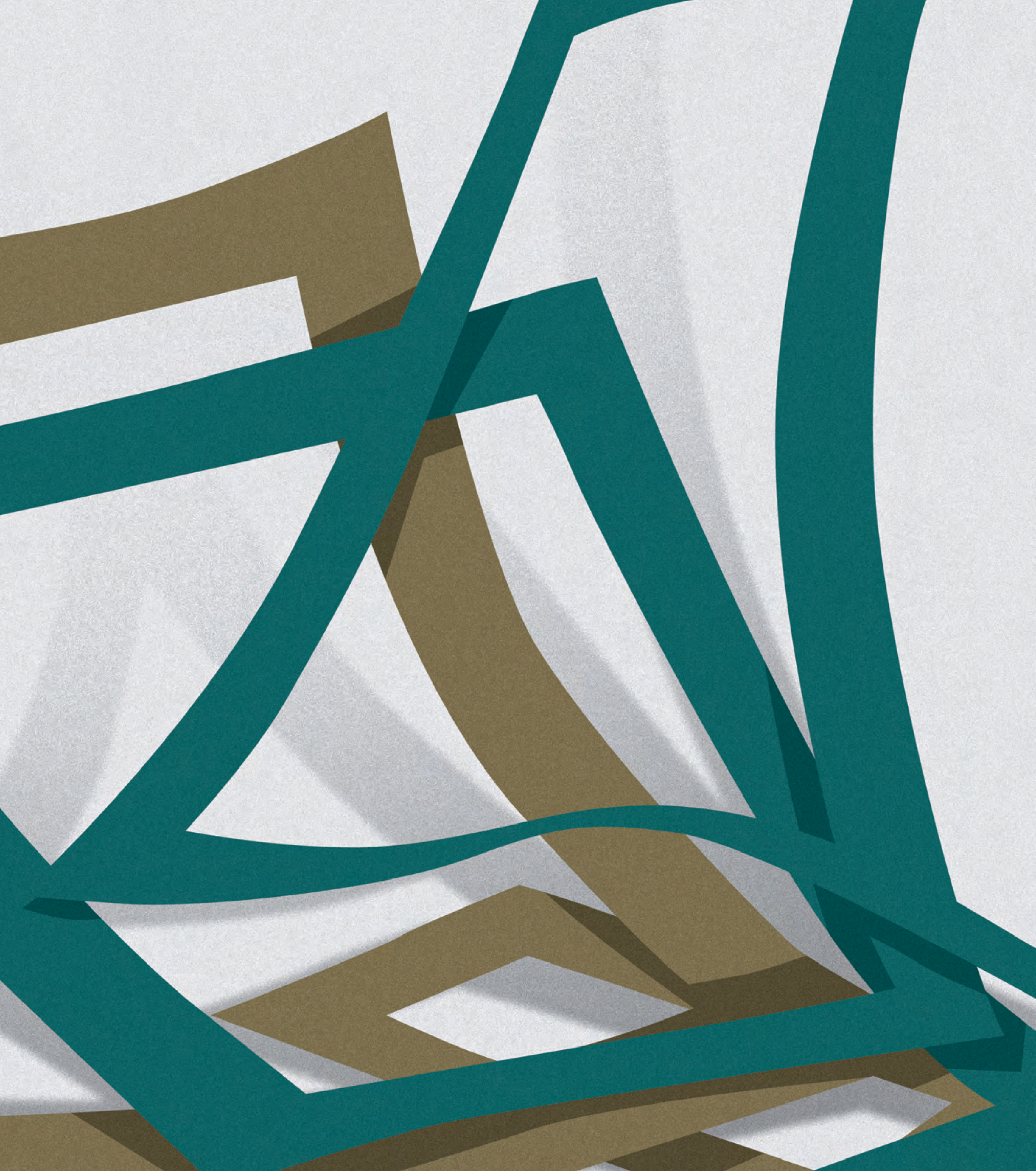
Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of CORPORACIÓN FINANCIERA ALBA, S.A. and subsidiaries at 31 December 2016 and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Parents' directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of CORPORACIÓN FINANCIERA ALBA, S.A. and subsidiaries.

20th april 2017



CONSOLIDATED FINANCIAL STATEMENTS

FOR CORPORACIÓN FINANCIERA ALBA, S.A. AND SUBSIDIARIES FOR 2016

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016 AND 2015

In millions of euros	Notes	**31/12/2016**	31/12/2015
Assets			
Property investments	5	349.1	352.2
Property, plant and equipment	6	7.0	7.7
Investments in associates	7	2,321.4	2,236.0
Financial investments at fair value with changes in profit and loss	8	325.2	285.9
Other financial assets	9	132.9	14.0
Deferred tax assets	19	0.8	0.9
Non-current Assets		3,136.4	3,031.7
Non-current assets held for sale	5 and 7	53.5	-
Trade and other receivables	10	139.7	162.0
Cash and cash equivalents	11	469.9	298.8
Current Assets		663.1	460.8
Total Assets		3,799.5	3,492.5

In millions of euros	Notes	**31/12/2016**	31/12/2015
Equity and Liabilities			
Share capital	12	58.3	58.3
Retained earnings and other reserves	12	3,593.5	3,285.6
Treasury shares	12	(2.4)	(2.4)
Interim dividend	3	(29.1)	(29.1)
Shareholders' equity		**3,620.3**	3,312.4
Non-controlling interests		0.7	0.6
Equity		**3,621.0**	**3,313.0**
Bank borrowings	16	127.5	136.6
Other financial liabilities	9	2.7	2.8
Provisions	14	0.7	0.1
Deferred tax liabilities	19	32.3	26.9
Non-current Liabilities		**163.2**	**166.4**
Suppliers and other payables	15	6.2	4.1
Bank borrowings	16	9.1	9.0
Current Liabilities		**15.3**	**13.1**
Total Equity and Liabilities		**3,799.5**	**3,492.5**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

In millions of euros	Notes	**2016**	2015
Share of results of associates	7	165.0	61.3
Lease income	21	18.6	15.6
Changes in fair value of property investments	5	15.8	4.7
Gains on disposal of and income from financial and other assets	7 and 8	168.6	139.0
Impairment of assets	7 and 9	11.2	43.7
Staff costs	22.a	(11.9)	(10.6)
Other operating expenses	21	(11.3)	(10.2)
Amortisation		(0.9)	(0.9)
Operating Profit/(Loss)		**355.2**	**242.7**
Financial income	22.b	7.0	8.0
Financial expenses and exchange differences		(2.7)	(1.6)
Changes in fair value of financial instruments and other	8 and 22.c	54.5	19.4
Net Financial Income		**58.8**	**25.8**
Profit/(Loss) before taxes from continuing operations		**414.0**	**268.5**
Corporate income tax expense	19	(5.4)	1.6
Profit/(Loss) from continuing operations		**408.6**	**270.1**
Consolidated Profit for the year		**408.6**	**270.1**
Profit attributable to non-controlling interests		0.8	0.5
Consolidated Profit for the year attributable to the group		**407.8**	**269.6**
Average number of shares outstanding for the year (excluding treasury shares)	12	58,240,102	58,240,102
Basic and diluted earnings per share (euros/share)		7.00	4.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

In millions of euros	Notes	**2016**	2015
Consolidated Profit of the Income Statement		408.6	270.1
Income and Expenses recognised directly in Equity			
From valuation of financial instruments		(41.6)	24.6
From investments in associates	7	(41.6)	24.6
Total Income and Expenses recognised directly in Equity		(41.6)	24.6
Total comprehensive Income		367.0	294.7
Attributable to the parent company		366.2	29.2
Attributable to non-controlling interests		0.8	0.5

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

In millions of euros	Share capital	Retained earnings and other reserves	Treasury shares
Balance at 1 january 2015	**58.3**	**3,049.6**	**(2.4)**
Changes in consolidated equity of associates (Note 7)	-	24.6	-
Profit for the year	-	269.6	-
Total income and expenses for the year	-	294.2	-
Interim dividend for the previous year (Note 3)	-	(29.1)	-
Dividends paid during the year (Note 3)	-	(29.1)	-
Balance at 31 december 2015	**58.3**	**3,285.6**	**(2.4)**
Changes in consolidated equity of associates (Note 7)	-	(41.6)	-
Profit for the year	-	407.8	-
Total income and expenses for the year	-	366.2	-
Interim dividend for the previous year (Note 3)	-	(29.1)	-
Dividends paid during in the year (Note 3)	-	(29.1)	-
Other changes	-	(0.1)	-
Balance at 31 december 2016	**58.3**	**3,593.5**	**(2.4)**

Interim dividend	Shareholders' equity	Non-controlling interests	Equity
(29.1)	**3,076.4**	**0.6**	**3,077.0**
-	24.6	-	24.6
-	269.6	0.5	270.1
-	294.2	0.5	294.7
29.1	-	-	-
(29.1)	(58.2)	(0.5)	(58.7)
(29.1)	**3,312.4**	**0.6**	**3,313.0**
-	(41.6)	-	(41.6)
-	407.8	0.8	408.6
-	366.2	0.8	367.0
29.1	-	-	-
(29.1)	(58.2)	(0.8)	(59.0)
-	(0.1)	0.1	-
(29.1)	**3,620.3**	**0.7**	**3,621.0**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (Note 27)

In millions of euros	Notes	**2016**	2015
Operating activities			
Profit for the year		407.8	269.6
Adjustments to profit			
Amortisation		0.9	0.9
Changes in fair value of property investments	5	(15.8)	(4.7)
Share of results of associates	7	(165.0)	(61.3)
Gains on disposal of and income from financial and other assets		(168.6)	(139.0)
Impairment of assets	6, 7and 8	(11.2)	(43.7)
Changes in fair value of financial instruments and other	8 and 22.c	(54.5)	(19.4)
Financial income	22.b	(7.0)	(8.0)
Financial expenses		2.7	1.6
Corporate income tax	19	5.4	(1.6)
Other cash flow from operating activities			
Dividends received		114.4	113.7
Working capital		3.0	33.6
Payments on account of corporate income tax		17.6	(75.4)
Interests received		7.0	8.0
Interests paid		(2.7)	(1.6)
Other items		1.6	0.4
Net cash flow from operating activities		**135.6**	**73.1**

In millions of euros	Notes	**2016**	2015
Investing activities			
Purchases of financial assets	7 and 8	(268.2)	(235.6)
Sales of financial assets	7	374.6	458.5
Adquisitions of property investments	5	(3.8)	(150.6)
Sales of property investments		0.1	9.4
Net cash flow from investing activities		**102.7**	**81.7**
Financing activities			
Dividends paid	3	(58.2)	(58.2)
Proceeds from bank borrowings	16	-	145,6
Repayment of bank borrowings		(9.0)	(435.8)
Net cash flow from financing activities		**(67.2)**	**(348.4)**
Increase/(Decrease) in cash and cash equivalents		**171.1**	**(193.6)**
Cash and cash equivalents at 1/01		**298.8**	**492.4**
Cash and cash equivalents at 31/12 (note 11)		**469.9**	**298.8**

1. Activities

Corporación Financiera Alba, S.A. (Alba) is a company registered in Madrid (Spain), with significant holdings in various companies with activities in different economic sectors detailed below. Its core activities also include the management and lease of real estate properties and investments through the Private Equity arm.

Given the nature of its business activities, Alba has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to its net assets, financial position and results thereof. Therefore, no specific disclosures are included in these consolidated financial statements regarding environmental matters.

2. Basis of presentation of the Consolidated Financial Statements

2.1. Accounting principles

Alba's consolidated financial statements for the year ended 31 December 2016 were prepared by the Board of Directors at its meeting on 27 March 2017, and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July, and subsequent amendments, so that they present fairly the Group's consolidated equity and financial position of Alba at 31 December 2016, the results of its operations, changes in consolidated equity and consolidated cash flows for the year then ended.

The accounting principles and measurement bases applied are detailed in Note 4 of these Notes to the consolidated financial statements. There is no mandatory accounting principle or valuation criterion with a significant effect on the consolidated financial statements that has not been applied.

For comparison purposes, the figures included in these consolidated financial statements are presented together with those corresponding to the previous year.

a) Standards and interpretations approved by the European Union and applied for the first time this year

The accounting policies used in the preparation of these consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended 31 December 2015, except for the following amendments to the rules applied for the first time in this period.

Annual improvements to IFRS. 2010-2012 Cycle

These improvements to IFRS include the following amendments:

IFRS 2 - Share-Based Payments

This improvement is applied prospectively and clarifies various issues related to the definitions of performance and service conditions, which are conditions for the irrevocability of the grant. The clarifications are consistent with the manner in which the Group has identified the performance and service conditions, which are conditions for the irrevocability of the grant. Also, the Group did not grant any right in 2016 or 2015. Therefore, these amendments do not affect the Group's financial statements or accounting policies.

IAS 16 - Property, plant and equipment and IAS 38 Intangible assets

The amendment is applied retrospectively and clarifies that the asset can be revaluated in reference to observable market data, adjusting the book value of the asset to the market value or by determining the market the value and adjusting the book value proportionally so that the resulting value is equal to the market value. Also, the amortisation is the difference between the gross amount and carrying amount of the assets. This amendment has not had any impact on the revaluation adjustments recognised by the Group in the current year.

IAS 24 - Related Party Disclosures

The amendment is applied retrospectively and clarifies that when the key management personnel are not employees of the entity, but rather of another entity engaging in the management of the various group entities, the transactions must be detailed with the managing entity and not with the managers. The operating expenses incurred must also be detailed. This amendment is not relevant for the Group.

Annual improvements to IFRS. 2012-2014 Cycle

These improvements include the following amendments:

IFRS 5 - Non-current assets held for sale and discontinued operations

Assets (or groups of assets) are generally disposed of through their sale or distribution to the owners. The amendments clarify that a new disposal plan is not considered when an entity decides to sell an asset (or a disposable group) that was previously classified as held for distribution to the owners or, contrarily, when an entity decides to distribute an asset to the owners that was previously classified as held for sale. Therefore, the application of the requirements of IFRS 5 is not interrupted. The amendment is applied prospectively.

IAS 19 - Employee benefits

The amendment clarifies that, in order to calculate the discount rate of employee remuneration plans, the rates of high-quality corporate bonds of companies that operate in deep markets in countries that use the same currency as the company which has the obligation must be used, rather than those corresponding to the country where the company is based. If there is no deep market for high-quality corporate bonds with that currency, the rates of bonds issued by public authorities will be used. The amendment is applied prospectively.

Amendments to IAS 1 - Disclosure Initiative

The amendments to IAS 1, Presentation of Financial Statements, clarify rather than significantly change the requirements of IAS 1. The amendments clarify:

- The materiality requirements of IAS 1.
- That the specific items of the income statement, statement of other comprehensive income and balance sheet can be disaggregated.
- That the entities are flexible with regard to the order in which the Notes to the financial statements are presented.
- That the share in other comprehensive income of associates and joint ventures accounted using the equity method must be presented in aggregate terms on a single row and classified among those items that will or will not be subsequently reclassified to the income statement.

Further, the amendments clarify the requirements that apply when additional subtotals are presented in the balance sheet, income statement and statement of other comprehensive income. These amendments did not have any impact on the Group.

<u>Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation</u>

These amendments clarify that income reflect a pattern of obtainment of economic benefits from the operation of a business (of which the asset forms part), plus the economic benefits consumed by the use of the asset. Therefore, property, plant and equipment cannot be depreciated using an income-based depreciation method and can only be used in very limited circumstances to amortise intangible assets. These amendments were applied prospectively. The Group was not impacted since it does not use an income-based depreciation method.

b) Standards and interpretations issued by the IASB, but not applicable in this year

The Group intends to adopt the standards, interpretation and amendments to the standards issued by the IASB, which are not mandatory in the European Union on the date of preparation of these consolidated financial statements, when they enter into force, if applicable. Although the Group is currently analysing its impact, based on the analysis performed to date the Group estimates that its initial application will not have a significant impact on its consolidated financial statements, except for the following standards, interpretation and amendments to the standards issued.

<u>IFRS 9 - Financial instruments</u>

In July 2014, the IASB published the final version of IFRS 9, Financial Instruments, replacing IAS 39, Financial Instruments: Valuation and Classification, and all the previous versions of IFRS 9. This standard includes the three phases of the financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 applies to reporting periods beginning on or after 1 January 2018 and envisages the early adoption thereof. Except for hedge accounting, it must be retrospectively applied, but does not require amending the comparative information. Hedge accounting requirements are generally applied prospectively, except for limited exceptions.

The Group envisages the adoption of the new standard on the required application date. In 2016, the Group performed a high-level assessment of the impacts of the three aspects of IFRS 9. This preliminary assessment is based on the information currently available and can be subject to changes arising from additional, more in-depth analyses or from additional information available in the future.

(a) Classification and measurement

The Group does not expect major changes in its balance sheet or equity arising from the application of the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all the financial assets currently recognised at fair value.

Loans and trade receivables are held to receive contractual cash flows and are expected to involve cash flows that only represent payments of principal and interests. Therefore, the Group expects that they will continue to be recognised at amortised cost in accordance with IFRS 9. However, the Group will analyse the contractual cash flow characteristics of these instruments in greater detail before concluding if all the instruments fulfil the criteria to be measured at amortised cost in accordance with IFRS 9.

(b) Impairment
The Group does not expect a significant impact.

IIFRS 15 - Revenue from Contracts with Customers

IFRS 15 was published in May 2014 and establishes a new five-step model that applies to the accounting of revenue from contracts with customers. In accordance with IFRS 15, revenue is recognised through an amount that reflects the consideration that an entity expects to be entitled to receive in exchange for transferring assets or services to a client. This new standard will repeal all the previous standards related to revenue recognition. A full or partial retrospective application is required for the reporting periods beginning on or after 1 January 2018 and envisages early application. The Group intends to adopt the new standard on the effective date required using the total retrospective approach. In 2016 the Group performed a preliminary assessment of IFRS 15, which is subject to the amendments arising from the more detailed analysis being performed. Also, the Group is considering the clarifications issued by the IASB in April 2016 and will supervise any other development.

Given the nature of the Group's business, no significant impacts were identified.

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and replaces IAS 17, Leases, IFRIC 4, Determining whether an arrangement contains a lease, SIC-15, Operating leases - Incentives, and SIC-27, Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 establishes the principles for the recognition, measurement, presentation and information to be disclosed and requires that lessees account for all leases under a single balance sheet model similar to the current accounting of finance leases in accordance with IAS 17. The standard includes two exemptions to the recognition of the leases by the lessees, leases of low-value assets (for example, personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). On the lease start date, the lessee will

recognise a liability for the lease payments to be made (i.e. the liability for the lease) and an asset that represents the right to use the underlying asset during the lease term (i.e. the asset for the right of use). The lessees must separately recognise the borrowing costs corresponding to the liability for the lease and the expense for the amortisation of the right of use.

The lessees are also obliged to re-evaluate the liability for the lease when certain events occur (for example, a change in the lease term, a change in the future lease payments arising from a change in an index or rate used to determine said payments). The lessee shall generally recognise the amount of the re-evaluation of the liability for the lease as an adjustment to the asset for the right of use.

The lessee's accounting in accordance with IFRS 16 does not substantially change with respect to the current accounting in accordance with IAS 17. The lessees will continue to classify the leases applying the same classification principles as in IAS 17 and will recognise two types of leases: operating and finance lease.

IFRS 16 also requires lessees and lessors to include more extensive information to be disclosed than that stipulated in IAS 17.

IFRS 16 shall apply to the reporting periods beginning on or after 1 January 2019 and envisages the early application thereof, but not before an entity applies IFRS 15. A lessee may opt for applying the standard in a fully retrospective manner or by means of a modified retrospective transaction. The transitional provisions of the standard envisage certain exemptions.

The Group did not identify significant impacts.

<u>Annual improvements to IFRS. 2014-2016 Cycle</u>

These improvements to IFRS include the following amendments:

IAS 28 - Investments in Associates and Joint Ventures

The amendments clarify the following aspects:

- A private equity company or similar entity may opt, at the time of initial recognition, for measuring its investments in associates or joint ventures at fair value with changes in profit or loss. This choice can be made investment by investment.

- If an entity other than an investment entity holds an ownership interest in an associate or joint venture that is an investment entity, it may opt for maintaining the measurement at the fair value applied by the investment entity to the investments of the associate or joint venture when the equity method applies. This choice is made for each associate or joint venture from the last date between which the associate or joint venture is recognised and the date in which the associate or joint venture forms its own group.

These amendments shall be effective from 1 January 2018 and must be applied retrospectively.

Amendments to IAS 7 - Statement of cash flows: disclosure initiative

The amendments to IAS 7 form part of the Disclosure initiative of the IASB and require the entity to furnish information that will enable the users of the financial statements to evaluate the changes in the liabilities arising from the financing activities, including both changes rising from cash flows and those not arising from cash flows. In the initial application of the amendment, the entities are not obliged to furnish comparative information for the previous periods. These amendments shall apply to the reporting periods beginning on or after 1 January 2017 and envisage the early application thereof. The application of these amendments will not require the Group to include additional information.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses.

The amendments clarify that an entity needs to consider whether tax legislation restricts the tax benefits that may be used to offset the deductible temporary difference. The amendments also provide a guide on the manner in which an entity must determine future tax benefits and explain the circumstances in which the tax benefit may include the recovery of some assets for an amount superior to its carrying amount.

The entities are obliged to apply the amendments retrospectively. However, in the initial application of the amendments, the change in equity of the first period presented may be recognised in reserves (or in another component of equity, as appropriate), without having to distribute the effect of the change between reserves and other components of equity. Those entities that apply this exemption shall duly report it.

These amendments shall apply to the reporting periods beginning on or after 1 January 2017 and envisage the early application thereof. If an entity applies the amendments to a previous period, it must duly report it. These amendments are not expected to affect the Group.

The consolidated financial statements are presented in millions of euros unless otherwise indicated.

2.2. Use of judgements and estimates in the preparation of the consolidated financial statements

For the preparation of certain information included in these consolidated financial statements, judgements and estimates based on assumptions that affect the application of the criteria and accounting principles and the amounts of assets, liabilities, income, expenses and commitments reported herein are used. The most significant estimates used in the preparation of these consolidated financial statements refer to:

- Impairment losses and useful life of property, plant and equipment (Note 4.b).

- The measurement of consolidated goodwill to determine the existence of impairment losses thereon (Note 4.c).

- The fair value of certain unlisted financial assets (Note 4.d).

The estimates and assumptions used are periodically reviewed. The impact of any change in the estimates arising from these reviews or future events shall be recognised in the consolidated income statement for that period and successive periods, in accordance with IAS 8.

2.3. Subsidiaries

The subsidiaries were consolidated by the global consolidation method. Control is obtained when the Group is exposed, or has rights, to variable returns from its involvement in a subsidiary and has the potential to affect those returns through the exercise of its power over the subsidiary. Specifically, the Group controls a subsidiary if, and only if, the Group has:

- Power over the subsidiary (existing rights that grants the power to manage the relevant activities of the subsidiary).

- Exposure, or rights, to variable returns from its involvement in the subsidiary.

- It can influence these returns by exercising its power over the subsidiary.

Generally, there is a presumption that the majority of voting rights imply control.

At the time of acquisition of a subsidiary, its assets and liabilities are measured at their fair value at the acquisition date. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficit in the cost of acquisition over the fair values of the identifiable net assets acquired, i.e. discount on acquisition, is allocated, where appropriate, to income on the acquisition date.

The stake of third parties in the Group's equity and results for the year are presented under "Non-controlling interests" in "Total equity" in the consolidated Balance Sheet and "Profit attributable to non-controlling interests" in the consolidated Income Statement.

In accordance with International Financial Reporting Standards, the Group companies were proportionately consolidated, with all assets, liabilities, income, expenses and cash flows forming part of the consolidated financial statements after adjusting and eliminating intra-Group transactions.

The information corresponding to 31 December 2016 and 2015 is shown below:

Subsidiary	Activity	Years	Precentage of ownership interest	Net book value before consolidation	Equity before retained earnings	Profit/(Loss) for the year
Alba Patrimonio Inmobiliario, S.A.U Castelló, 77, 5ª planta 28006-Madrid	Real Estate investment	2016 2015	100.00 100.00	180.9 180.9	194.0 187.3	6.7 6.4
Alba Europe SARL Rue Eugène Ruppert 6 L-2453 Luxemburgo	Security investment	2016 2015	100.00 100.00	287.4 147.8	289.7 147.7	2.4 0.0
Artá Capital, SGEIC, S.A.U. Pza. Marqués de Salamanca, 10 28006-Madrid	Private equity management company	2016 2015	78.51 81.00	1.7 1.7	2.9 2.7	4.0 2.6
Artá Partners, S.A. Castelló, 77, 5ª planta 28006-Madrid	Property investment	2016 2015	78.51 81.00	1.7 1.7	2.1 2.1	3.8 2.4
Deyá Capital, SCR, S.A.U. Castelló, 77, 5ª planta 28006-Madrid	Private equity company	2016 2015	100.00 100.00	147.5 147.5	185.5 174.8	10.6 64.5
Deyá Capital IV, SCR, S.A.U. Castelló, 77, 5ª planta 28006-Madrid	Private equity company	2016	100.00	0.4	0.4	(1.2)
Alba Participaciones, S.A.U. Castelló, 77, 5ª planta 28006-Madrid	Security investment	2016 2015	- 100.00	- 117.6	- 2,945.7	- 200.6
Balboa Participaciones, S.A.U. Castelló, 77, 5ª planta 28006-Madrid	Security investment	2016 2015	- 100.00	- 199.1	- 186.8	- 3.3

EY is the auditor for all the companies.

In 2016 Alba Participaciones, S.A.U. and Balboa Participaciones were merged by absorption with Corporación Financiera Alba, S.A.

2.4. Associates

Associates are considered companies over which Alba has significant influence even if its ownership interest is lower than 20%. In order to determine the existence of significant influence, the Parent considers, among other situations, representation on the Board of Directors or the possibility of appointing a director, participation in the process of setting policies and the duration of the participation.

The information corresponding to 2016 and 2015 is shown below:

			Percentage of ownership		
Associate / Auditor	Registered Office	Activity	**At 31-12-16**	At 31-12-15	Change
Acerinox, S.A. KPMG Auditores	Santiago de Compostela, 100. Madrid	Production and sale of stainless steel products	18.96	19.62	(0.66)
ACS, Actividades de Construcción y Servicios, S.A. Deloitte	Avda. de Pío XII, 102. Madrid	Construction and services	7.52	11.69	(4.17)
Bolsas y Mercados Españoles, Sociedad Holding De Mercados y Sistemas Financieros, S.A. PWC	Plaza de la Lealtad, 1. Madrid	Securities clearing, settlement and registry systems	12.06	10.57	1.49
Clínica Baviera, S.A.[1] PWC	Paseo de la Castellana, 20. Madrid	Ophthalmological medicine services	20.00	20.00	-
Ebro Foods, S.A. EY	Paseo de la Castellana, 20. Madrid	Food	10.01	10.01	-
Euskaltel, S.A. KPMG Auditores	Parque Tecnológico, Edificio 809 Derio - Vizcaya	Telecom	11.00	10.00	1.00
Indra Sistemas, S.A. Deloitte	Avda. de Bruselas, 35. Alcobendas - Madrid	New technologies	11.32	11.32	-
Parques Reunidos Servicios Centrales, S.A. KPMG Auditores	Recinto Parque de Atracciones, Casa de Campo s/n. Madrid	Amusement and recreational activities	10.53	-	10.53
Viscofan, S.A. EY	Polígono Industrial Berroa. Tajonar - Navarra	Manufacture of casings, cellulosic or artificial	11.02	6.86	4.16

(1) In 2016 this holding was transferred to "Non-current assets held for sale".

In 2016 Alba reduced its holding in ACS, Actividades de Construcción y Servicios, S.A. due to the sale of 4.17%, and in Acerinox, S.A. due to a capital increase in order to pay a scrip dividend that Alba received in cash. It also acquired a stake in Parques Reunidos Servicios Centrales, S.A. and its holding in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Servicios Financieros, S.A. increased by 1.49%, in Euskaltel, S.A. by 1.00% and in Viscofan, S.A. by 4.16%.

In 2015 Alba reduced its holding in ACS, Actividades de Construcción y Servicios, S.A. due to the sale of 2.19%, in Acerinox, S.A. due to the sale of 3.10% and a capital increase in order to pay a scrip dividend that Alba received in cash, and in Indra Sistemas, S.A. due to the sale of 1.20%. It also acquired a stake in Euskaltel, S.A. and its holding in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Servicios Financieros, S.A. was increased by 2.29% and in Viscofan, S.A. by 0.07%.

3. Distribution of profit

The distribution of profit for 2016 that the Board of Directors will propose to the shareholders at the Annual General Meeting and the distribution of profit for 2015 approved by the shareholders at the Annual General Meeting are as follows (in millions of euros):

Basis of Allocation	**2016**	2015
Profit for the year attributed to the parent company	262.1	65.7
Retained earnings	145.8	138.3
Total	**407.9**	**204.0**
Distribution		
To reserves	349.7	-
To retained earnings	-	145.8
To dividends	58.2	58.2
Total	**407.9**	**204.0**

The dividends paid by the parent company in 2016 and 2015 were as follows:

	No. of shares with dividend rights	€/ Share	Millions of euros
2016			
Interim dividend for 2016	58,240,102	0.500	29.1
Final dividend for 2015	58,240,102	0.500	29.1
2015			
Interim dividend for 2015	58,240,102	0.500	29.1
Final dividend for 2014	58,240,102	0.500	29.1

An interim dividend of EUR 0.50 per share is proposed for approval by the shareholders at the Annual General Meeting to be distributed to the outstanding shares at the date of the dividend payment.

The Board of Directors has presented in the Parent company's individual Notes to the financial statements the liquidity statement required under Article 277 of the Spanish Limited Liability Companies Law in relation to the interim dividend.

4. Valuation standards

The main valuation standards used in the preparation of the Consolidated Financial Statements are as follows:

a) Property investments (Note 5)

Property investments, buildings for lease, are initially measured at cost, including transaction costs. They are subsequently recognised at fair value, determined by independent experts in accordance with the following definition: "Fair value is the price at which the property could be sold through a private agreement between a willing seller and an independent buyer at the valuation date if the property were to be offered publicly on the market, market conditions enabled the sale to be carried out in an orderly fashion and a normal period of time were available for the sale to be negotiated, given the nature of the property". Changes in fair value are included in the income statement for the period in which they occur. These investments are not amortised.

a.1) Leases

The determination of whether a contract is or contains a lease is based on the economic substance of the agreement at the commencement date thereof. The contract is analysed in order to ascertain whether compliance depends on the use of an asset or specific assets or the agreement conveys a right to use the asset or assets, although this right is not explicitly specified in the contract.

Leases where the Group substantially retains all the risks and rewards inherent to ownership of the leased asset are classified as operating leases. Contingent revenues are recognised as income in the period in which they are obtained.

b) Tangible assets (Note 6)

In application of IFRS 1 "First-time adoption of international financial reporting standards" property for own use was registered on 1 January 2004 at fair value, determined by independent experts as defined in the previous note, with this amount considered as the cost of acquisition. This increase in value was credited in the equity of the consolidated Balance Sheet.

The remaining tangible assets are measured at the cost of acquisition; interests and exchange rate differences are not included. The costs of expansion, modernisation or improvements that represent an increase in productivity, capacity or efficiency or a lengthening of the useful life of the assets are capitalised as the higher cost of the corresponding assets.

Amortisation is calculated using the straight-line method, distributing the carrying amount of the assets over the years of estimated useful life, in accordance with the following percentages:

	Annual depreciation percentages
Buildings and other constructions	2 to 6
Machinery and installations	8 to 24
Transport equipment	16
Furniture and fixtures	10
Computer hardware	25

If the book value of an asset exceeds its recoverable amount, the asset is considered impaired and its book value is reduced to its recoverable amount.

c) Investments in associates and goodwill (Note 7)

They are accounted under the equity method. Under this method, investment in associates is recognised at cost, which includes Alba's holding in equity plus goodwill which has not been assigned to specific items of the associate. This goodwill is not amortised and is analysed annually for impairment.

Dividends received from these companies are recognised reducing the cost of investment. The results obtained by these companies corresponding to Alba's share, are incorporated, net of tax effect, under "Share of results of associates" in the Income Statement.

Changes in the equity of an associate are recognised in the same manner in Alba's equity.

The fair value of the ownership interest has been estimated in order to assess the need to adjust its book value. In accordance with IAS 36, the higher of the share price at the end of the year and its value in use has been considered.

In 2016, the associates whose share price at year end was lower than the book value were the following: Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros S.A., Euskaltel, S.A. and Parques Reunidos Servicios Centrales, S.A. In these cases, fair value was calculated using the discounted cash flow method, subsequently deducting the value of net debt and non-controlling interests. The assumptions used were as follows:

	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Euskaltel, S.A.	Parques Reunidos Servicios Centrales, S.A.
Perpetual growth rate	1.5%	1.5%	2.0%
Discount rate	8.5%	7.3%	7.8%
Capital structure	100% equity	70% equity and 30% debt	73% equity and 27% debt
Cost of equity	8.5%	9.0%	9.5%
Cost of debt after tax	n.a.	3.3%	3.4%
Estimated fair value (€/share)	33.44	10.50	16.54

In 2015, the associates in which the share price at year end was lower than the book value were as follows: Acerinox, S.A., Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros S.A., Clínica Baviera, S.A. and Indra Sistemas, S.A. In these cases, fair value was calculated using the discounted cash flow method, subsequently deducting the value of net debt and non-controlling interests. The assumptions used were as follows:

	Acerinox, S.A.	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Clínica Baviera, S.A.	Indra Sistemas, S.A.
Perpetual growth rate	2.5%	1.5%	2.0%	2.0%
Discount rate	8.1%	9.0%	8.8%	9.4%
Capital structure	75% equity and 25% debt	100% equity	90% equity and 10% debt	85% equity and 15% debt
Cost of equity	9.7%	9.0%	9.4%	10.4%
Cost of debt after tax	3.3%	2.9%	3.5%	3.9%
Estimated fair value (€/share)	12.64	34.48	8.56	8.67

In 2016, Alba performed the following sensitivity analysis:

	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Euskaltel, S.A.	Parques Reunidos Servicios Centrales, S.A.
Weighted average cost of capital (WACC)			
2016 fair value discount rate	8.5%	7.3%	7.8%
Discount rate to match book value	9.0%	7.4%	8.0%
Perpetual growth			
2016 fair value growth rate	1.5%	1.5%	2.0%
Growth rate to match book value	0.9%	1.2%	1.8%
EBITDA margin used for the terminal value			
2016 fair value EBITDA margin	70.0%	50.0%	34.3%
EBITDA margin to match book value	64.2%	48.2%	33.2%
Changes in sales during the projection period and terminal value to match the book value	-6.5%	-2.9%	-4.9%
Changes in EBITDA margin during the projection period and terminal value to match the book value	-4.4%	-0.7%	-0.5%

In 2015, Alba performed the following sensitivity analysis:

	Acerinox, S.A	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Clínica Baviera, S.A.	Indra Sistemas, S.A.
Weighted average cost of capital (WACC)				
2015 fair value discount rate	8.1%	9.0%	8.8%	9.4%
Discount rate to match book value	8.5%	9.6%	8.8%	9.4%
Perpetual growth				
2015 fair value growth rate	2.5%	1.5%	2.0%	2.0%
Growth rate to match book value	2.0%	1.3%	2.0%	2.0%
EBITDA margin used for the terminal value				
2015 fair value EBITDA margin	10.1%	70.0%	10.1%	10.4%
EBITDA margin to match book value	9.5%	63.1%	10.1%	10.4%
Changes in sales during the projection period and terminal value to match the book value	-5.6%	-7.3%	-	-
Changes in EBITDA margin during the projection period and terminal value to match the book value	-0.5%	-5.0%	-	-

In 2016, a variation of +0.5% and -0.5% in the assumptions used to calculate fair value would have had the following impact on value:

Change	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros. S.A.	Euskaltel, S.A.	Parques Reunidos Servicios Centrales, S.A.
Weighted average cost of capital (WACC)			
+ 0.5%	-5.9%	-13.7%	-10.4%
- 0.5%	6.8%	16.3%	12.3%
Perpetual growth rate			
+ 0.5%	5.4%	10.3%	14.3%
- 0.5%	-4.7%	-8.7%	-12.1%
EBITDA margin used for the terminal value			
+ 0.5%	0.5%	1.4%	2.5%
- 0.5%	-0.5%	-1.4%	-2.5%

In 2015 a variation of +0.5% and -0.5% in the assumptions used to calculate fair value would have had the following impact on said value:

Change	Acerinox, S.A.	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Clínica Baviera, S.A.	Indra Sistemas, S.A.
Weighted average cost of capital (WACC)				
+ 0.5%	-11.0%	-6.0%	-7.1%	-9.8%
- 0.5%	13.2%	6.9%	8.2%	11.2%
Perpetual growth rate				
+ 0.5%	9.2%	5.5%	6.8%	7.0%
- 0.5%	-7.7%	-4.8%	-5.9%	-6.1%
EBITDA margin used for the terminal value				
+ 0.5%	6.6%	0.5%	2.7%	8.2%
- 0.5%	-6.6%	-0.5%	-2.7%	-8.2%

d) Financial investments at fair value with changes in profit and loss (Note 8)
Investments held through the private equity company, where the significant influence may exist, are included under this heading.

They are measured at fair value and changes in the fair value of these investments are recorded in the income statement.

Since these investments in unlisted companies do not have an active market, fair value is determined using comparable multiples or the discounted cash flow method, whichever is most appropriate.

e) Calculation of fair value (Notes 5, 8 and 17)
Alba measures financial instruments and non-financial assets, such as property investments, at their fair value at the date of the financial statements. Also, the fair value of financial assets measured at amortised cost is detailed in Note 17. Fair value is the price to be received for the sale of an asset or paid to transfer a liability in a transaction between market participants on the transaction date. Fair value is based on the assumption that the transaction to sell the asset or transfer the liability takes place:

- In the main market of the assets or liabilities, or
- In the absence of a main market, the market most advantageous for the transaction of those assets or liabilities.

The main market or the most advantageous market has to be a market accessible to Alba.

The fair value of an asset or liability is calculated using the assumptions that market participants would use when making an offer for that asset or liability, assuming those market participants act in their own economic interest.

The calculation of the fair value of a non-financial asset considers the ability of market participants to generate economic benefits as a result of better and greater use of that asset or by selling it to another market participant that would make better or greater use of it.

Alba uses appropriate valuation methods in the circumstances and with sufficient available information to calculate the fair value, maximising the use of relevant observable inputs and minimising the use of non-observable inputs.

All assets and liabilities for which calculations or breakdowns of fair value are made in the financial statements are categorised within the fair value hierarchy described below based on the lower level of the input required to calculate the fair value as a whole:

- Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 - Valuation techniques where the lowest-level input used, which is significant for the calculation, is directly or indirectly observable

- Level 3 - Valuation techniques where the lowest-level input used, which is significant for the calculation, is not observable

For assets and liabilities recognised in the financial statements on a recurring basis, Alba determines whether there have been transfers between the different levels of hierarchy by means of a categorisation review (based on lower level input that is significant to the fair value calculation as a whole) at the end of each year.

Alba determines the policies and procedures for the recurring fair value calculations, such as property investments and unlisted financial assets held for sale.

For the valuation of significant assets and liabilities, such as property investments, financial assets held for sale and contingent considerations, internal and external appraisers are used.

The Financial Department presents the results of the measurements to the Audit and Compliance Committee and to Alba's external auditors.

For the purpose of the necessary breakdowns of fair value, the Group has classified the different classes of assets and liabilities according to their nature, characteristics, risks and levels of fair value hierarchy as explained above.

f) Loans and receivables (Notes 9 and 10)

The Group values financial assets included in this category (Other financial assets and Trade and other receivables) initially at fair value, which is the price of the transaction. Those transactions whose maturity is less than a year and have no contractual interest rate, as well as unpaid dividends and capital calls on equity instruments expected to be received at short term, are valued at their nominal value, since the effect of not discounting cash flows is not material.

Subsequently, these financial assets are measured at amortised cost and the accrued interest is recognised in the income statement using the effective interest method. Alba will conduct an impairment test at least once a year and whenever there is objective evidence that a loan or receivable is impaired. Based on these analyses, where appropriate, Alba shall make the relevant valuation adjustments.

The impairment loss on these financial assets is the difference between the book value and the current value of future cash flows expected to be generated, discounted at the effective interest rate.

Impairment losses and reversals are recognised as expense or income, respectively, in the income statement. Impairment reversal shall be limited to the book value of the credit that would be recognised on the reversal date if the impairment loss was not recognised.

g) Cash and cash equivalents (Note 11)
This balance sheet heading recognises cash, demand deposits and other highly liquid short-term investments which are readily convertible into cash and have no risk of changes in value.

h) Financial liabilities (Note 16)
Financial liabilities basically include debts with credit institutions that are initially recognised at the amount received, net of costs incurred in the transaction. In subsequent periods they are measured at amortised cost using the effective interest rate.

i) Treasury shares (Note 12)
Treasury shares are deducted from shareholders' equity. Gains or losses on the purchase, sale, issuance, amortisation or cancellation of Alba's equity instruments are not recognised.

j) Provisions (Note 14)
Provisions are recognised for present obligations arising from past events whose settlement is likely to cause an outflow of resources and a reliable estimate can be made of the obligation amount. If the effect of the time value of money is material, the amount of the provision is discounted using a pre-tax rate. When discounted, the increase in the provision due to the passage of time is recognised as financial cost.

k) Corporate income tax (Note 19)
The current corporate income tax expense is calculated by aggregating the current tax amount arising from the application of the tax rate to the taxable profit for the year, less any applicable tax deduction and credit, plus the changes in deferred tax assets and liabilities recognised in the year. The current corporate income tax expense is recognised in the income statement, unless it corresponds to transactions recognised directly in equity, in which case the related tax is also recognised in equity, and to business combinations, in which case it is charged or credited to goodwill.

l) Alternative pension plan systems
Alba operates two defined benefit plans, which are outsourced to an insurance company and, therefore, require contributions to be made to an independently managed fund.

The cost allocation method used for the valuation of the pension obligation is known as "Projected unit credit". This method makes it possible to finance these benefits as they are generated, taking into account the years of service of the employee in the Company. The benefit is fully funded when the active working life of the employee ends upon reaching the age of retirement.

Profits and losses and the return on the plan assets (excluding net interest) are recognised immediately in the financial statement with a debit or credit balance on the results accumulated in the equity in the period incurred. Revaluations are not reclassified in the income statement of subsequent years.

The cost of past services is recognised in the consolidated income statement on the date prior to:

- The date of modification or reduction of the plan, or

- The date on which the group recognises expenses related to restructuring or severance payments.

The discount rate of obligations and assets related to the payment of benefits is calculated considering the return of high quality credit corporate debt of similar maturity to those commitments assumed and taking German public debt as a reference.

The main assumptions used in 2016 and 2015 to measure these commitments were as follows:

Mortality and life expectancy tables	PERM/F 2000 NP
Technical interest rate included in the policies	2.50% -3.70%
CPI growth	1.00%-1.25%
Salary growth	1.00%-1.25%
Rate of increase in social security bases	1.50%
Discount rate of the obligations and assets related to the payment of benefits	2.00%-2.5%
Retirement age	65

The changes in defined benefit plan obligations and the fair value of the assets associated with these plans in 2016 and 2015 are detailed below:

		Costs of commitments recognised in the income sheet					
	01/01	Cost of the services	Net interest (Expenses) / Income	Subtotal included in the income statement	Pension obligations settled (paid)	Actuarial Gains / (Losses)	31/12
2016							
Obligations in defined benefit plans	(21.5)	(1.2)	(0.6)	(1.8)	-	0.3	(23.0)
Fair value of the assets associated with the benefit plan	21.6	0.1	0.6	0.7	-	0.7	23.0
(Obligations) / Rights in defined benefit plans, net	-						-
2015							
Obligations in defined benefit plans	(22.5)	(1.2)	(0.6)	(1.8)	3.1	(0.3)	(21.5)
Fair value of the assets associated with the benefit plan	22.9	1.2	0.6	1.8	(3.1)	-	21.6
(Obligations) / Rights in defined benefit plans, net	-						0.1

The contribution expected to be made in 2017 in relation to the defined benefit plans is EUR 1.3 million.

Sensitivity analysis:

	Discount rate		Future salary increases	
Sensitivity level	+0.5%	-0.50%	+0.5%	-0.50%
2016				
Impact on (Obligations) / Rights in defined benefit plans, net	-9.77%	11.33%	4.00%	-3.82%
2015				
Impact on (Obligations) / Rights in defined benefit plans, net	-9.72%	11.28%	4.00%	-3.90%

The contributions relating to both systems are recognised in the accompanying income statement and are detailed in Note 22.a.

m) Share-based payment transactions (Note 24)
Alba classifies its share option plan as cash settlement. Until settlement, the liability is measured at fair value, calculated as the difference between the fair value of the option at year end and at the start date of the plan, with any change in valuation recognised in the consolidated Income statement. Staff costs are determined based on the fair value of the liability and are recognised as the services are rendered over a three-year period.

n) Recognition of income and expenses
Income and expenses are recognised when the actual flow of goods and services occurs, regardless of when the monetary or financial flow derived therefrom occurs, and is always based on the economic substance of the transaction.

5. Property investments

This heading includes buildings held for leasing purposes. C.B. Richard Ellis, S.A., specialist in appraisals of this type of investments, appraised these properties at 31 December 2016 and 2015. The appraisal was made in accordance with the Appraisal and Valuation Standards and the Property Observation Guide published by the Royal Institution of Chartered Surveyors of Great Britain, and is based on the Discounted Cash Flow and the Comparison method.

The geographic distribution is as follows:

	2016	2015
Madrid	347.3	327.5
Barcelona	23.5	23.5
Palma de Mallorca	0.8	1.1
Others	-	0.1
Subtotal	**371.6**	**352.2**
Transfers	(22.5)	-
Total	**349.1**	**352.2**

The changes in this connection were as follows:

Balance at 1/01/2015	**204.9**
Purchases	150.6
Sales	(8.0)
Changes in fair value	4.7
Balance at 31/12/2015	**352.2**
Purchases	3.8
Sales	(0.2)
Transfers	(22.5)
Changes in fair value	15.8
Balance at 31/12/2016	**349.1**

In 2016 increases corresponded to improvements in buildings and decreases to the sale of a property in Mérida (Badajoz) without gains and transfers to the reclassification of a property in Madrid to "Non-current assets classified as held for sale" in the accompanying Balance Sheet.

In 2015 increases corresponded mainly to the purchase of the building located at Paseo de la Castellana, 89 (Madrid) for EUR 149.3 million and to improvements in other buildings. Decreases corresponded to sales of buildings in Barcelona, Oviedo, Seville and Mallorca, which gave rise to profit of EUR 1 million.

The most significant data on the leasable surface area at 31 December are as follows:

	2016	2015
Floor area above ground level (square meters)	97,795	98,818
Leased floor area (square meters)	79,976	84,230
Lease area as % of total floor area	81.8%	85.2%

Expenses related to the free surface are not significant for breakdown.

Lease income in the mandatory period, calculated until contractual maturity date at 31 December 2016 and 2015, is as follows:

	2016	2015
Up to 1 year	15.3	9.5
Between 1 and 5 years	19.2	13.5
More than 5 years	3.4	2.7
Total	37.9	25.7

Insurance policies are formalised for a sufficient amount to cover the risks to which these assets are exposed.

6. Property, plant and equipment

The changes in this section of the Balance Sheet were as follows:

	Property	Other items	Total
Cost			
Balance at 1/01/2015	**19.3**	**2.7**	**22.0**
Additions	0.2	-	0.2
Disposals	-	(0.5)	(0.5)
Balance at 31/12/2015	**19.5**	**2.2**	**21.7**
Additions	0.1	0.1	0.2
Balance at 31/12/2016	**19.6**	**2.3**	**21.9**
Accumulated amortisation			
Balance at 1/01/2015	**(10.8)**	**(2.3)**	**(13.1)**
Additions	(0.8)	(0.1)	(0.9)
Disposals	-	0.5	0.5
Balance at 31/12/2015	**(11.6)**	**(1.9)**	**(13.5)**
Additions	(0.8)	(0.1)	(0.9)
Balance at 31/12/2016	**(12.4)**	**(2.0)**	**(14.4)**
Provisions			
Balance at 1/01/2015	**(0.6)**	**-**	**(0.6)**
Decreases	0.1	-	0.1
Balance at 31/12/2015	**(0.5)**	**-**	**(0.5)**
Balance at 31/12/2016	**(0.5)**	**-**	**(0.5)**
Net property, plant and equipment at 31/12/2015	7.4	0.3	7.7
Net property, plant and equipment at 31/12/2016	**6.8**	**0.2**	**7.0**

Insurance policies are taken out to cover the risks to which the diverse elements of property, plant and equipment are exposed.

7. Investments in Associates

In 2016 the changes in "Investments in Associates" are as follows:

Company	Consolidated value at 01-01-16	Results of associates	Dividends accrued	Acquisitions/ (Disposals)	Transfer to "Non-current assets held for sale"	Reversal/ (Impairment)	Changes in consolidated equity of associates	Consolidated value at 31-12-16	Market value at 31-12-16
Acerinox, S.A.	610.9	15.3	(20.9)	(2.2)	-	-	5.6	608.7	659.7
ACS. Actividades de Construcción y Servicios, S.A.	604.0	79.0	(35.8)	(205.9)	-	-	(50.4)	390.9	710.4
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	283.9	19.1	(19.2)	35.3	-	-	(1.0)	318.1	282.3
Clínica Baviera, S.A.	27.9	1.6	(2.0)	-	(31.1)	3.6	-	-	31.1
Ebro Foods, S.A.	260.6	17.0	(8.3)	-	-	-	2.6	271.9	306.5
Euskaltel, S.A.	149.5	6.6	(2.5)	12.7	-	-	-	166.3	140.6
Indra Sistemas, S.A.	161.1	7.9	-	-	-	24.3	-	193.3	193.3
Parques Reunidos Servicios Centrales, S.A.	-	6.6	-	126.8	-	-	-	133.4	129.7
Viscofan, S.A.	138.1	11.9	(6.2)	93.4	-	-	1.6	238.8	240.6
Total	**2,236.0**	**165.0**	**(94.9)**	**60.1**	**(31.1)**	**27.9**	**(41.6)**	**2,321.4**	**2,694.2**

In 2015 the changes in "Investments in Associates" are as follows:

Company	Consolida-ted value at 01-01-15	Results of associates	Dividends accrued	Acquisi-tions/ (Disposals)	Reversal/ (Impairment)	Changes in consolida-ted equity of associa-tes	Consolida-ted value at 31-12-15	Market value at 31-12-15
Acerinox, S.A.	678.7	8.7	(23.5)	(91.0)	-	38.0	610.9	492.9
ACS. Actividades de Construcción y Servicios, S.A.	700.2	84.2	(43.2)	(117.7)	-	(19.5)	604.0	993.6
Bolsas y Mercados Españoles. Sociedad Holding de Mercados y Sistemas Financieros, S.A.	214.9	15.8	(14.8)	68.2	-	(0.2)	283.9	274.5
Clínica Baviera, S.A.	27.7	1.0	(0.7)	-	-	(0.1)	27.9	17.7
Ebro Foods, S.A.	249.5	13.9	(10.2)	-	-	7.4	260.6	279.6
Euskaltel, S.A.	-	2.3	-	147.2	-	-	149.5	175.9
Indra Sistemas, S.A.	211.2	(72.8)	-	(20.3)	43.6	(0.6)	161.1	161.1
Viscofan, S.A.	132.6	8.2	(4.0)	1.7	-	(0.4)	138.1	177.9
Total	**2,214.8**	**61.3**	**(96.4)**	**(11.9)**	**43.6**	**24.6**	**2,236.0**	**2,573.2**

The changes in 2016 and 2015 in the equity of Acerinox, S.A. are due mainly to translation differences and in ACS, Actividades de Construcción y Servicios, S.A. adjustments due to the results of translation, changes in value of financial assets held for sale and changes in treasury shares. The changes in the other associates relate to valuation adjustments of financial assets held for sale and hedging and translation differences.

The amounts recognised under "Gains on disposal of and income from financial and other assets" in the consolidated Income statement for 2016 correspond almost entirely to the sale of 4.17% of ACS, Actividades de Construcción y Servicios, S.A. for EUR 374.4 million and a gain of EUR 168.5 million.

The amounts recognised under "Gains on disposal of and income from financial and other assets" in the consolidated Income statement for 2015 included the sales of 2.19% of ACS, Actividades de Construcción y Servicios, S.A. for EUR 218.9 million and a gain of EUR 104.3 million, 3.10% of Acerinox, S.A. for EUR 118.3 million and a gain of EUR 26.4 million and 1.20% of Indra Sistemas, S.A. for EUR 21.7 million and a gain of EUR 1.4 million.

The relevant information regarding the companies included under this heading is as follows:

TRANSLATION OF REPORTS AND CONSOLIDATED FI NANCIAL STATEMENTS ISSUED IN SPANISH
IN ACCORDANCE WITH GENERALLY ACCEPTED PRINCIPLES IN SPAIN (SEE NOTE 29).
IN THE EVENT OF DISCREPANCY, THE SPANISH VERSION PREVAILS.

	Assets		Liabilities			
	Current	Non-current	Current	Non-current	Revenue	Consolidated profit/(loss)
Acerinox, S.A.						
2016	2,097.5	2,357.5	1,095.2	1,191.2	3,968.1	80.3
2015	1,808.1	2,317.5	1,106.8	995.6	4,221.4	42.9
ACS, Actividades de Construcción y Servicios, S.A.						
2016	20,733.8	12,639.5	20,457.0	7,934.3	31,975.2	751.0
2015	21,500.6	13,779.3	19,393.1	10,689.4	34,924.7	725.3
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.						
2016	22,905.9	175.6	22,637.1	20.4	320.4	160.3
2015	31,101.1	171.2	30,820.2	19.1	335.4	173.5
Clínica Baviera, S.A. (1)						
2016	14.0	32.8	16.0	12.2	91.6	7.9
2015	15.0	31.4	13.9	11.2	85.5	4.9
Ebro Foods, S.A.						
2016	1,235.0	2,410.4	664.7	874.4	2,459.2	169.7
2015	1,091.8	2,311.9	626.2	784.5	2,461.9	144.8
Euskaltel, S.A.						
2016	221.1	2,119.2	210.1	1,388.1	561.4	62.1
2015	97.2	2,184.8	140.1	1,439.0	334.4	7.2
Indra Sistemas, S.A.						
2016	2,108.5	1,223.6	1,607.7	1,346.4	2,709.3	69.9
2015	1,917.6	1,146.7	1,649.7	1,107.0	2,850.4	-641.2
Parques Reunidos Servicios Centrales, S.A.						
2016	169.0	2,038.9	159.3	916.3	578.6	3.9
2015	244.9	2,008.0	140.4	1,502.5	605.5	20.1
Viscofan, S.A.						
2016	453.5	477.5	118.9	104.0	730.8	125.1
2015	415.7	416.2	116.2	82.5	740.8	120.0

(1) In 2016, this holding was transferred to "Non-current assets held for sale".

Notifications of holdings:

Acquisitions, changes and transfers of shares in the share capital of the companies has been notified in accordance with the legislation in force at any given time.

In 2016, it was communicated to:

ACS, Actividades de Construcción y Servicios, S.A. that a stake of	4.17% has been sold
Euskaltel, S.A. that a stake of	1.0% has been purchased
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. that a stake of	1.49% has been acquired
Viscofán, S.A. that a stake of	4.16% has been purchased
Parques Reunidos Servicios Centrales, S.A. that a stake of	10.53% has been purchased

In 2015, it was communicated to:

Acerinox, S.A. that a stake of	3.10% was sold
ACS, Actividades de Construcción y Servicios, S.A. that a stake of	2.19% was sold
Acerinox, S.A. that a stake of	1.20% was sold
Euskaltel, S.A. that a stake of	10.0% was acquired
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. that a stake of	2.29% was acquired
Viscofán, S.A. that a stake of	0.07% was acquired

8. Financial investments at fair value with changes in profit and loss

At 31 December 2016 and 2015, the holdings under this heading were as follows:

	%	
Long-term unlisted	**2016**	2015
C. E. Extremadura, S.A.	1.01	1.01
EnCampus Residencias de Estudiantes, S.A.	32.75	32.75
Flex E.D, S.A.	19.75	19.75
Grupo Empresarial Panasa, S.L.	26.50	26.46
in-Store Media Group, S.A.	18.89	18.89
Mecalux, S.A.	24.38	24.38
TRRG Holding Limited (formerly Ros Roca)	7.50	17.36
Siresa Campus Noroeste, S.A.	17.44	17.44
Siresa Campus SII, S.A.	17.44	-

In 2016 Ros Roca Environment, S.A. merged with Terberg Ros Roca Group Ltd., due to which the ownership interest was diluted.

The changes 2016 and 2015 were as follows:

Balance at 1/01/2015	**276.7**
Additions	18.6
Disposals	(28.8)
Changes in fair value	19.4
Balance at 31/12/2015	**285.9**
Changes in fair value	39.3
Balance at 31/12/2016	**325.2**

In 2016 there were no additions or disposals and dividends were paid amounting to EUR 15.2 million, which are included under "Changes in fair value of financial instruments and other" in the accompanying consolidated income statement.

In 2015 additions corresponded to the acquisition of a stake in in-Store Media, S.A. and the performance of two capital increases in EnCampus Residencias de Estudiantes, S.A., keeping the same percentage of ownership was maintained in this entity. Disposals corresponded to the sale of the ownership interest in Ocibar, S.A. and the payment of dividends that reduced the value of the ownership interest.

The fair value of the investments was calculated using the discounted cash flow method. The assumptions used were as follows:

	TRRG Holding Limited[1]	Mecalux, S.A.	Siresa Campus, S.A.	Grupo Empresarial Panasa, S.L.	Flex E.D., S.A.	EnCampus Residencias de Estudiantes, S.A.	InStore Media Group, S.A.
2016							
Perpetual growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Weighted Average Cost of Capital (WACC)	8.8%	9.1%	8.0%	9.2%	9.1%	7.0%	10.0%
2015							
Perpetual growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Weighted Average Cost of Capital (WACC)	9.0%	9.0%	7.9%	9.1%	8.8%	7.9%	9.5%

(1) In 2015 Ros Roca Environment, S.A.

Sensitivity analysis

A change of +0.5% and -0.5% in the assumptions used to calculate the fair value would have the following impact on said value:

	TRR Holding Limited (1)	Mecalux, S.A.	Siresa Campus, S.A.	Grupo Empresarial Panasa, S.L.	Flex E.D., S.A.	EnCampus Residenciasde Estudiantes, S.A.	InStore Media Group, S.A.
2016							
Weighted Average Cost of Capital (WACC)							
+ 0.5%	-11.1%	-5.6%	-10.2%	-10.5%	-7.1%	-11.2%	-5.3%
- 0.5%	12.9%	6.4%	12.1%	12.1%	8.1%	13.7%	6.0%
Perpetual growth rate							
+ 0.5%	9.0%	5.4%	9.6%	8.6%	6.2%	11.3%	4.0%
- 0.5%	-7.8%	-4.7%	-8.1%	-7.5%	-5.4%	-9.2%	-3.5%
2015							
Weighted Average Cost of Capital (WACC)							
+ 0.5%	-14.6%	-6.1%	-10.7%	-10.6%	-8.1%	-9.1%	-6.2%
- 0.5%	16.9%	7.0%	12.7%	12.2%	9.4%	10.8%	7.1%
Perpetual growth rate							
+ 0.5%	13.0%	5.9%	10.1%	9.4%	7.2%	8.6%	5.4%
- 0.5%	-11.2%	-5.1%	-8.5%	-8.1%	-6.2%	-7.3%	-4.7%

(1) In 2015 Ros Roca Environment, S.A.

9. Other non-current financial assets and liabilities

The composition of this item at 31 December 2016 and 2015 is as follows:

	2016	2015
Other non-current financial assets		
Loans to third parties	130.4	147.0
Guarantees deposited in public authorities	2.5	2.0
Balance at 31 December	**132.9**	**149.0**
Other non-current financial liabilities		
Deposits received from clients	2.7	2.8

Loans to third parties correspond mainly to the value of the debt to be collected from the Bergé Group. In July 2016 a syndicated financing agreement was entered into among various Bergé Group companies and a syndicate of lenders, including Corporación Financiera Alba, S.A.

The outstanding debt is divided into two tranches, Tranche A amounting to EUR 43.5 million and semiannual payments between December 2016 and June 2022 at a market interest rate of Euribor + 265 bp and Tranche B amounting to EUR 98.6 million, structured as a five-year bullet debt at a market interest rate of Euribor + 125 bp in the first three years, Euribor + 225 bp in the fourth year and Euribor + 325 bp in the fifth year. It is expected to be collected through a cash sweep mechanism and early repayments that will become mandatory if certain liquidity events occur. The amounts allocated to the payment of the debt as a result of the liquidity events will be distributed through a discount auction with a discount among the lending institutions. Alba has reduced the amount of the loans by EUR 16.8 million.

10. Trade and other receivables

The composition of this item at 31 December 2016 and 2015 is as follows:

	2016	2015
Corporate income tax withheld and instalment payments	126.0	143.0
Accrued and unpaid dividends	12.3	16.3
Other receivables	1.3	2.5
Prepaid expenses	0.1	0.1
Trade receivables	-	0.1
Balance at 31 December	**139.7**	**162.0**

11. Cash and cash equivalents

The composition of this item at 31 December 2016 and 2015 is as follows:

	2016	2015
Cash	307.9	13.8
Short-term deposits and investments	162.0	285.0
Balance at 31 December	**469.9**	**298.8**

Short-term deposits and investments are readily convertible into cash and have no risk of change in value. The amounts under this heading accrue a variable interest rate based on the interbank market interest rate.

12. Equity

At 31 December 2016 and 2015 the share capital was represented by 58,300,000 bearer shares with a par value of EUR 1 each, fully subscribed and paid, all of them listed on the Stock Market (SIBE).

The shareholders of Corporación Financiera Alba, S.A. resolved, at the Annual General Meeting held on 8 June 2016, to delegate the following powers on the Board of Directors:

- Agree on one or more capital increases, up to a maximum of 50% of the share capital, through monetary contributions within a maximum period of five years, not excluding pre-emption rights, but so far no use has been made of this power.

- Agree on one or more capital increases, up to a maximum of 20% of the share capital, through monetary contributions within a maximum period of five years. The Board of Directors is empowered to eliminate the pre-emption right, but so far no use has been made of this power.

Corporación Financiera Alba, S.A. is part of the Banca March Group. Banca March, S.A. is controlled by Mr. Juan, Mr. Carlos, Ms. Gloria and Ms. Leonor March Delgado, who jointly own 100% of the share capital, without any of them having individual control either on the basis of their ownership interest or based on any type of agreement.

At year-end, Banca March, S.A. and its shareholders jointly controlled (Concerted Action) 65.182% of Corporación Financiera Alba, S.A. Other ownership interests greater than 3%, communicated to the CNMV at 31 December, are those of Mr. Juan March de la Lastra with 5.895% and Mr. Juan March Juan with 3.726%.

The heading "Retained earnings and other" includes the following reserves by the equity method:

	2016	2015
Treasury shares	(11.2)	(33.3)
Translation differences	79.1	53.2
Valuation of financial instruments	(2.6)	15.8
Change in scope of consolidation and other	(11.0)	(32.4)
Total	**54.3**	3.3

The amount above, except the portion corresponding to treasury shares, may be recycled to the consolidated Income Statement.

There were no changes in Alba's treasury shares in 2016 and 2015. The detail is as follows:

	Number of shares	Percentage of share capital	Average acquisition price €/share	Millions of euros
31 December 2016 and 2015	59,898	0.10%	40.9	2.4

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the average number of outstanding shares in that period.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the average number of outstanding shares in the year, increased by the average number of ordinary shares that would be issued if all financial instruments potentially convertible into ordinary shares were transformed into ordinary shares. Since there is no type of financial instrument of this type, the basic earnings per share is the same as the diluted earnings per share.

	2016	2015
Profit attributable to ordinary shareholders of the parent company		
Continuing operations	407.8	269.6
Discontinued operations		-
Profit attributable to ordinary shareholders of the parent company for calculation basic earnings	407.8	269.6
Attributable to holders of financial instruments convertible into ordinary shares	-	-
Profit attributable to to ordinary shareholders of the parent company adjusted for the dilution effect	407.8	269.6
Average number of ordinary shares for calculation of basic earnings per share (*)	58,240,102	58,240,102
Dilution effect	-	-
Average number of ordinary shares adjusted for the dilution effect (*)	58,240,102	58,240,102

(*) The average number of shares takes into account the weighted effect of changes in treasury stock during the year.

There have been no transactions on ordinary shares or potential ordinary shares between the reporting date and the date of preparation of these consolidated financial statements.

13. Capital Management Policy

Alba manages its capital with the aim of providing its subsidiaries with sufficient financial resources to carry out their activities. In addition to rationally and objectively managing the capital required to cover the risks assumed by its activity, it aims to maximise shareholder returns through an appropriate balance between capital and debt.

Alba's leverage ratio at 2016 and 2015 year-end is as follows:

	2016	2015
Bank borrowings	136.6	145.6
Cash and cash equivalents	(469.9)	(298.8)
Total / (net cash)	**(333.3)**	**(153.2)**
Equity	3,620.3	3,312.4
Equity + net debt	3,953.6	3,465.6

In 2016 and 2015 there are no net borrowings, due to which there is no leverage ratio.

14. Provisions

The changes in 2016 and 2015 are as follows:

	2016	2015
Balance at 1 January	**0.1**	**0.3**
Allocations	0.7	0.1
Uses	(0.1)	(0.3)
Balance at 31 December	**0.7**	**0.1**

15. Suppliers and other payables

The composition at 31 December 2016 and 2015 is as follows:

	2016	2015
Trade payables	2.7	1.3
Accrued wages and salaries	2.8	1.5
Other accounts payable to public authorities (Note 19)	0.7	1.3
Balance at 31 December	**6.2**	**4.1**

The information regarding the average payment period to suppliers is as follows:

	2016	2015
Days		
Average payment period to suppliers	33	34
Ratio of operations paid	33	33
Ratio of operations pending payment	34	34
Millions of euros		
Total payments made	10.9	10.1
Total payments outstanding	1.7	1.3

16. Bank borrowings

Current and non-current

Current bank borrowings have annual maturity and the breakdown by maturity is as follows:

	At 31/12/2016		At 31/12/2015	
Bank	Maturity	Balance drawn down	Maturity	Balance drawn down
Loans with short-term maturity				
BBVA	2017	9.1	2016	9.0
Loans with long-term maturity				
BBVA	2018 to 2025	127.5	2017 to 2025	136.6
	Total	136.6	Total	145.6

On 17 June 2015 a loan of EUR 150 million was arranged with BBVA at an interest rate of 1.5%, which matures on 17 June 2025. The amortisation of both the principal and interests are settled on a semiannual basis.

17. Fair value measurement

The quantitative breakdown of assets and liabilities and their fair value measurement hierarchy at 31 December 2016 and 2015, measured at that date, is shown in the following tables:

	Valuation at Fair Value		
	Total	Listed price in active markets (Level 1)	Significant unobservable inputs (Level 3)
2016			
Assets valued at fair value			
Property investments (Note 5)	349.1	-	349.1
Financial investments at fair value with changes in Profit and Loss	325.2	-	325.2
Assets whose fair value is disclosed			
Investments in associates (Note 7)	2,694.3	2,694.3	-
Other financial assets (Note 9)	132.9	-	132.9
Non-current assets held for sale	53.5	31.0	22.5
Trade and other receivables (Note 10)	139.7	-	139.7
Cash and cash equivalents (Note 11)	469.9	-	469.9
2015			
Assets valued at fair value			
Property investments (Note 5)	352.2	-	352.2
Financial investments at fair value with changes in Profit and Loss	285.9	-	285.9
Assets whose fair value is disclosed			
Investments in associates (Note 7)	2,573.2	2,573.2	-
Other financial assets (Note 9)	149.0	-	149.0
Trade and other receivables (Note 10)	162.0	-	162.0
Cash and cash equivalents (Note 11)	298.8	-	298.8

18. Risk management objectives and policies

The Board of Directors of Corporación Financiera Alba, S.A. has defined the following risk control and management policy:

1. Types of risks to which the company is exposed

Risk is an element inherent to all business activities and is defined as the uncertainty that an event or action may occur that may adversely affect the ability of the Company to maximise value for stakeholders and to achieve its objectives; it envisages both the possibility that the threats will materialise and that the opportunities will not be achieved.

Corporación Financiera Alba engages in two types of core activities:

(i) Equity participation in listed and unlisted companies, and

(ii) investment in real estate properties (offices) for leasing purposes.

As a result of its activity and the markets and sectors in which it is present, the Company is exposed to the following risk categories:

- Strategic risks, related to the Company's mission and vision, the achievement of business objectives and the creation and preservation of value for shareholders and other stakeholders.

  These include risks relating to the Company's corporate governance, its reputation and responsibility, investment and divestment strategies and market dynamics.

- Operational risks relating to potential direct or indirect economic losses resulting from external events: uncertainty in proprietary business transactions; or internal events: due to failures and inadequacies in the Company's processes, systems or resources.

  These include risks related mainly to income, investments and divestments and monitoring thereof, the acquisition of goods and services, physical assets, human resources, information technologies and natural disasters, terrorism and other criminal acts.

- Financial risks arising broadly from any financing operation required by the Company to carry on its activity, as well as the reliability of the financial information issued by it.

  These include liquidity and credit, market, tax, accounting and reporting risks.

- Compliance risks arising from potential breaches of laws, regulations, internal rules and codes of conduct, as well as increased exposure thereto.

These include legal risks, regulatory risks and risks related to codes of ethics and conduct.

2. Integrated Risk Management System

Aware of the importance and benefits of adequate and efficient risk management, Corporación Financiera Alba has defined an Integrated Risk Management System focused mainly on:

- Enabling proactive and efficient identification and assessment of risks at Company level, as well as the continuous monitoring and follow-up thereof.
- Integrating, coordinating and managing the various efforts made by the Company in relation to risk management.
- Enabling a responsible acceptance of risk and reinforcing the responsibility of the Company's employees.
- Ensuring that the control systems are aligned with the Company's actual risks.
- Facilitating and expediting the implementation of corrective measures.

The Integrated Risk Management System materialised by putting together three key elements:

(i) The continuous process of Risk Management, understood as those activities undertaken by all Company personnel -under the supervision of the Audit Committee-, which are aimed at identifying those potential risk events that may affect the Company, managing the identified risks and providing reasonable assurance regarding the achievement of company objectives.

(ii) An organisational approach with clearly defined roles and responsibilities. This comprehensive risk management affects all Company personnel and therefore it is necessary to define an organisational risk management approach adapted to its organisational structure and corporate culture.

While the Integrated Risk Management System affects and involves all Company personnel, the main participants are: risk managers, the Risk Control and Management Unit, the Audit and Compliance Committee and the Board of Directors.

(iii) A monitoring model that defines and provides the necessary and timely information so that all participants in the risk management process can undertake informed decisions in relation thereto.

2.1. The Continuous Risk Management Process. Overall, the continuous risk management process encompasses the following activities:

- Identifying and assessing risks that may affect the Company.

  Identifying key strategic, operational, financial and compliance risks that affect the Company's strategy and objectives, assessing the likelihood of occurrence and their potential impact and prioritising them accordingly.

- Setting the risk level that is considered acceptable.

  Defining key risk indicators (KRIs) for each critical risk and establishing levels of tolerance for these.

- Identifying controls.

  Specifying controls already implemented (or to be implemented) in the Company to mitigate the aforementioned risks.

- Identifying processes where said risks and controls occur.

  Determining the relationship between the Company's key risks -and controls- and the processes, identifying and analysing processes critical to risk management.

- Evaluating controls.

  Evaluating the effectiveness of controls in mitigating the risks identified.

- Designing and implementing action plans in response to the risks.

  Determining the action plans required to bring residual risk to an acceptable level, taking into account the costs and benefits of such actions. Following this reduction of the level of risk, a reassessment and prioritisation of the latter will be necessary and appropriate, defining a continuous risk management process.

In this connection, Corporación Financiera Alba has developed the Company's Risk Map, in which the aforementioned risks are listed in accordance with the aforementioned categories. With the aim of ensuring that this map becomes an effective management tool that will enable Company to make informed decisions, it is regularly reviewed and updated to meet the Company's situation at any given time.

Likewise, the Company has defined the Risk Data Sheets for the most critical risks, identifying the key risk indicators -with their corresponding tolerances-, the associated controls and, where applicable, the action plans to be implemented. These Data Sheets allow the Company to regularly assess and monitor its risks and to determine the most suitable response thereto.

2.2. Roles and responsibilities organisational model.

While the Integrated Risk Management System affects and involves all the Company's employees, the main actors are:

(i) Risks managers:

They are responsible for monitoring the risks assigned thereto and for reporting any relevant information thereon to the Risk Management and Control Unit.

(ii) Risk Management and Control Unit.

The Risk Management and Control Unit has the following specific functions:

- Ensure the proper functioning of the risk control and management systems and in particular, to identify, manage and adequately quantify all significant risks affecting the Company.
- Actively participate in the development of the risk strategy and in major decisions regarding risk management.
- Ensure that the risk control and management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.

(iii) Audit and Compliance Committee.

This Committee supervises, inter alia, the effectiveness of the Company's internal control and risk management systems pursuant to the Board Regulations.

Also, discuss any significant weaknesses detected in the course of the audit in the internal control system with the Auditor.

(iv) Board of Directors.

As mentioned earlier, it has the power to determine the risk control and management policy, including tax risks and monitoring of internal information systems and internal control. In relation to the risk management processes, it should be noted that, in addition to the aforementioned Risk Control and Management Unit, Corporación Financiera Alba has Regulatory Compliance processes for the various operational and support areas, as well as an Internal Audit Service (IAS), which is defined as an advisory and control body for the Audit and Compliance Committee, independent within the organisation as regards its activities, aimed at evaluating the different functional areas and activities of the Company.

The tasks entrusted to the Internal Audit Service include the analysis and proposal of recommendations for improving risk management processes. It also conducts

independent evaluations of the efficiency and effectiveness of internal controls, although this is always in coordination with the Risk Control and Management Unit in order to avoid duplication and/or areas not adequately covered.

2.3 Monitoring and Reporting Model
The last element of the Integrated Risk Management System is a monitoring and reporting model capable of providing relevant information in a timely manner to everyone involved in the risk control and management process, both upward and downward.

It acts as a cross-cutting element that enables the System to behave in a dynamic and, above all, anticipatory manner, ensuring risk management and control within the limits established by the Company.

In short, the Integrated Risk Management System implemented by Corporación Financiera Alba constitutes a management, communication, monitoring and support mechanism for all activities related to risk control and management. It is essential in order to address the individual and specific risks inherent to each activity, while providing the necessary framework for the Company to manage them in a coordinated manner.

19. Tax position

Corporación Financiera Alba, S.A. together with Alba Patrimonio Inmobiliario, S.A.U., Alba Europe, S.à.r.l., Deyá Capital, SCR, S.A.U., Deyá Capital IV, SCR, S.A., Artá Capital, SGEIC, S.A. and Artá Partners, S.A. are taxed under the Tax Regime for Groups of Companies.

The main elements of income tax for the years ended 31 December 2016 and 2015 are as follows:

Consolidated income statement	**2016**	2015
Corporate income tax for the year		
Corporate income tax expense for the year	(0.1)	(0.4)
Adjustments to prior years' tax	-	-
Deferred tax		
Temporary differences originated and reversed	5.5	(1.2)
Corporate income tax expense recognised in the income statement	5.4	(1.6)
Consolidated statement of comprehensive income	-	-
Deferred tax relating to items charged or credited directly to equity in the year	-	-

The reconciliation between tax expense and the product of accounting profit multiplied by the tax rate applicable to Alba for the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
Accounting profit/(loss) before taxes from continuing operations	414.0	268.5
Profit/(loss) before taxes from discontinued operations	-	-
Accounting profit/(loss) before taxes	414.0	26.5
Consolidation differences		
Permanent differences	(414.3)	(269.8)
Changes in deferred tax assets and liabilities and different tax rates	5.5	(2.2)
Tax expense recognised in the consolidated income statement	5.4	(1.6)
Corporate income tax attributable to discontinued operations	-	-

The most significant consolidation differences correspond to the share of results of associates, to the dividends received from associates and to the fair value of unlisted associates and to investment property.

The changes in deferred tax assets and liabilities is as follows:

	31/12/16	Additions/ (derecognitions)	31/12/15	Additions/ (derecognitions)	01/01/15
Deferred tax assets					
Other expenses and retirement plan	0.8	-	0.9	-	1.1
Total deferred tax assets	0.8		0.9		1.1
Deferred tax liabilities					
For capital gains on property investments	32.3	5.4	26.9	(2.0)	28.9
Total deferred tax liabilities	32.3		26.9		28.9

The company's profits taxed as a corporate tax group which the Group has opted to reinvest and whose expiry date has not yet been reached are as follows:

	Profits opted for reinvestment (Article 42 L.I.S.)	Sale amount	Year of reinvestment	Expiry date of reinvestment term
2013	133	269	2014	2019
2011	287	535	2011, 2012 and 2013	2018

At 31 December 2016 there were tax losses amounting to EUR 1 million, which were not recognised in the balance sheet. In 2015 there were no tax loss carryforwards to be offset by the consolidated tax group, or unused deductions.

2013 and the following years are open to inspection and it is also estimated that the additional taxes that may result from such inspections will not be significant.

The detail of the amount shown in Note 15 "Other Accounts Payable to Public Authorities" under the heading "Suppliers and other payables" is as follows:

	2016	2015
Personal income tax	0.5	0.5
VAT and others	0.2	0.7
Social security contributions	-	0.1
Total	0.7	1.3

20. Workforce

The average number of people employed in each year, distributed by category, was as follows:

	2016			2015		
	Men	Women	Total	Men	Women	Total
Executive directors and managers	9	-	9	10	-	10
Department heads	12	-	12	12	-	12
Administrative staff and other	20	18	38	14	16	30
Total	**41**	**18**	**59**	**36**	**16**	**52**

The final number of people employed at the end of each year, distributed by category, was as follows:

	2016			2015		
	Men	Women	Total	Men	Women	Total
Executive directors and managers	9	-	9	10	-	10
Department heads	12	-	12	12	-	12
Administrative staff and other	21	19	40	16	16	32
Total	**42**	**19**	**61**	**38**	**16**	**54**

In 2016 and 2015 no person with a disability equal to or greater than 33% was employed.

21. Information by segment

The following tables provides information on revenues, results, assets and liabilities related to the business segments for the years ended 31 December 2016 and 2015.

There are no transactions between the different segments.

Segment reporting 2016

In millions of euros	Property leases	Investment in securities	Group Total
Direct segment income and expenses			
Lease income and other	18.6	-	18.6
Gains on disposals	-	168.6	168.6
Share of results of associates	-	165.0	165.0
Increase/(Decreases) in fair value and other	15.8	54.5	70.3
Impairment	-	27.9	27.9
Other direct segment operating expenses	(5.0)	-	(5.0)
Segment profit	**29.4**	**416.0**	**445.4**
Income and expenses not allocated to segments			
Impairment			(16.7)
Staff costs			(11.9)
Other operating expenses			(6.2)
Amortisation			(0.9)
Other results			0.1
Net financial income			4.3
Profit/(loss) before taxes and non-controlling interests			**414.1**
Corporate income tax			(5.4)
Non-controlling interests			(0.9)
Net profit for the year			**407.8**
Assets and Liabilities			
Segment assets	374.1	2,677.6	3,051.7
Unallocated assets			747.8
Total assets			**3,799.5**
Segment liabilities	2.7	-	2.7
Unallocated liabilities			175.8
Total Liabilities			**178.5**

Segment reporting 2015

In millions of euros	Property leases	Investment in securities	Group Total
Direct segment income and expenses			
Lease income and other	15.6	-	15.6
Gains on disposals	0.9	138.1	139.0
Share of results of associates	-	61.3	61.3
Increase/(Decreases) in fair value	4.7	19.4	24.1
Other direct segment operating expenses	(4.6)	-	(4.6)
Segment profit/(loss)	**16.6**	**218.8**	**235.4**
Income and expenses not allocated to segments			
Impairment			43.7
Staff costs			(10.6)
Other operating expenses			(5.5)
Amortisation			(0.9)
Other results			0.1
Net financial income			6.3
Profit/(loss) before taxes and non-controlling interests			**268.5**
Corporate income tax			1.6
Non-controlling interests			(0.5)
Net profit for the year			**269.6**
Assets and Liabilities			
Segment assets	354.2	2,521.8	2,876.0
Unallocated assets			616.5
Total assets			**3,492.5**
Segment liabilities	2.8	-	2.8
Unallocated liabilities			176.7
Total Liabilities			**179.5**

Alba carries out its activities in Spain and, therefore, is considered as a single geographical segment.

22. Other income and expenses

The different items included in this heading for 2016 and 2015 are shown below.

a) Staff costs

	2016	2015
Wages and salaries	10.3	8.6
Social security costs	0.7	0.7
Alternative pension plan systems	0.7	1.2
Other employee welfare costs	0.2	0.1
Balance at 31 December	**11.9**	**10.6**

b) Financial income

	2016	2015
Interests	4.0	5.4
Management Fees	3.0	1.7
Profit/(Loss) from derivatives	-	0.9
Balance at 31 December	**7.0**	**8.0**

c) Changes in fair value of financial instruments

At 2016 and 2015 year-end relates to changes in the fair value of the heading "Financial investments at fair value with changes in profit and loss" (Note 8).

23. Related parties

In 2016, the following transactions took place:

Description of the transaction	Amount	Related party
With significant shareholders of the company		
Services	0.6	Banca March
Dividend	11.7	Concerted Action Banca March Group
With other related parties		
Dividends and other profits distributed	110.1	ACS, Acerinox, Ebro, Clínica Baviera, BME, Viscofan, Euskaltel, Panasa, Siresa, Mecalux, Flex and InStore
Insurance premiums brokered	1.6	March JLT
Insurance premiums	0.6	March Vida
Operating lease contracts	0.3	Several
Collaboration agreements	0.3	Fundación Juan March

In 2015, the following transactions took place:

Description of the transaction	Amount	Related party
With significant shareholders of the company		
Services	0.3	Banca March
Dividend	16.8	Concerted Action Banca March Group
With other related parties		
Dividends and other profits distributed	113.7	ACS, Acerinox, Ebro, Clínica Baviera, BME, Viscofan, Euskaltel, Panasa, Siresa, Mecalux, Flex and InStore
Insurance premiums brokered	2.2	March JLT
Insurance premiums	0.4	March Vida
Operating lease contracts	0.3	Several
Collaboration agreements	0.3	Fundación Juan March

24. Share option scheme

On 11 June 2014 Alba's shareholders at the Annual General Meeting approved a share option scheme for the acquisition of Company shares by the Company's Executive Directors and Senior Managers. The plan lasts for three years. The characteristics of the scheme are as follows:

a) The Company has granted the beneficiaries options that entitle them to purchase shares in Corporación Financiera Alba S.A. after a period of three years from the scheme's approval date.

b) The beneficiaries of this option scheme are the Executive Directors and Senior Managers of Corporación Financiera Alba, S.A.

c) The maximum number of shares to be delivered under this scheme will be 635,000.

d) The options are non-transferable except in the event of death of the beneficiary.

e) The exercise price of each option will be the closing share price of Corporacion Financiera Alba, S.A. on the last day of the scheme, less the difference between the final net asset value and the initial net asset value of those shares. However, at the beneficiary's request, the exercise of the option rights may also settled via cash payment by the Company to the beneficiary, for an amount equal to the difference between the final settlement value and the initial settlement value of Corporación Financiera Alba, S.A. shares multiplied by the number of options held up to a maximum of EUR 20 per share. It is foreseeable that the beneficiaries will accept the cash payment, due to which the Company will estimate the corresponding financial liability at the end of each accounting period.

f) The options were delivered at no cost.

At 31 December 2016 the liability registered was EUR 1.1 million. At 31 December 2015 no liability arising from this plan had been recognised.

25. Remuneration to the Board of Directors and Senior Management

The Company and its subsidiaries recognised the following remuneration earned by the members of the Board of Directors, which at 31 December 2016 consisted of 15 members, and by the Senior Management of Corporación Financiera Alba, S.A. (in thousands of euros):

2016	Number of persons	Salaries and other	Board remuneration		Alternative pension plan systems
			Alba	Group companies	
Proprietary directors	3	-	376	-	15
External independent directors	7	-	470	-	-
Executive directors	5	1,514	370	-	(707)
Senior Management	4	1,467	-	200	340

2015	Number of persons	Salaries and other	Board remuneration		Alternative pension plan systems
			Alba	Group companies	
Proprietary directors	3	-	334	-	15
External independent directors	7	-	336	-	-
Executive directors	5	1,672	293	33	539
Senior Management	4	1,474	-	175	214

In 2016 and 2015 no advances or loans had been granted to the members of the Board of Directors or the Senior Management.

The remuneration earned in 2016 and 2015 by each member of the Board of Directors was as follows (in thousands of euros):

2016	Fixed Remuneration	Alba Group Boards	Total remuneration	Contribution to retirement plans	Insurance premiums
De Ampuero y Osma, José Domingo	-	80	80	-	-
Carné Casas, Ramón	425	65	490	-	-
Del Caño Palop, José Ramón	265	65	330	112	-
Garmendia Mendizábal, Cristina	-	90	90	-	-
Girón Dávila, Mª Eugenia	-	40	40	-	-
González Fernádez, Carlos Alfonso	-	80	80	-	-
March de la Lastra, Juan	210	80	290	(733)	-
March Delgado, Carlos	-	153	153	-	7
March Delgado, Juan	-	143	143	-	8
March Juan, Juan	92	80	172	23	-
Martínez-Conde Gutiérrez-Barquín, Santos	522	80	602	(109)	-
Moranchel Fernández, Regino	-	75	75	-	-
Nieto de la Cierva, José	-	80	80	-	-
Pickholz, Claudia	-	40	40	-	-
Pradera Jauregui, Antón	-	65	65	-	-
Total Board	**1,514**	**1,216**	**2,730**	**(707)**	**15**

2015	Fixed Re-muneration	Alba Group Boards	Total remu-neration	Contribution to retirement plans	Insurance premiums
De Ampuero y Osma, José Domingo	-	63	63	-	-
Brookes, Nicholas	-	25	25	-	-
Carné Casas, Ramón	438	53	491	-	-
Del Caño Palop, José Ramón	275	53	328	130	-
Garmendia Mendizábal, Cristina	-	71	71	-	-
González Fernández, Carlos Alfonso	-	40	40	-	-
March de la Lastra, Juan	469	63	532	144	-
March Delgado, Carlos	-	130	130	-	7
March Delgado, Juan	-	138	138	-	8
March Juan, Juan	55	63	118	32	-
Martínez-Conde Gutiérrez-Barquín, Santos	435	95	530	233	-
Moranchel Fernández, Regino	-	60	60	-	-
Nieto de la Cierva, José	-	65	65	-	-
Pradera Jauregui, Antón	-	32	32	-	-
Ruiz-Gálvez Priego, Eugenio	-	45	45	-	-
Total Board	**1,672**	**996**	**2,668**	**539**	**15**

In 2016 none of the individuals that represent Alba in the managing bodies in which Alba is a legal entity-director received remuneration, nor were any payments made in relation to the directors' third-party liability insurance premiums.

On 8 June 2016 Alba's shareholders at the Annual General Meeting approved a scheme of variable remuneration linked to the net asset value of shares for the Company's Executive Directors and Company personnel determined by the Board of Directors in order to align them with the process of value creation for the Company's shareholders. The characteristics of the scheme are as follows:

a) The Company has granted units to the beneficiaries entitling them to receive, three years after the approval of the scheme, an amount equal to the product of such units multiplied by the difference between the "initial" and "end" net asset values of the shares of Corporación Financiera Alba S.A.

b) The maximum number of units to be granted will be 222,000.

c) The variable amount to be provided for each unit will be equal to the difference between the "final net asset value" and the "initial net asset value" of the shares of Corporación Financiera Alba, S.A., where:

- The "initial net asset value" of each share (EUR 65.43) will be the average net asset value of the shares of Corporación Financiera Alba, S.A. during the ten trading sessions prior to the "initial day" of the Scheme, 8 June 2016.

- The "final net asset value" of each share will be the average net asset value of Corporación Financiera Alba, S.A.'s shares during the ten trading sessions prior to the "final day" of the Scheme, 7 June 2019.

The "initial" and "final" net asset values will be calculated by deducting the treasury shares without taking into account the taxes derived from the theoretical liquidation.

For the purposes of the provisions of the preceding paragraphs, the maximum difference between the "final net asset value" and "initial net asset value" should not exceed 30% of the "initial net asset value".

On 10 June 2015 Alba's shareholders at the Annual General Meeting approved a scheme of variable remuneration linked to the net asset value of shares for the Company's Executive Directors and personnel determined by the Board of Directors in order to align them with the process of value creation for the Company's shareholders. The basic characteristics of the scheme were as follows:

a) The Company has granted units to the beneficiaries entitling them to receive, three years after the approval of the scheme, an amount equal to the product of such units multiplied by the difference between the "initial" and "end" net asset values of the shares of Corporación Financiera Alba S.A.

b) The maximum number of units to be granted will be 221,664.

c) The variable amount to be provided for each unit will be equal to the difference between the "final net asset value" and the "initial net asset value" of the shares of Corporación Financiera Alba, S.A., where:

- The "initial net asset value" of each share (EUR 67.92) will be the average net asset value of the shares of Corporación Financiera Alba, S.A. during the ten trading sessions prior to the "initial day" of the Scheme, 10 June 2015.

- The "final net asset value" of each share will be the average net asset value of the shares of Corporación Financiera Alba, S.A. during the ten trading sessions prior to the "final day" of the Scheme, 9 June 2018.

The "initial" and "final" net asset values will be calculated by deducting the treasury shares without taking into account the taxes derived from the theoretical liquidation.

For the purposes of the provisions of the preceding paragraphs, the maximum difference between the "final net asset value" and "initial net asset value" should not exceed 30% of the "initial net asset value".

Pursuant to articles 227, 228, 229 and 231 of the Spanish Limited Liability Companies Law ("LSC"), as amended by Law 31/2014, of 3 December, amending the LSC to improve corporate governance, Alba's Directors informed Alba that in the year ended 31 December 2016 there has been no conflict of interest with Alba and that, according to the information available and obtained with due diligence, neither were the persons related thereto involved in any conflict of interest with Alba.

26. Auditors' remuneration

The amount earned by EY in 2016 was EUR 163 thousand (2015: EUR 94 thousand), of which EUR 83 thousand corresponded to advisory services relating to internal auditing, risk management and crime prevention in 2016 (2015: EUR 20 thousand); and EUR 14 thousand corresponded to other work performed in 2016 (2015: EUR 19 thousand). The remainder in both years corresponds to the audit of the Individual and Consolidated Financial Statements.

27. Statement of Cash Flows

This has been prepared pursuant to International Accounting Standard 7.

This statement is divided into three types:

- Net cash flows from operating activities: includes changes in cash balances at the operational level of all businesses managed by the Group.

- Net cash flows from investment activities: includes flows related to long-term asset investments and the acquisition and disposal of equity instruments issued by another entity.

- Net cash flows from financing activities: includes cash outflows used in buybacks, cash inflows derived from external financing sources, cash outflows as a result of cancellation of external financing sources and payment of dividends.

28. Events after the reporting period

After 31 December 2016, the following significant events occurred:

- Alba acquired an additional 4.30% stake in Parques Reunidos for EUR 49.3 million, in an accelerated placement of shares at the beginning of January, thereby increasing its current holding in this Company to 14.83%.

- It also acquired, through its wholly-owned subsidiary Deyá Capital IV, SCR, S.A., 44.81% of Gascan, a Portuguese company that engages in the distribution and sale of propane gas.

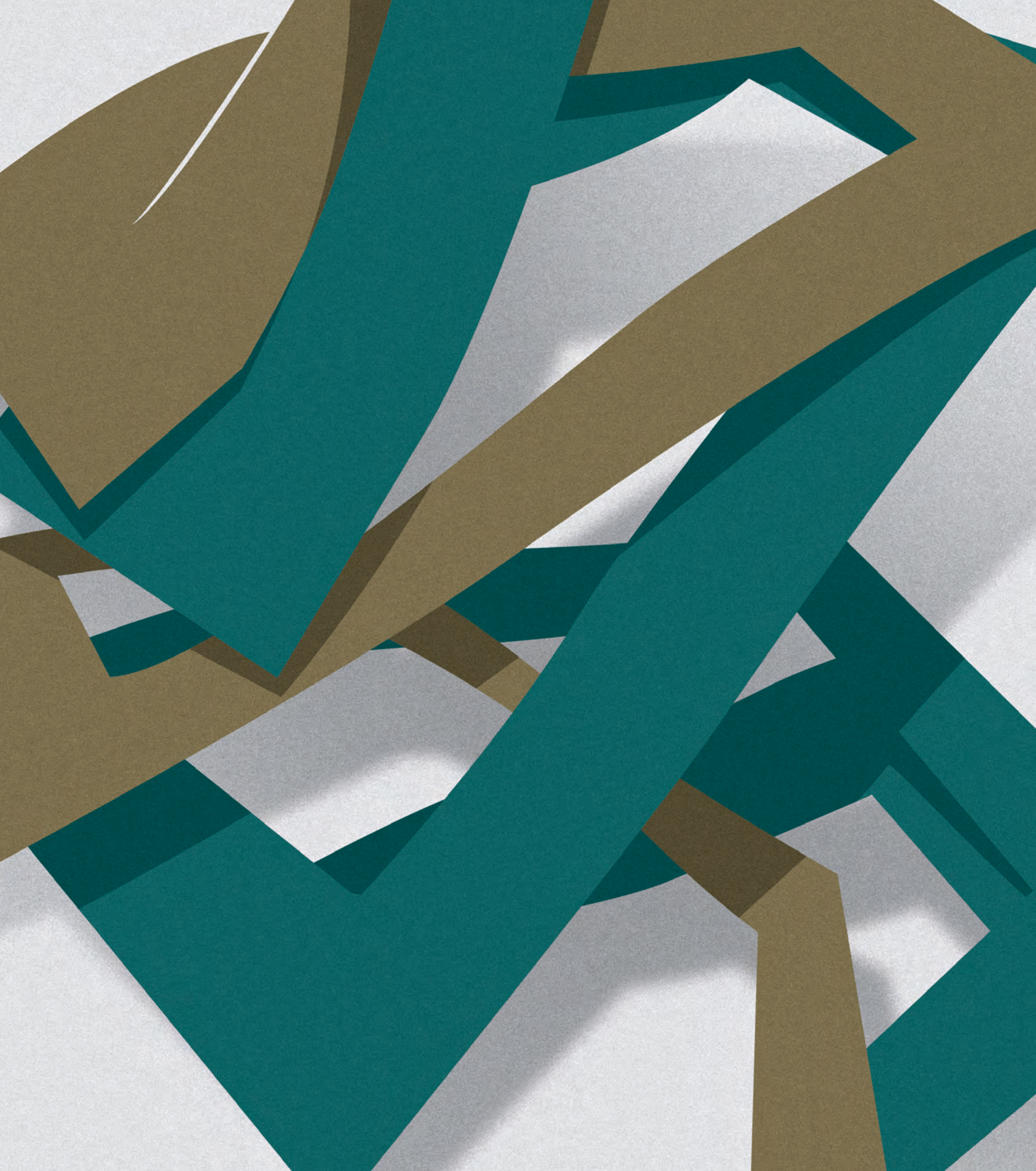
- Additionally, it sold 3.93% of ACS for EUR 371.5 million. Alba's current holding in ACS is 3.59%.

- It also sold a property in Madrid for EUR 24.5 million on 16 January 2017.

29. Explanation added for translation to English

These consolidated fi nancial statements are presented on the basis of accounting principles generally accepted in Spain and may not conform with generally accepted accounting principles in other countries.

TRANSLATION OF REPORTS AND CONSOLIDATED FI NANCIAL STATEMENTS ISSUED IN SPANISH
IN ACCORDANCE WITH GENERALLY ACCEPTED PRINCIPLES IN SPAIN (SEE NOTE 29).
IN THE EVENT OF DISCREPANCY, THE SPANISH VERSION PREVAILS.



DIRECTORS' REPORT

DIRECTORS' REPORT

1. Business performance and Company position

The Consolidated Financial Statements at 31 December 2016 present fairly the Group's equity and financial position, results of its operations, changes in equity and cash flows for the year ended on this date and have been authorised for issue by the Company's Directors.

In 2016 the Alba Group's activity consisted of:

- The management of ownership interests with control in various companies engaging in activities in different economic sectors.
- Promotion of and acquisition of ownership interests in companies.
- The operation of properties for lease or sale.

2. Outlook for the Compnay

Alba's primary objective is for its investees to obtain maximum profitability, improve competitiveness and increase their human, financial and technological potential. Also, the Company's financial structure added to its size and flexibility will enable the Company to seize any investment opportunities that may arise.

3. Acquisition and sales of treasury shares

There were no changes in Alba's treasury shares in 2016 and 2015. The detail is as follows:

	Number of shares	**Percentage of share capital**	**Average acquisition price €/ share**	**Millions of euros**
31 December 2016 and 2015	59,898	0.10%	40.29	2.4

4. Research and development activities

The Company's specific activities and the lack of production mean that direct investments in this area are unnecessary.

5. Average payment period to suppliers

The information regarding the average payment period to suppliers is as follows:

Days	**2016**	2015
Average payment period to suppliers	33	34
Ratio of operations paid	33	33
Ratio of operations pending payment	34	34
Millions of euros		
Total payments made	10.9	10.1
Total payments outstanding	1.7	1.3

6. Significant events after the reporting date

After 31 December 2016, the following significant events took place:

- Alba acquired an additional 4.30% interest in Parques Reunidos for EUR 49.3 million, in an accelerated placement of shares at the beginning of January, thereby increasing its current holding in this Company to 14.83%.
- It also acquired, through its wholly-owned subsidiary Deya Capital IV, SCR, S.A., 44.81% of Gascan, a Portuguese piped propane gas distribution company.
- Additionally, it sold 3.93% of ACS for EUR 371.5 million. Alba's current holding in ACS is 3.59%.
- It also sold a property in Madrid for EUR 24.5 million on 16 January 2017.

7. Risk control and management policy

The Board of Directors of Corporación Financiera Alba, S.A. has defined the following risk control and management policy:

1. Types of risks to which the Company is exposed

Risk is an element inherent to all business activities and is defined as the uncertainty that an event or action may occur that may adversely affect the ability of the Company to maximise value for stakeholders and to achieve its objectives; it relates to both the possible materialisation of threats and missed opportunities.

Corporación Financiera Alba engages in two types of main activities:

(i) Equity participation in listed and unlisted compaies.

(ii) real estate properties (offices) for leasing purposes.

As a result of its activity and the markets and sectors in which it is present, the Company is exposed to the following risk categories:

- Strategic risks, related to the Company's mission and vision, the achievement of business objectives and the creation and preservation of value for shareholders and other stakeholders.

  These include risks relating to the Company's corporate governance, its reputation and responsibility, investment and divestment strategies and market dynamics.

- Operational risks relating to potential direct or indirect economic losses resulting from external events: uncertainty in proprietary business transactions; or internal events: due to failures and inadequacies in the Company's processes, systems or resources.

  These include risks related mainly to income, investments and divestments and monitoring thereof, the acquisition of goods and services, physical assets, human resources, information technologies and natural disasters, terrorism and other criminal acts.

- Financial risks arising broadly from any financing operation required by the Company to carry on its activity, as well as the reliability of the financial information issued by it.

  These include liquidity and credit, market, tax, accounting and reporting risks.

- Compliance risks arising from potential breaches of laws, regulations, internal rules and codes of conduct, as well as increased exposure thereto.

  These include legal risks, regulatory risks and risks related to codes of ethics and conduct.

2. Integrated Risk Management System.

Aware of the importance and benefits of adequate and efficient risk management, Corporacion Financiera Alba has defined an Integrated Risk Management System focused mainly on:

- Enabling proactive and efficient identification and assessment of risks at Company level, as well as the continuous monitoring and follow-up thereof.
- Integrating, coordinating and managing the various efforts made by the Company in relation to risk management.
- Enabling a responsible acceptance of risk and reinforcing the responsibility of the Company's employees.
- Ensuring that the control systems are aligned with the Company's actual risks.
- Facilitating and expediting the implementation of corrective measures.

The Integrated Risk Management System materialised through the convergence of three key elements:

(i) The continuous Risk Management process, understood as the activities carried out by all the Company's employees -under the supervision of the Audit and Compliance Committee-, which are aimed at identifying the potential risk events that could affect it, managing the identified risks and providing a reasonable guarantee of achievement of the Company's objectives.

(ii) An organisational approach with clearly defined roles and responsibilities. This comprehensive risk management affects all Company personnel and therefore it is necessary to define an organisational risk management approach adapted to its organisational structure and corporate culture.

While the Integrated Risk Management System affects and involves all Company personnel, the main participants are: risk managers, the Risk Control and Management Unit, the Audit and Compliance Committee and the Board of Directors.

(iii) A monitoring model that defines and provides the necessary and timely information so that all participants in the risk management process can undertake informed decisions in relation thereto.

2.1. The Continuous Risk Management Process.
Overall, the continuous risk management process encompasses the following activities:

- Identifying and assessing risks that may affect the Company.

  Identifying key strategic, operational, financial and compliance risks that affect the Company's strategy and objectives, assessing the likelihood of occurrence and their potential impact and prioritising them accordingly.

- Setting the risk level that is considered acceptable.

  Defining key risk indicators (KRIs) for each critical risk and establishing levels of tolerance for these.

- Identifying controls.

  Specifying controls already implemented (or to be implemented) in the Company to mitigate the aforementioned risks.

- Identifying processes where said risks and controls occur.

  Determining the relationship between the Company's key risks -and controls- and the processes, identifying and analysing processes critical to risk management.

- Evaluating controls.

  Evaluating the effectiveness of controls in mitigating the risks identified.

- Designing and implementing action plans in response to the risks.

  Determining the action plans required to bring residual risk to an acceptable level, taking into account the costs and benefits of such actions. Following this reduction of risk level, reassessment and prioritisation of the latter will be necessary and appropriate, creating a continuous risk management process.

In this connection, Corporación Financiera Alba has developed the Company's Risk Map, in which the aforementioned risks are listed in accordance with the aforementioned categories. With the aim of ensuring that this map becomes an effective management tool that will enable Company to make informed decisions, it is regularly reviewed and updated to meet the Company's situation at any given time.

Likewise, the Company has defined the Risk Data Sheets for the most critical risks, identifying the key risk indicators -with their corresponding tolerances-, the associated controls and, where applicable, the action plans to be implemented. These Data Sheets allow the Company to regularly assess and monitor its risks and to determine the most suitable response thereto.

2.2. Roles and responsibilities organizational model.

While the Integrated Risk Management System affects and involves all the Company's employees, the main actors are:

(i) Risks managers:

They are responsible for monitoring the risks assigned thereto and for reporting any relevant information thereon to the Risk Management and Control Unit.

(ii) Risk Management and Control Unit.

The Risk Management and Control Unit has the following specific functions:

- Ensure the proper functioning of the risk control and management systems and in particular, to identify, manage and adequately quantify all significant risks affecting the Company.

- Actively participate in the development of the risk strategy and in major decisions regarding risk management.

- Ensure that the risk control and management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.

(ii) Audit and Compliance Committee.

This Committee supervises, inter alia, the effectiveness of the Company's internal control and risk management systems pursuant to the Board Regulations.

Also, discuss any significant weaknesses detected in the course of the audit in the internal control system with the Auditor.

(iv) Board of Directors.

As mentioned earlier, it has the power to determine the risk control and management policy, including tax risks and monitoring of internal information systems and internal control. In connection with the risk management processes, it should be noted that, in addition to the aforementioned Risk Control and Management Unit, Corporacion Financiera Alba has Regulatory Compliance processes for the various operational and support areas, as well as an Internal Audit Service (IAS), which is defined as an advisory and control body for the Audit and Compliance Committee, independent within the organisation as to its action, aimed at evaluating the different functional areas and activities of the Company.

The tasks entrusted to the Internal Audit Service include the analysis and proposal of recommendations for improving risk management processes. It also conducts independent evaluations of the efficiency and effectiveness of internal controls, although this is always in coordination with the Risk Control and Management Unit in order to avoid duplication and/or areas not adequately covered.

2.3 Monitoring and Reporting Model

The last element of the Integrated Risk Management System is a monitoring and reporting model capable of providing relevant information in a timely manner to everyone involved in the risk control and management process, both upward and downward.

It acts as a cross-cutting element that enables the System to behave in a dynamic and, above all, anticipatory manner, ensuring risk management and control within the limits established by the Company.

In short, the Integrated Risk Management System implemented by Corporación Financiera Alba constitutes a management, communication, monitoring and support mechanism for all activities related to risk control and management. It is essential in order to address the individual and specific risks inherent to each activity, while providing the necessary framework for the Company to manage them in a coordinated manner.

8. Annual Corporate Governance Report

Attached hereto as APPENDIX I.

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

1. Letter from the chairman[1]

Corporación Financiera Alba has a long-term vision for the management of its investment portfolio and the creation of value for its main stakeholders, two basic pillars in the sphere of social responsibility. These two values are inherently integrated in our corporate culture, evident throughout this sustainability report, which shows, for the second consecutive year, Alba's firm commitment to sustainable economic, social and environmental development.

2016 was an important year for us, not only because of our good financial results, but also because they were the result of the solid and responsible management that has always characterised us and which was formalised in 2015 through the publication of our Social Responsibility Policy and the review of our Investment Policy. The attachment and subsequent reporting to the United Nations Global Compact has allowed us to connect to the international agenda and has helped us to integrate its ten human rights, labour rights, environmental and anti-corruption principles in a more reflexive manner.

During this period, we have made firm strides in the sphere of social responsibility, addressing the purposes we set for ourselves in our first sustainability report under its three basic pillars: environmental, social and good governance. In this document we explain how we have fulfilled them and on which we must continue working in 2017.

Also worth noting is the fulfilment of all the recommendations for good governance of listed companies set out in the CNMV code and the international recognition we received in the Global Banking and Finance Awards as the Company with the Best Corporate Governance of the Year 2016, awarded by the British publication *The European*.

We are convinced that society and the markets positively and increasingly value companies' commitment to sustainability and their contribution to social progress and welfare. To this end, we strive to actively participate in all our investee companies, in order to increase the degree of implementation of social responsibility therein and the manner in which they manage business risks and opportunities. As part of our responsibility, we are going to continue working proactively to improve that situation and share it with our stakeholders.

1. G4-1 and G4-2

2. Investing responsibly

Corporación Financiera Alba, S.A . (Alba) is the investment company of the Banca March Group, one of the leading Spanish private family-owned business and financial groups. Since its creation in 1986, it has engaged in investment in different types of assets and in the management of its investment portfolio with a long-term vision. Ensuring utmost diligence and integrity throughout the investment process is one of its main responsibilities, envisaged in its Investment Policy, selection of assets and involvement in the management of its investees.

Alba's investment policy, approved in June 2015, addresses three main aspects: (i) the objective of the investment activity, (ii) the general principles that govern the actions aimed at achieving the objective set and (iii) the specific criteria governing the selection of potential investments within the different types of assets (listed companies, unlisted companies and property) on which Alba currently focalises its investment.

Following is a detail of the principles of the investment policy that help to understand the approach of the Company's long-term vision and value creation approach:

1. *Need for in-depth knowledge of its investments.*
   As a result of its participation in a portfolio with limited number of securities, Alba performs a rigorous analysis of the company or asset, of the sectors and markets in which it is present, and of the macroeconomic context that could affect the value of the organisation. The objective of this process is to identify and try to mitigate the potential present or future risks that could impede the achievement of said objective.

2. *Active participation in its investees or assets in which it invests.*
   This diligent involvement (representation in the Board of Directors -companies- or direct management of assets -i.e. property-) requires holding a sufficiently large ownership interest, not delegating management to third parties and monitoring investments. This requires a high level of dedication that is translated into a relatively limited number of portfolio investments.

3. *Credibility and reputation as assets.*
   Alba considers that its credibility and reputation in the market are two of its main assets that decisively contribute to the achievement of its long-term objectives. The two variables are not based exclusively on the obtainment of gains, but also, how to avoid potential conflicts of interest between investments or their adhesion to the maximum principles in terms of regulatory

2. G4-3 and G4-7

compliance, corporate governance, staff, environmental impact and relationship with society in general.

4. *Prudence and risk control.*
   Alba's investments may experience fluctuations in its market value, which requires that, in order to meet its long-term value creation objective, these are undertaken with a high level of prudence, endeavouring to mitigate the possible risks that may affect its activity through, inter alia, adequate portfolio diversification, low levels of corporate debt or maintaining a high proportion of its portfolio in liquid assets.

5. *Flexibility,* both in the internal decision-making process and in the application of the investment principles and criteria for specific investment opportunities.

Responsible management, based on these principles, contributes to the creation of more transparent and better governed markets, connecting financial markets to the real economy and creating opportunities and economic prosperity for society, both in Spain and in other countries where Alba's investees are present.

3. Managing Alba with social responsibility

The Corporate Social Responsibility Policy, approved in October 2015, establishes the CSR principles and guidelines with the aim of orienting the Company's activities towards a sustainable business management model aimed at the different stakeholders. Through this policy, Alba undertakes to develop its activities in a responsible manner at all times, maximise sustainable and shared value creation for its shareholders, other stakeholders and for society as a whole, and to identify, prevent and remedy the possible negative impacts of its activities.

This policy is solidly aligned with the ten principles of the United Nations Global Compact, of which Corporación Financiera Alba became a signatory one year ago and through which it fulfils its annual commitment, reporting, through a progress report -materialised in this report-, its progress in sustainability and CSR.

3. G4-15

FIGURE 1. THE TEN PRINCIPLES OF THE GLOBAL COMPACT

Human Rights	1.	Businesses should support and respect the protection of internationally proclaimed human rights.
	2.	Businesses should make sure that they are not complicit in human rights abuses.
Labour	3.	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	4.	Bussinesses should uphold the elimination of all forms of forced and compulsory labour.
	5.	Bussinesses should uphold the effective abolition of child labour.
	6.	Bussinesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	7.	Businesses should support a precautionary approach to environmental challenges.
	8.	Businesses should undertake initiatives to promote greater environmental responsibility.
	9.	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	10.	Businesses should work against corruption in all its forms, including extortion and bribery.

Responsible business management is performed through different policies that grant greater credibility and confidence to its activity. Alba has, inter alia, a Criminal and Fraud Prevention Policy, a Director Candidate Selection Policy, a Risk Management Policy, a Corporate Social Responsibility Policy and a Communication Policy.

In 2012, Alba implemented a Crime Prevention Model which was updated in 2015 and, in 2016, approved a new Internal Code of Conduct in the Sphere of the Securities Market (RIC), a training plan, a continuous evaluation of the effectiveness of the controls and an update of the risks to which it is exposed.

In 2015, the Spanish National Securities Market Commission (CNMV) published a Code of Good Governance for Listed Companies, which includes specific recommendations on corporate social responsibility (CSR) -specifically CSR strategy, policy, objectives and initiatives-, and the monitoring and evaluation thereof by the Board of Directors committees. Although compliance with this code is voluntary, Alba, aware of the importance of the good governance of the organisations, works continuously to fulfil all its recommendations -except the seven that do not apply-. The 2015 Annual Report indicated the partial fulfilment of recommendation 5 and recommendation 14, aspects that were resolved in 2016, enabling the complete fulfilment of the code's recommendations.

Alba's concern for the search for excellence and for promoting best practices in the sphere of Good Governance and Corporate Social Responsibility were internationally recognised, evident in its election as the company with the **Best Corporate Governance of the Year 2016** in the *Global Banking and Finance Awards*, awarded by the British Publication *The European*[4] and which reward business excellence and innovation.

3.1. Alba's materiality and stakeholders[5]

This second sustainability report of Corporación Financiera Alba is inspired in the Global Reporting Initiative (GRI) methodology -the best known and most widely used internationally- in its G4 edition and essential format[6]. In 2016 more than 4,300 sustainability reports corresponding to the five continents were uploaded to the GRI portal, of which 40% were presented in Europe and 2.4% in Spain.

One of the keys of this methodology is the performance of a materiality analysis in which the most relevant topics in terms of sustainability for the organisation are determined, in order to be subsequently treated with priority in the report. Before carrying out this evaluation, the stakeholders of the organisation must be identified in order either to consult them in this connection or to have an open perspective of their perception of the organisation and expectations with regard to its activity and impact. A classification of the stakeholders has been made in accordance with their direct two-way relationship -association with stakeholders- and depending on whether they are internal or external to the organisation.

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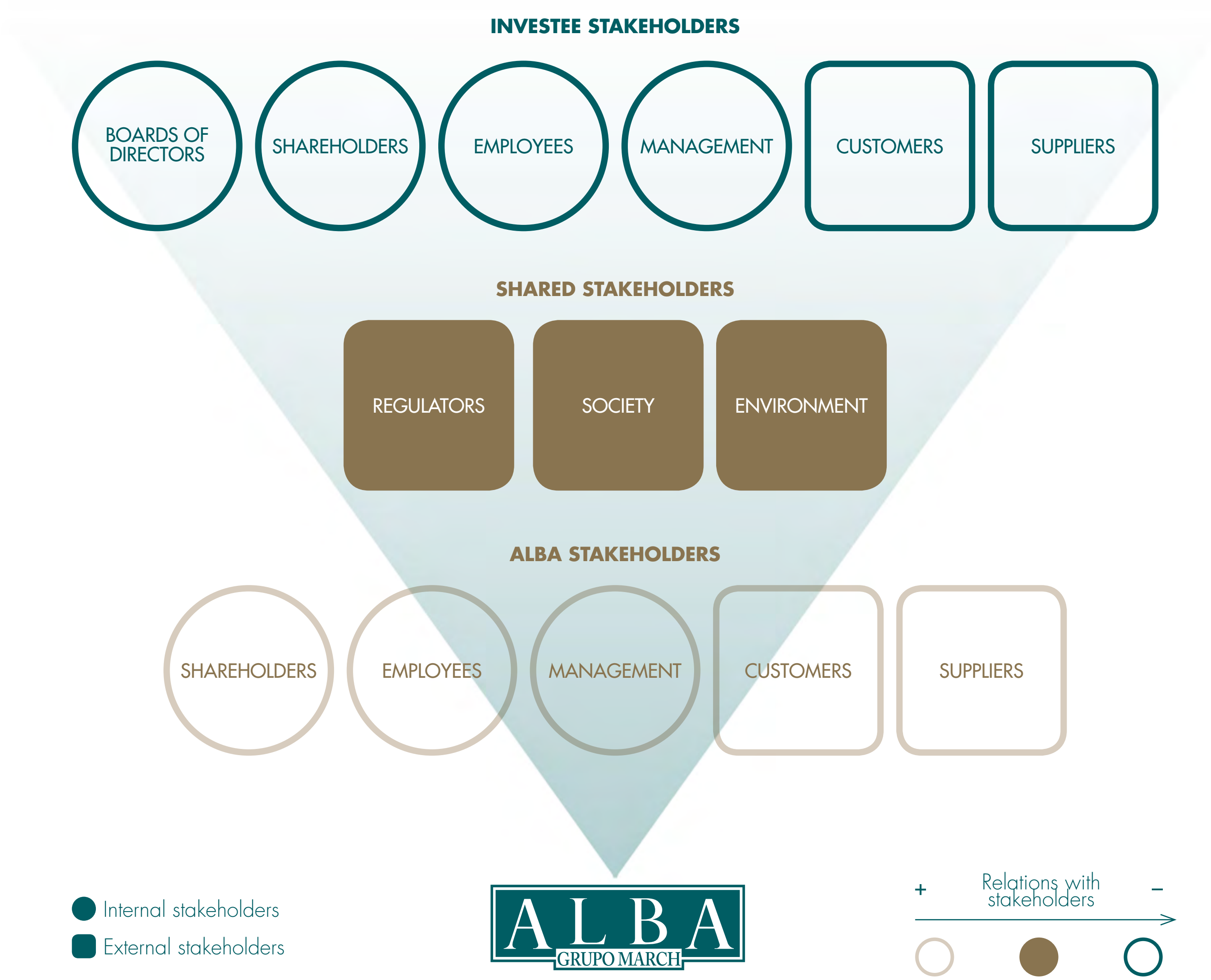
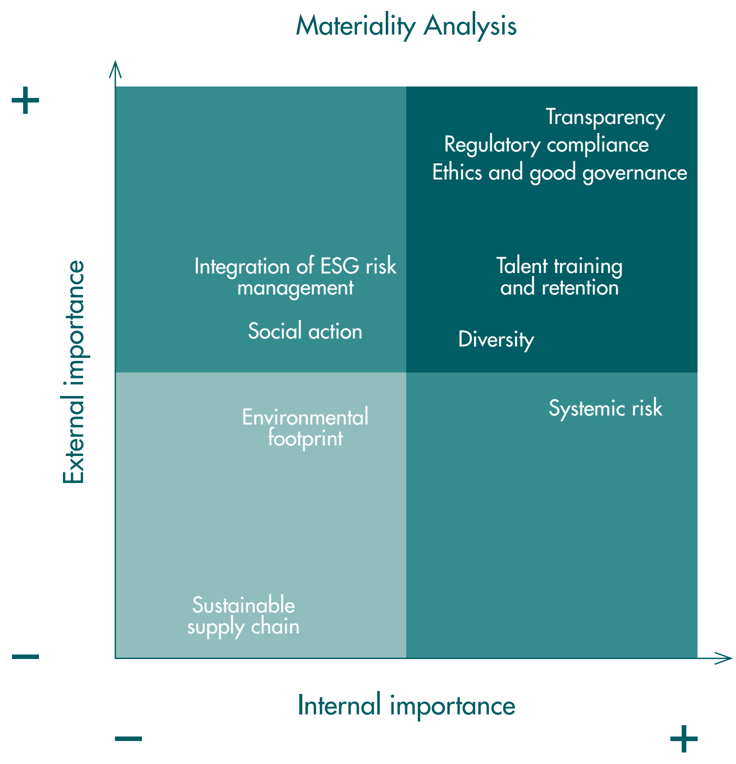
4. Publication specialising in economy and finance headquartered in Great Britain, whose readers include business owners, chairmen, CEOs, executives, institutional investors or investment fund managers and family offices.
5. G4-19, G4-24
6. G4-32

FIGURE 2. PROJECTION OF ALBA'S STAKEHOLDERS



Subsequent to the internal evaluation of a list of topics drawn from various sources, such as the Dow Jones Sustainability Index survey or the GRI methodology, those which were most relevant to Alba's sector and activity were screened and contrasted with sustainability experts, resulting in the following matrix in which the X-axis shows the internal measurement of Alba and the Y-axis shows the external measurement:

FIGURE 3. MATERIALITY MATRIX



Communication channels with stakeholders

Transparency is one of Corporación Financiera Alba's maximum attributes, since it generates trust among all those involved with the entity, i.e. its stakeholders. Additionally, it is one of the pillars of social responsibility, since it is a voluntary act of the entities which goes a step further than the mere fulfilment of the regulation.

Alba has enabled different communication channels with its stakeholders, in accordance with their needs:

- Its website contains relevant and updated information in Spanish and English about the company and its history, the performance of its investees and its investment strategy.

- The space for shareholders and investors on this website includes relevant facts and financial information about the company. A channel has been enabled for them on the website with two routes: ordinary correspondence addressed to the headquarters of Alba, S.A. - Calle Castelló nº 77, 5º Planta 28006, Madrid[7]- and a second route through the following email addressed to **alba@corporacionalba.es**

- Since 2011 there is a communication channel at the disposal of its employees that makes it possible to confidentially report conducts that could represent an irregularity or breach of the Code of Ethics to the Audit Committee or Secretary of the Board of Directors.

- Other sections provide additional information of value to other stakeholders, in order to provide them with in-depth knowledge of the organisation.

7. G4-5

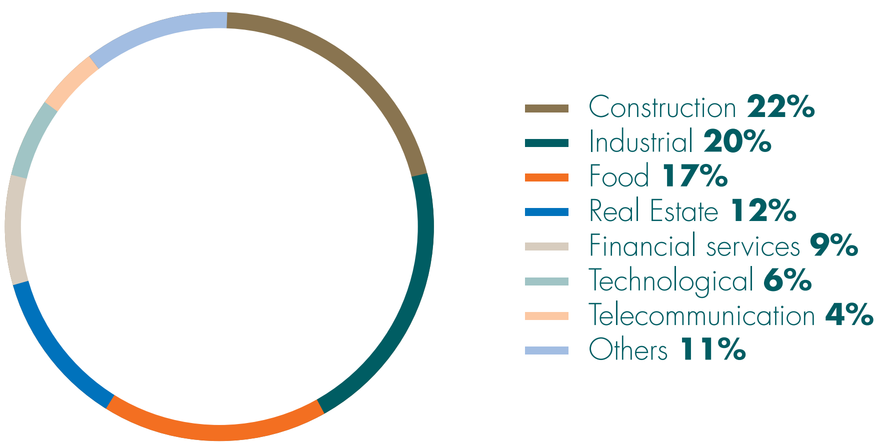
3.2. Alba's portfolio from the viewpoint of sustainability

Alba invests in leading companies, with a solid management team, has great financial strength and flexibility and a proven competitive edge in its sector. Alba is a long-term investor seeking profitability in the sustainable development of companies in which it participates as a shareholder. At 31 December 2016, Alba's position in its investees was as follows:

FIGURE 4. INVESTEES AT 31 DECEMBER 2016

These companies were divided by sector as follows:

FIGURE 5. DISTRIBUTION OF INVESTEES BY SECTOR AT 31 DECEMBER 2016



At 31 December 2016, the average life of investments in the portfolio, weighted by the initial investment made, was close to 13 years despite including six investments completed in the last two years (in-Store Media, Euskaltel, Parques Reunidos, Siresa Campus Noroeste, Siresa Norte II). Considering Alba's historical portfolio, practically all investments have a duration in excess of six years and some of the most significant, both in terms of amount and profitability obtained, have a duration in excess of ten years, such as Pryca (14 years), Carrefour (17 years) or Sogecable (13 years).

Alba is aware that the securities that comprise its portfolio are exposed to different extra-financial risks, which vary according to the sector and other specific variables of the company, such as degree of delocalisation or the countries in which it is present. In terms of sustainability, investees face a multitude of strategic challenges that must be prioritised in order to maintain their level of competitiveness in the long term.

These challenges, which may potentially affect Alba's investees, translate into risks and opportunities, due to which the proactivity of the management and the detection and monitoring of these challenges are key to ensuring the creation of value and competitiveness. Below we explain the environmental, social and good governance (ESG) challenges considered to be most significant according to the probability and their impact on the different companies:

FIGURE 6. SUSTAINABILITY CHALLENGES FOR INVESTEES

Good governance	
Integrity	In view of the cases of corruption at the national and international level, peer groups, society and the public administration have begun to treat this issue with greater precaution. The number of controls and hard and soft legislation (i.e. EU Non-Financial Reporting Directive) developed by regulators is increasing. Beyond reputational implications, companies must consider the possible monetary losses arising from penalties associated with the commission of irregularities or the impact of this type of behaviours on financial markets.
Cyber-Security	The capacity to protect one's business and information from cybernetic attacks is becoming a significant responsible management factor. This is particularly relevant in the case of companies with assets or critical information belonging to their customers. A cybernetic attack may cause major losses and the infringement of certain legal aspects related to data confidentiality.
Business sustainability	The ability to continue operating at full capacity under adverse conditions such as a significant external shock (i.e. natural catastrophe, cybernetic attack, geopolitical conflict, etc.) is a decisive factor in the creation of long-term value. For sectors where the constant availability of a product or service is a decisive factor -i.e. financial services or electricity supply- implementing systems that respond to the materialisation of this risk is crucial.
Responsible innovation	The inclusion of innovation in the development of new products, services or technologies that contribute to the transition towards a more sustainable world that meets the needs of the base of the pyramid or finds efficient solutions in terms of the circular economy or energy consumption, will allow companies which apply this approach to increase their target public and competitiveness.

Social

Human Rights in the supply chain	The globalisation and delocalisation of production processes multiplies the risks of violating human and labour rights throughout the supply chain. The violation thereof can lead to lack of trust among consumers and society and public institutions in general, in addition to penalties and internal conflicts.
Local community	On many occasions, business activity has an environmental impact on the local surroundings and on the life of the communities where a company is present. It is important for the long-term business stability of the company to legitimate itself before the local community. Taking into account its opinion when making certain strategic decisions or planning and executing some projects not only enhances the company's prospects but also mitigates possible frictions with the environment (i.e. construction of infrastructures in territories with indigenous populations).
Animal welfare	Animal welfare -how safe and healthy they are- is very important for companies whose activity is related to the marketing or treatment thereof. In addition to being an issue with great visibility for certain peer groups that can give rise to controversy, it is also important with regard to their customers' health and to product safety.

Environmental

Greenhouse gas emissions	Greenhouse gas emissions contribute to climate change, whose consequences could alter the global climate system. At the global level, external carbon pricing instruments and emission reduction objectives are becoming increasingly ambitious. In this regard, regulators, peer groups and civil society exhaustively monitor companies' carbon footprint. Companies which do not reduce their greenhouse gases can face monetary, potential and real penalties, and their reputational risk increases.
Emissions in the supply chain	Emissions in the supply chain are acquiring great relevance as the methods used to calculate the carbon footprint become more sophisticated. On many occasions, the greatest impact in terms of emissions of a product is not caused by the manufacture thereof, but rather by upstream supplier activity. Measuring the global environmental impact of products is an increasingly widespread practice and, therefore, analysing their life cycle is becoming increasingly important to mitigate risks and improve company efficiency.
Climate change	Climate change is a challenge that threatens not only the environment, but also health, cities and another aspects that affect our lives. Measures for mitigating and adapting to climate change are appearing more and more often on government and company agendas. They have and will have an impact on the production models of many businesses, which will be forced to introduce innovation parameters to adapt to the demands of the future society.
Biodiversity	Biodiversity contributes to the health of society and of the planet, fulfilling virtually irreplaceable functions in natural cycles. Although the attention of peer groups and the public towards this issue is not yet as developed as in other aspects, it may be a relevant factor in specific industries (i.e. industries whose operations are based in tropical rainforest areas at risk of deforestation are facing potential legal battles and reputational damage).
Water	Water is fast becoming a scarce commodity on the back of a growing world population. Its use is being gradually regulated and controlled, giving rise to legal risks for companies that do not comply with national or international standards. It is vitally important for companies which make intensive use of this raw material to control the water footprint, particularly in areas classified as water-stressed areas.
Waste management	Given the shortage of resources for a growing population and increased consumption, the treatment of waste for reintroduction thereof in the economy in order to close the cycle promoted by the circular economy is of vital importance. Companies can improve their competitiveness in efficient waste management not only in terms of reduction of environmental impact but also cost savings.

FIGURE 7. IMPACT OF THE MAIN SUSTAINABILITY FACTORS ON THE COMPANIES

	Integrity	Cyber-security	Business sustainability	Responsible innovation	Human rights supply chain
Acerinox	√			√	√
ACS	√			√	√
BME	√	√	√		
CEX	√			√	
Clínica Baviera	√			√	
Ebro	√		√	√	√
Encampus					
Euskaltel	√	√	√	√	
Flex				√	√
Indra	√	√		√	
in-Store Media	√	√			
Mecalux					√
Panasa					√
Parques Reunidos	√				
Siresa					
TRRG Holding				√	√
Viscofan	√				

Local community	Animal welfare	Gas emissions	Supply chain emissions	Climate change	Biodiversity	Water	Waste management
		√	√				√
√		√	√		√	√	√
		√					
√		√		√			
		√					
		√	√	√		√	√
√		√				√	√
		√					
		√					
		√					
		√					
		√	√	√		√	√
√		√		√		√	√
√	√	√			√	√	√
√		√				√	√
		√	√				√
√		√	√				√

Another international trend envisaged in the strategy of both the public sector and third-party sector organisations and companies is the United Nations Agenda 2030. It proposes 17 Sustainable Development Objectives (SDO) specified in 169 goals that cover all the areas in which the company must make progress in order to achieve sustainable development.

FIGURE 8. THE OBJECTIVES OF SUSTAINABLE DEVELOPMENT

Alba has analysed which SDOs are strategic to companies -by sector- and could represent a competitive advantage or a development opportunity for products, services, technologies and innovative distribution channels that make it possible to reach a larger number of consumers, increasing their business and capacity to contribute to sustainable development:

FIGURE 9. EXPOSURE OF INVESTEES TO SUSTAINABLE DEVELOPMENT OBJECTIVES BY SECTOR

	Exposure to SDOs																
Investees	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Acerinox			√			√	√	√	√			√	√				√
ACS											√		√		√		√
BME							√	√					√			√	√
Clínica Baviera	√	√	√														√
CEX								√	√								√
Ebro Foods		√	√			√		√	√			√	√	√	√		√
Encampus											√		√				√
Euskaltel									√							√	√
Flex			√			√		√				√	√				√
Indra								√	√								√
in-Store Media																√	√
Mecalux			√			√		√	√			√					√
Panasa			√			√		√	√			√					√
Parques Reunidos											√				√		√
Siresa											√		√				√
TRRG Holding			√			√		√	√			√					√
Viscofan		√	√			√		√	√			√	√	√	√		√

SUSTAINABILITY REPORT

In addition to the analysis of risks and macro opportunities of each of the investees, studying their degree of progress in terms of social responsibility allow to identify which of the investees require support and greater drive to integrate sustainability in their strategy and decision-making process. The two figures below show the most common good practices that companies can carry out with respect to CSR[8] and compliance of the investees:

FIGURE 10. ANALYSIS OF THE CSR OF LISTED INVESTEES AND ALBA

Company	CSR on the website	Year of joining to Global Compact	Sustainability report	GRI	Carbon Disclosure Project	Dow Jones Sustainability Index
IBEX 35						
ACS	√	2002	√	√	√	
Acerinox	√	2013	√	√	√	
Indra	√	2004	√	√	√	√
Viscofan	√	2015	√			
Listed						
Clinica Baviera	√					
Ebro Foods	√	2002	√	√	√	
BME	√	2011	√	√		
Euskaltel	√	2005	√	√	√	
Parques Reunidos	√					
Alba	√	2015	√	√		

8. As initiatives not mentioned in the report until now, the Carbon Disclosure Project is one of the most relevant projects on the international scene in the sphere of climate change that encourages companies to report their performance and the Dow Jones Sustainability Index is a methodology for measuring the global sustainability of companies -which is only accessed if it is listed, among other requirements- that classifies international companies to include them in the stock market index (DJSI).

FIGURE 11. ANALYSIS OF THE CSR OF INVESTEES BY GROUP

	CSR on the website	Year of attachment to Global Compact	Sustainability report	GRI	Carbon Disclosure Project	Dow Jones Sustainability Index
Ibex 35	100%	100%	100%	75%	75%	25%
Ibex 35 + Listed Companies	100%	78%	78%	67%	56%	11%
Listed Companies	100%	60%	60%	60%	40%	0%
Total Companies	67%	39%	39%	33%	28%	6%
Non-Listed Companies	33%	0%	0%	0%	0%	0%

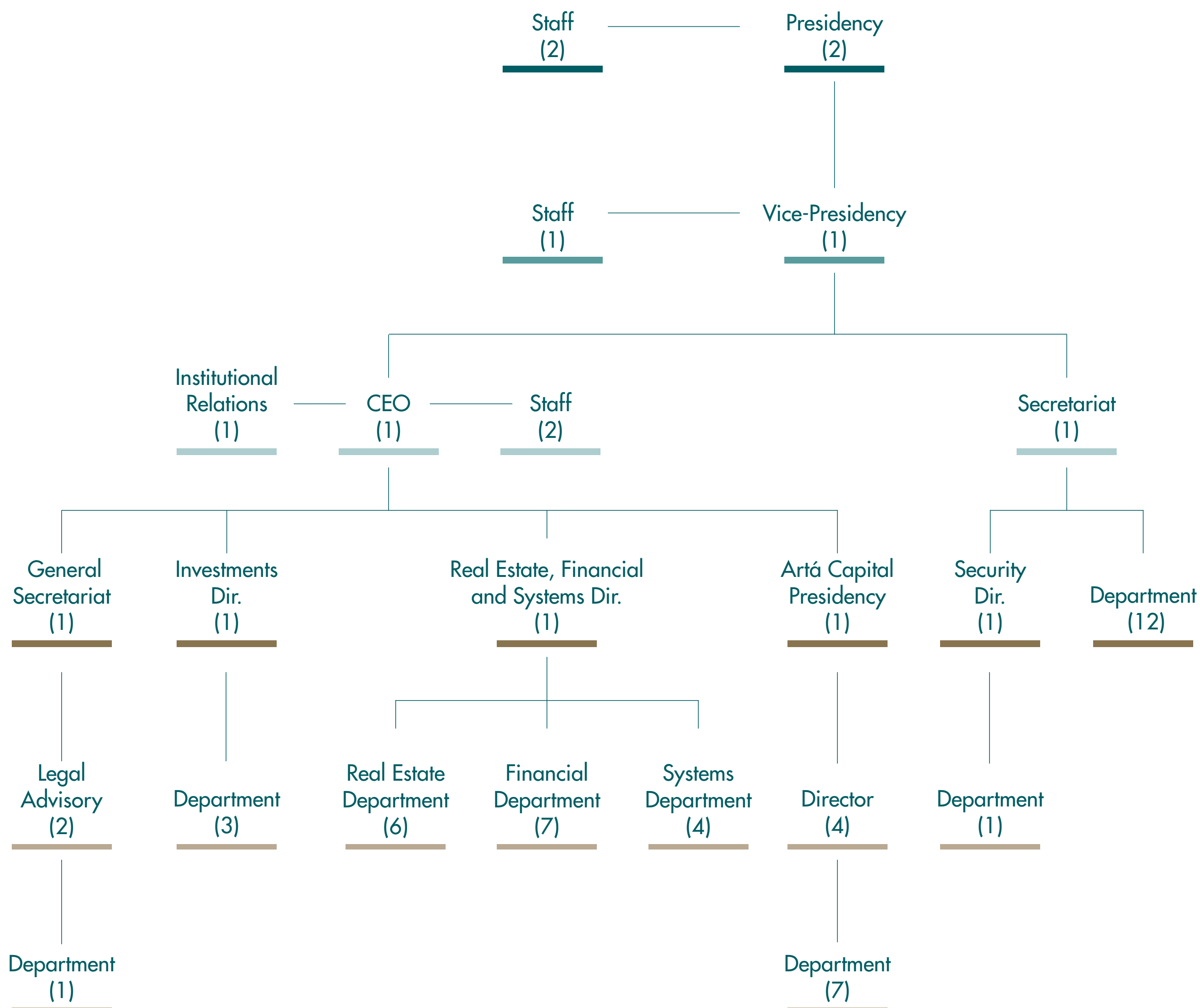
Figures 10 and 11 show that the higher the degree of sophistication of the social responsibility initiative (from left to right), the smaller the number of companies that carries it out. The same occurs if we compare the IBEX 35 companies with those listed on the continuous market. This phenomenon is common not only to the companies of this universe, but also at the national and international level, since companies with greater resources -monetary and human- and with greater visibility usually invest more in social responsibility. As an additional factor, in the decision-making process of institutional investors we can observe an upward trend due to the inclusion of ESG aspects -the so-called socially responsible investment (SRI)- and companies are becoming increasingly aware of the importance of developing the CSR area.

No major differences seen with respect to the previous year between the degree of progress in CSR made by investees, although there is still much room for improvement in this field.

3.3. Alba's human team

Corporación Financiera Alba is an organisation which is aware of the importance of caring for its employees and providing the most favourable work environment possible to achieve optimum results. Beyond the daily functions they discharge to create value, Alba's team is made up of people who value the company's commitment to reconciliation, training, safety and health and talent retention.

FIGURE 12. COMPANY ORGANISATION CHART



Diversity

At group level, Alba's team grew 11% with respect to 2015, from 54 to 61 employees, as a result of new hires. All employees have permanent employment contracts and the number of wome[9] account for 31% of the total.

Equal opportunities when hiring, promoting or evaluating a person is a governing principle at Alba, where meritocracy, professionalism and other competences and skills are determining factors in the process. These values also apply in the selection of the members of the Board of Directors. In 2015 two female directors were appointed, although one of them could not take office. In 2016, the shareholders at the Annual General Meeting appointed another two female directors, raising the current number to three female members of the Board of Directors. In this manner, Alba fulfils its intention to increase the diversity of its Board, as indicated by the Code of Good Governance of the listed companies of the CNMV, and progresses towards the objective of having 30% of female directors in 2020.

Health and Safety

The work performed by the employees in an office environment ensures that safety and health do not entail a significant employment risk at Alba. However, aware that investment in preventive measures is necessary and convenient to avoid possible negative impacts on employees' health, the company has an emergency measures plan so that any incident that could affect its facilities has little or minimum impact. It has placed an "Office Work Safety and Health" manual at its employees' disposal and ASEPEYO annually conducts an audit on the offices and prepares a report with recommendations on lighting, workstations, files, etc., that is subsequently evaluated internally to implement improvement initiatives.

As for social benefits, all staff have an annual medical examination, health, life and accident insurance -as payment in kind- and pension plans[10].

Reconciliation

One of the criteria through which the degree of employee satisfaction is measured in an organisation is the possibility of balancing work with other personal aspects. The materialisation of this principle is included in the code of conduct[11] through point 6.5, in which Alba undertakes to promote the family reconciliation policies that will facilitate the necessary work-life balance.

Training

The continuous improvement of employees in current society is essential for adapting

9. G4-10 and G4-LA12
10. G4-LA2
11. G4-56.

the organisation to a market undergoing constant change and vulnerable to multiple parameters beyond the organisation's control. Training is aimed at all the organisation's profiles and is more intense in the technical profiles. In 2016 training amounted to 630 hours, distributed as follows between the different departments: Legal 70 hours, Investment 75 hours, Real Estate 433 hours (essentially due to specific recycling courses that increased the usual number of training hours), Administration 150 hours, Systems 32 hours and Communication 20 hours[12]. Overall, the objective of exceeding the figures of the previous year has been fulfilled.

3.4. Alba's impact on society[13]

In the 2015 annual report, an objective was established with regard to the activation of the corporate volunteering plan. To put it into practice, Alba availed itself of the plan implemented by Banca March. In this regard, it should be noted that Banca March participated in a project, coordinated by the AEB and Fundación Junior Achievement, for volunteering in financial education in Secondary Education Institutes. Within the framework of the different activities of this programme, a total of 30 people were involved, who dedicated approximately 150 hours of their time. Annually, Alba financially supports different projects: from entities whose mission is to generate knowledge and research on the evolution of the economy and society at the national level, to those who are responsible for promoting Culture. These collaborations are based on long-term alliances that go beyond sporadic collaborations that do not require a tacit commitment.

Additionally, different types of activities are indirectly promoted by the foundations of investee companies ACS, Ebro Foods, Euskaltel and Parques Reunidos. Also, in 2016 monetary contributions amounting to EUR 315,000 were made to the following organisations:

12. G4-LA9
13. G4-16

INSTITUTO DE ESTUDIOS ECONÓMICOS

Institute which aims to promote, conduct and disseminate work and research regarding economic and social matters in order to encourage private enterprise and the market as an efficient way of creating and allocation resources.

fedea Fundación de Estudios de Economía Aplicada

Fundación de Estudios de Economía Aplicada Foundation which aims to positively influence society, researching the most important economic and social matters of our time.

FUNDACIÓN JUAN MARCH

Foundation that develops its activities in the field of human and scientific culture.

The measurement of the positive impact on the community is also performed through the responsible management of suppliers and the generation of economic activity in the supply chain[14]. Alba forms part of the service sector -not very intensive in the consumption of resources- and is a medium company if we take into account the number of employees, due to which there are not many risks or opportunities in the purchasing decisions. Even so, it monitors its supply chain and ensures the maintenance of the long-term relationships therewith. In 2016 its contracts and service provisions were carried out through 88 different suppliers -100% local- which entailed a disbursement of EUR 3.7 million plus VAT.

14. G4-12

3.5. Alba's environmental footprint

The company's role in the care and improvement of the environment is essential and, due to the resources at its disposal and the impacts it generates with its activity, must assume a leading role, together with the States, to reach a balance between the company's development and its co-existence with the environment. As part of its commitment to CSR, Alba takes into account the importance of integrating environmental aspects through its investment decisions and the direct impact generated by the organisation's operations. This is expressed in the prevention of pollution, the rational and sustainable use of resources and correct waste management.

Climate change is a global concern and is considered the greatest current challenge faced by the population with impacts on issues such as food safety, health and immigration.

In 2016 Alba's Carbon Disclosure Project (CDP) report was not presented, since the self-evaluation of the policies and initiatives related to climate change is usually performed by large companies whose activity has a significant impact in terms of CO_2 emissions, and which in Alba's case is practically irrelevant.

Alba did calculate its carbon footprint, in which it considered both air transport and electricity consumption by offices[15]. This level of measurement corresponds to Scope 1 GHG emissions (direct emissions)[16] and amounted to 121 tonnes of CO_2, corresponding to 390,518 kwh of electricity consumed and 170 routes by train and plane totalling more than 130,000 kilometres. This figure accounts for 85% of the energy consumed in 2015.

In recent years, actions aimed at reducing CO_2 emissions and achieving greater efficiency have been carried out in the buildings. Thus, all the new luminaires installed in the offices since 2014, both in common and leased areas, are LED luminaires with control, in accordance with the CTE (Spanish Technical Building Code)[18]. New, more efficient energy-producing machines[19] and new condensation boilers have also been installed[20].

15. G4-EN3
16. G4-EN15
17 Figure extrapolated based on the consumption made in the first nine months of the year.
18. In the buildings of Valrealty, Diagonal II, Miguel Angel 23 and General Perón, 38.
19. In the buildings of Valrealty, Miguel Angel 23 and General Perón, 38.
20. In the buildings of Valrealty and General Perón, 38.

Within the philosophy of efficiency and savings in resources, all the new printers enable double-sided printing, which facilitates a reduction in total paper consumption. For years, efficient bureaucracy has been incentivised by the elimination of paper documents and their replacement by digital remittances. Paper consumption amounted to 296,300 folios in 2016, down 43% on 2015, and they were all certified by the FSC (Forest Management Certification) environmental seal.

Although the activity of the financial sector is not intensive in water consumption, Alba is aware of the need to reduce it insofar as possible, particularly taking into account Spain's characteristics, with potential risk of drought and desertisation. Therefore, control, minimisation of consumption and awareness are paramount. Water consumption amounted to 8.74 cubic metres[21], slightly up 3% on 2015.

4. Degree of progress of the CSR plan

In the report corresponding to 2015, a series of objectives to be achieved during the year covered by this report were established. In 2016 major progress was made, namely in the achievement of the Good Governance objectives, its election as the Company with the Best Corporate Governance 2016 in the *Global Banking and Finance Awards* and in the volunteering plan and its intention to expand it in 2017.

The table below shows the follow-up of the objectives on which work will continue, in order to gradually address them all.

The area in which most progress has been made is good governance -the most relevant for the Company-, followed by the social and environmental areas, respectively.

21. G4-EN8

Objectives		Level of compliance
Good governance		
1.1.	Promote the involvement of investees in terms of corporate social responsibility	√
1.2.	Promote the attachment of investees to the United Nations Global Compact	√
1.3.	Promote compliance of investees with the new EU Non-Financial Reporting Directive	x
2.	Training in ESG aspects for the Investment Department team in order to gradually include the analysis of extra-financial risks in portfolio management	~
3.	Join the Good Governance promotion initivatives arising in Spain	√
4.	Development and consolidation of the crime prevention plan in compliance with current legislation	√
Social		
1.	Definition of a professional and pesonal work-life balance plan	x
2.	Improve employees training process	√
1.	Increase the promotion of social action	~
2.	Define a corporate volunteering plan in the company	√
Environmental		
1.	Increase the coverage of the carbon footprint by including the real estate portion to its calculation	~
2.	Promote the reduction of paper consumption	√
3.	Promote the participation of investees in the *Carbon Disclosure Project* initiative	~

x Progress has not been made on this measure
~ Remains unchanged / Some progress has been made
√ Fulfilled

5. Table of contents GRI

GRI 4	Section	Omissions
Strategy and analysis		
G4-1	Letter from the Chairman	
G4-2	Letter from the Chairman	
Organisational profile		
G4-3	Alba's materiality and Stakeholders	
G4-5	Alba's materiality and Stakeholders	
G4-6		Transactions are only performed in Spain
G4-7	Investing responsibly	
G4-8		Transactions are only performed in Spain
G4-9		Workforce: 61 people Capitalisation (30-12-2016): EUR 2,498 M€
G4-10	Alba's human team	
G4-11		100% of employees covered by the Office Workers Collective Agreement
G4-12	Alba's impact on society	
G4-13		The shareholder structure did not vary. In 2016, CFA absorbed two subsidiaries, Alba Participaciones and Balboa Participaciones, both wholly-owned by Alba.
G4-14		N/A Corporación Financiera Alba has a limited direct environmental impact and, therefore, does not require application of the precautionary principle.

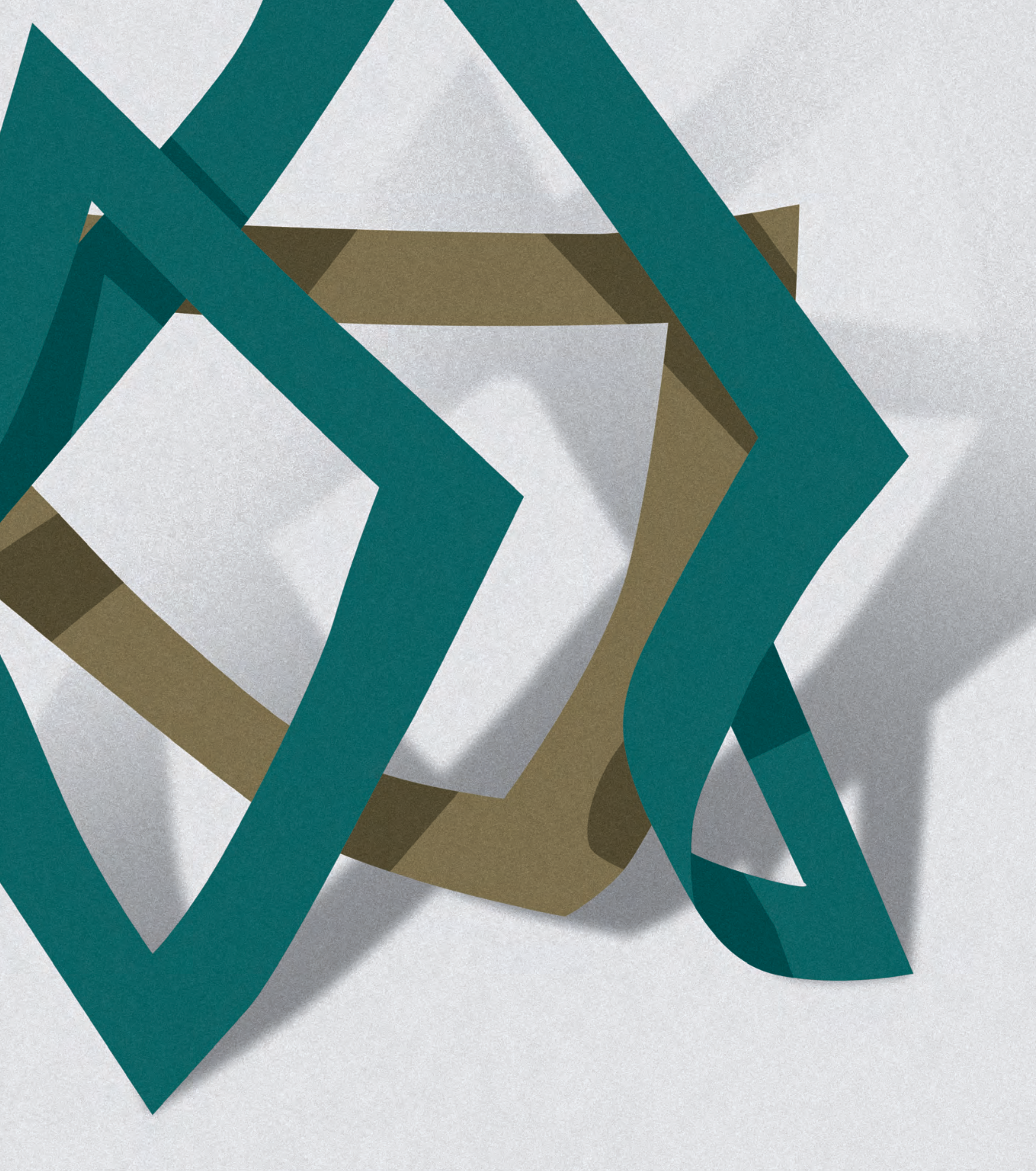
GRI 4	Section	Omissions
Organisational profile		
G4-15	Managing Alba with social responsibility	
G4-16	Alba's impact on society	
Material aspects and coverage		
G4-17		27 companies including Group companies, associates and venture capital companies, all of which are included in the Notes to the financial statements
G4-18		The process, followed by determination of materiality and content, was performed internally and included the participation of sustainability experts
G4-19	Alba's materiality and stakeholders	
G4-20		N/A
G4-21		Materiality was limited to internal aspects of the organisation
G4-22		There are no restatements of the content of the Notes to the prior year's financial statements.
G4-23		There were no significant changes in the scope or coverage of each material topic
Stakeholders engagement		
G4-24	Alba's materiality and stakeholders	
G4-25		The election is based on the impacts they may have on the business and on those arising from Alba's activity
G4-26		N/A
G4-27		No problems with stakeholders were recorded

GRI 4	Section	Omissions
Report Profile		
G4-28		2016 calendar year
G4-29		30 March 2016
G4-30		Annual
G4-31		lff@alba-cfa.com
G4-32	Alba's materiality and stakeholders	
G4-33		The Notes to the financial statements were not verified by external entities
Governance		
G4-34		The Annual General Meeting, called and convened with the legal and statutory formalities and those envisaged in the Regulations of the Annual General Meeting, is the supreme and sovereign body of expression of the company's will. (i) Nomination and Remuneration Committee -composed of external directors, most of its members and its Chairman being independent directors-. (ii) Audit and Compliance Committee -composed of external directors, most of its members and its Chairman being independent directors-. (iii) Operations Committee -composed of a minimum of three and a maximum of six directors appointed by the Board of Directors, taking into account their knowledge, skills and experience and the Committee's duties-.
Ethics and integrity		
G4-56	Alba's human team	
Economic performance		
G4-EC1		Net revenue: EUR 18.6 M (including rental income)

GRI 4	Section	Omissions
Energy		
G4-EN3	Alba's environmental footprint	
Water		
G4-EN8	Alba's environmental footprint	
Emissions		
G4-EN15	Alba's environmental footprint	
Employment		
G4-LA2	Alba's human team	
Occupational Health and Safety		
G4-LA9		In 2016, four employees took sick leave over a total of 396 days (305, 60, 26 and 5 days) And there were two maternity leaves (43 and 12 days)
Training and education		
G4-LA9	Alba's human team	
Diversity and equal opportunities		
G4-LA12	Alba's human team	
Regulatory compliance		
G4-SO8		In 2016 there were no fines or sanctions in this aspect

CORPORATE GOVERNANCE REPORT

To go to the Corporate Governance Report please click on this link.



AUDIT AND COMPLIANCE COMMITTEE ACTIVITY REPORT

AUDIT AND COMPLIANCE COMMITTEE ACTIVITY REPORT

I. Introduction

This report on the functions and activities of the Audit and Compliance Committee of Corporación Financiera Alba, S.A. has been prepared following the recommendations for the good corporate governance of listed companies and, in particular, those included in the Good Governance Code of Listed Companies, approved by the Spanish National Securities Market Commission on 18 February 2015, as envisaged in the Unified Document of Corporate Governance Recommendations, approved by the Spanish National Securities Market Commission on 22 May 2006.

The Audit Committee was created by the Board of Directors on 29 March 2000, following the recommendations of the so-called "Olivencia Code".

Subsequently, Law 44/2002, of 22 November, on Financial System Reform Measures ("Finance Law"), established the mandatory existence of this Committee in listed companies and certain requirements related to their composition, competences and operating rules.

Pursuant to said Law, Corporación Financiera Alba, S.A. amended its Bylaws and its Board Regulations, establishing the Committee's competences and operating rules.

The approval of Law 12/2010, of 30 June, amending the Auditing, Securities Market and Spanish Companies Laws, extending the competences of Audit Committees, gave rise to the amendment of the Board Regulations to adapt them to the legal provisions relating to the Audit Committee. Also, advantage was taken of this amendment to introduce the recommendations arising from the document of the Spanish National Securities Market Commission relative to "Internal control of financial information in listed companies" (June 2010) in the Board Regulations.

Law 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law to improve Corporate Governance, introduced Article 529 quaterdecies, relative to the Audit Committee, in the Spanish Limited Liability Companies Law ("LSC"), including provisions relating to their composition, organisation and functions, which were incorporated to the Board Regulations by means of the amendment agreed upon on 5 May 2015.

Law 22/2015, of 20 July, on Financial Auditing, amended, in its Final Provision 4, Article 529 quaterdecies of the Limited Liability Companies Law relating, as indicated, to the Audit and Compliance Committee in aspects that mainly affect the composition of this Committee and its functions, due to which, after coming into force, the Board Regulations were newly amended, by agreement of 3 May

2016, to include those changes and, likewise, its name was changed to Audit and Compliance Committee (the Board of Directors informed the shareholders at the Annual General Meeting held on 8 June 2016 of the agreement, which was registered at the Mercantile Registry on 15 July 2016).

II. Functions of the Audit and Compliance Committee

In the Article 22 of the Regulations of the Board of Directors of Corporación Financiera Alba, S.A. (after the last amendment made by resolution of 3 May 2016), pursuant to Article 529 quaterdecies of the LSC, the following functions are entrusted to the Audit Committee, notwithstanding any others that may be assigned thereto by the Board of Directors:

a) Inform the shareholders at the Annual General Meeting of any questions raised in relation to matters for which the Committee is responsible and, in particular, of the result of the audit, explaining how it has contributed to the integrity of the financial information and the function that the Committee discharged in this process.

b) Supervise the effectiveness of the internal control of the company, internal audit and risk management systems, and discuss the significant weaknesses of the internal control system detected during the audit process with the auditor, without jeopardising its independence. For such purposes and, where applicable, recommendations or proposals may be presented to the governing body and the corresponding monitoring time frame thereof.

c) Supervise the process of preparing and presenting the mandatory financial information and putting forward recommendations or proposals to the governing body, aimed at safeguarding its integrity.

d) Propose to the Board of Directors the selection, appointment, re-election and replacement of the auditor, being responsible for the selection process, pursuant to Article 16, sections 2, 3 and 5, and Article 17.5 of Regulation (EU) No. 537/2014, of 16 April, and the engagement conditions thereof, and regularly obtain information about the audit plan and its execution, in addition to preserving the auditor's independence in the exercise of its functions.

e) Establish the relevant relationships with the external auditor in order to receive information on any matters that might jeopardise its independence, for examination by the Committee, and any other matters related to the financial audit process and, where applicable, the authorisation of services other than the prohibited services, under the terms envisaged in Article 5, Section 4, and Article 6.2.b) of Regulation (EU) No. 537/2014, of 16 April, and in Section 3 of Chapter IV of Title I of Law 22/2015, of 20 July, on Financial Auditing, on the independence regime, in addition to any other communications envisaged in financial audit legislation and auditing standards. In any case, each year the auditors will be required to provide written confirmation of their independence with respect to the entity or entities directly or indirectly related thereto, as well as detailed and individualised information on the additional services of any kind provided to these entities and the corresponding fees received from these entities by the external auditor or by the persons or entities related thereto pursuant to the legislation governing financial audit activities.

f) Issuance on a yearly basis, prior to issuing the audit report, of a report expressing an opinion on whether the independence of the auditor or audit companies is compromised. This report shall contain, in all cases, the evaluation of the provision of each and every one of the additional services to which the preceding letter makes reference, considered individually and globally, other than the legal audit and in relation to the independence regime or to the legislation governing financial audit activities.

g) Previously inform the Board of Directors of all the subject matter envisaged in the Law, Bylaws and Board Regulations and, in particular, of:

1. The financial information that the Company must periodically disclose.

2. The creation or acquisition of ownership interests in special purpose entities or domiciled in countries or territories considered tax havens.

3. Transactions with related parties.

h) Oversee compliance with Company's corporate governance rules, internal codes of conduct and corporate social responsibility policy.

III. Composition

The Audit and Compliance Committee is an internal body of the Board of Directors and, therefore, is composed of the Company's directors. The members are appointed by the Board of Directors and, pursuant to the Spanish Limited Liability Companies Law, subsequent to the amendment made by Law 22/2015, of 20 July, all the members of this Committee shall be external or non-executive directors, most shall be independent directors and at least one of the directors shall be appointed on the basis of his/

her knowledge of accounting, auditing or both. Overall, the Committee members shall have technical knowledge relevant to the sector of activity to which the Company belongs.

The Chairman of the Committee shall be an independent director and, pursuant to the Law and Bylaws, the Chairman shall be replaced every four years and may be re-elected after one year has elapsed from his/her removal.

The composition of the Audit and Compliance Committee of Corporación Financiera Alba has fulfilled the new legal requirements, since it is formed by three directors, two of which are independent and one proprietary, and the Chairman is independent.

The composition of this Committee, at 31 December 2016, was as follows: Mr. Carlos González Fernández, as Chairman, and Ms. Claudia Pickholz and Mr. José Nieto de la Cierva, as directors. Mr. González and Ms. Pickholz are independent directors and Mr. Nieto is a proprietary director. Likewise, Mr. Regino Moranchel Fernández (independent), formed part of the Committee until June 2016.

IV. Operation and activity

The internal operation of the Audit Committee is governed by the provisions of Article 47 of the Bylaws and by the provisions of articles 29 to 34 of the Board Regulations, which regulate everything relating to its sessions, calls to meetings, quorums, adoption of resolutions, minutes, relations with the Board of Directors and the management of the Company, and the powers to request information on any aspect of the Company and to obtain assessment from external professionals.

In 2016 the Audit Committee held eight meetings, in which the following areas were addressed within the aforementioned functions and for which the necessary information and documentation was provided:

- Regular review of the financial information for submission to the Spanish National Securities Market Commission.
- External audit of the financial statements.
- Risk identification and internal control system.
- Regulatory and internal regulation compliance.

AUDIT AND COMPLIANCE COMMITTEE ACTIVITY REPORT

a) Review of regular financial information

In relation to the regular financial information, the Audit and Compliance Committee analysed, prior to its presentation, the quarterly and six-monthly financial information submitted to the Spanish National Securities Market Commission and which is disclosed, in addition to the complementary informative leaflets disclosed, pursuant to Royal Decree 1362/2007, of 19 October (amended by Royal Decree 875/2915, of 2 October), and by CNMV Circular 1/2008, of 30 January (amended by Circular 5/2015, of 28 October).

The Company's Financial Manager, who is responsible for preparing the aforementioned information, collaborates in the analysis for the purpose of explaining the accounting process followed to prepare said financial information and the decisions and criteria adopted.

The Committee approved the aforementioned information prior to introducing certain suggestions made by it.

Likewise, a meeting was dedicated to the examination of the financial statements prior to their authorisation by the Board of Directors.

b) External audit of the financial statements and relations with external auditors

As regards external audit, it should be noted that the auditors attended the meetings of the Audit Committee, in which the financial information corresponding to 2015 year-end and the related financial statements were examined. The external auditors reported extensively on the audit work performed, the most important questions raised and the criteria followed. In particular, the financial statements were issued without any reservations in which no relevant risks to the Company were detected and considering the internal control of the Company adequate. The external auditors performed their functions with the collaboration of the Company's executives. Likewise, the audit work plan for 2016 was explained.

Furthermore, pursuant to Article 529 quaterdecies of the Spanish National Limited Liability Companies Law, the Audit Committee received written confirmation of the auditors' independence from the entity or related entities and issued a report expressing its opinion on the auditors' independence.

In this connection, it should also be noted that the current auditor was also appointed in 2004 and that the last renewal was agreed for 2014, 2015 and 2016.

Taking the foregoing into account, the auditor selection process was carried out for 2017, 2018 and 2019, since 2016 was going to be the last period in which, pursuant to Law 22/2015, of 20 July, on Financial Auditing and Regulation (EU) 537/2014, of 16 April,

on specific requirements for the legal audit of public-interest entities, the current auditor -Ernst & Young- provided the external audit service to Corporación Financiera Alba, in accordance with the audit company's rotation obligation imposed by the aforementioned legislation.

Therefore, anticipating this rotation obligation and in order to replace one auditor for another in a coordinated manner and with sufficient time for the new auditor to adequately discharge its function, it was deemed appropriate to commence the selection process for the new audit firm sufficiently in advance, thereby fulfilling all the procedures and provisions of Article 16 of Regulation (EU) 537/2014. The selection process was carried out during the first months of 2016 and the appointment of the new auditor for 2017, 2018 and 2019 was agreed upon by the shareholders at the Annual General Meeting of the Company held in June 2016. The new auditor for the aforementioned periods shall be KPMG Auditores, S.L.

c) Risk identification and internal control system

As regards the risk identification and internal control system, it should be noted that the Company's Financial Department is responsible for the internal control thereof and has a series of operating rules that establish the internal control criteria. These rules relate, inter alia, to: Accounting and Reporting; Investments and Divestments; Short-Term Investments; Real Estate Property Management; Accounts Receivable; Accounts Payable; and Relations with the CNMV (Spanish National Securities Market Commission).

The Audit and Compliance Committee has been attributed competences in this matter and assesses whether or not the Company has the appropriate organisation, personnel and processes to identify and control its main operating, financial and legal risks, and is empowered to investigate any aspect of the risk identification and internal control system it deems relevant. In this connection, it should be noted that since 2004 the external auditors have performed a detailed examination of the Company's internal control system on several occasions, resulting in that, in their opinion, the Company has a satisfactory internal control system, notwithstanding having made recommendations in this regard, which were assumed.

In 2011, following the recommendations of the CNMV's document "Internal control of financial information in listed companies" (June 2010), the Audit Committee proposed, and the Board of Directors agreed, to establish an Internal Auditing service as an instrument for improving the development of the functions entrusted to the Board of Directors and to the Audit Committee in relation to risk control and management and monitoring of the internal information and control systems. Likewise, the person in charge of this service was appointed and an audit company was engaged to perform Internal Audit functions, in this case Ernst & Young.

In connection with internal audit, it should be noted, namely, that a Bylaw was approved by the Board of Directors (amended by the resolution adopted on 26 October 2015), that a Risk Map of the Company has been prepared (at inherent, residual and internal control effectiveness level) -which has already been reviewed on two occasions- and that it follows an Activity Plan approved by the Audit and Compliance Committee.

In 2016, the internal audit updated, under the Activity Plan, some internal procedures and conducted various internal audits, specifically on the procedures deemed most relevant. Likewise, in relation to the Guide to Internal Control Over Financial Information (ICFR) of the Company, in 2016 its provisions were followed and reported to the Audit and Compliance Committee which, in turn, informed the Board of Directors of the result of the internal audits and monitoring of ICFR.

Likewise, in 2015, following the recommendations of the Code of Good Governance of Listed Companies, the Board of Directors, at the proposal of the Audit Committee, agreed to establish a Risk Control and Management Unit as an advisory and control body of the Audit Committee, independent from the business, aimed at ensuring the establishment of an adequate control and efficient and prudent risk management. The Risk Management and Control Function Bylaw was approved by the Board of Directors on 26 October 2015 and, additionally, a Risk Management Methodology and Monitoring Model was adopted.

In this regard, the Company has defined an Integrated Risk Management System focused mainly on: enabling the proactive and efficient identification and evaluation of risks at Company level, in addition to monitoring and following up thereon; integrating, coordinating and directing the Company's different risk management-related efforts; enabling the obtainment of responsible risk acceptance and reinforcing the responsibility of the Company's personnel; ensuring that the control systems are aligned with respect to the Company's actual risks; and facilitating the application of the corrective measures.

This Integrated Risk Management System was implemented to mitigate the risks to which the group is exposed, given the nature and complexity of its operations and the environment in which it carries on its activity, and is materialised in three key elements:

- The continuous risk management process, understood as those activities performed by all the Company's personnel aimed at

identifying the potential risk events that could affect it, managing the identified risks and providing reasonable assurance that the Company's objectives will be achieved. In this connection, the Company's Risk Map was also reviewed for the purpose of confirming that it continues to represent its risk profile.

- An organisational approach with clearly defined roles and responsibilities, such that, although integrated risk management affects and involves all Company personnel, the main participants are: those responsible for risks, the Risk Control and Management Unit, the Audit Committee and the Board of Directors.

- A monitoring model that defines and provides the necessary and specific information for all the participants of the risk management process to make informed decisions with respect thereto.

The Audit and Compliance Committee, within this Integrated Risk Management System, has been entrusted with the function of supervising the effectiveness of the Company's internal control, the internal audit and risk management systems, evaluating whether or not the group has the appropriate organisation, personnel, policies and processes for identifying and controlling its main risks and, particularly, the financial and legal operating processes.

In connection with the risk management processes, in addition to the aforementioned Risk Control and Management Unit, Corporación Financiera Alba has regulatory and Internal Audit Service compliance processes, mentioned below, to which reference has already been made.

In 2016 two Business Risk Monitoring Reports (corresponding to the second half of 2015 and to the first half of 2016), were prepared and presented pursuant to the approved Risk Management Methodology and Monitoring Model. These Reports examine the aggregate situation of the risks and individual analysis thereof (the ten most critical risks, according to the Risk Map). In order to prepare them, meetings were held with the persons responsible for the risks, the defined controls and indicators were verified, and the assessment being monitored was reviewed and analysed. The Reports concluded that the controls were effective (although some were not applicable in the aforementioned periods) and the indicators that required attention made it possible to obtain the relevant explanations or clarifications, without requiring special action plans.

Lastly, within this area, it should be noted that the risks and assessment thereof (impact and probability) were also reviewed and analysed with the different persons responsible for the risks, for the purpose of verifying if it continued to be valid in the year, having concluded that the assessment of critical risks adequately reflects Alba's current situation and, therefore, does not need to be modified or updated.

d) Regulatory compliance and other

In relation to compliance with the law and internal regulations, it is expounded hereunder in greater detail than in the preceding points since, pursuant to Article 26.c) of the Board Regulations, the Audit and Compliance Committee must prepare a report in this regard.

Internal regulation

It should firstly be noted that the Company, in order to ensure compliance with the applicable regulations, has an appropriate organisation including, namely, the existence of a Legal Advisory Department, Tax Advisory Department and Financial Department, each of which, within their area of competence, ensures compliance with the applicable regulations (external and internal). Likewise, the Board Regulations provide that the Secretary will be in charge of ensuring the formal and material legality of its actions, the statutory regularity thereof and the fulfilment of its governance procedures and rules.

Furthermore, the functions of this Committee include guaranteeing the existence of an effective internal system for ensuring that the Company fulfils the laws and provisions that govern its activity, and verifying that the necessary procedures for guaranteeing that the management team and employees fulfil internal regulations have been established. Likewise, it should be noted that the Financial Manager in charge of the Company's internal control attends the Committee's meetings and informs about the related matters.

Further, as mentioned earlier, the Company has an Internal Audit Service with a Risk Control and Management Unit, and a Risk Management Methodology and Monitoring Model has been adopted.

Also, in 2015 the Company adopted or updated the following policies based on the Audit Committee's report, envisaged in various good corporate governance provisions or recommendations: Corporate Governance Policy; Corporate Social Responsibility Policy; Communication Policy; Dividends Policy; Treasury Shares Policy (also amended based on the Audit Committee's report, on 14 November 2016); Investment Policy; Tax Policy; Board Remuneration Policy; Director Candidate Selection Policy; Risk Management Policy; and Crime and Fraud Prevention Policy.

As regards the existence of internal procedures, as mentioned earlier, the Company has a series of operating rules that establish the internal control criteria, in addition to the manuals relating to the Company's Financial

Information Internal Control System Manual, Risk Management Methodology and Monitoring Model, and Crime Prevention.

Moreover, in 2011 a Code of Ethics and Conduct was approved and the Internal Regulation of Conduct in the sphere of the Securities Market was updated. In 2016 this Internal Regulation was replaced by a new Internal Regulation of Conduct in the sphere of the Securities Market, which was drafted mainly for its adaptation to the provisions established in Regulation (EU) 596/2014 of the European Parliament and of the Council, of 16 April 2014, on market abuse (the "Regulation on Market Abuse") and its implementing regulations. The Regulation regulates the rules of conduct that must be observed by the persons included within its scope of application in their actions related to securities markets and, in this regard, establishes the appropriate controls and necessary transparency, in order for the Company to correctly manage and control privileged information and the dissemination thereof, market studies -if any-, transactions with treasury shares, personal transactions subject to disclosure and the preparation or performance of conducts that may imply market manipulation. Likewise, it introduces the necessary principles to reduce the risk of conflicts of interest. The Audit and Compliance Committee issued a favourable report on the Proposal to amend the Internal Regulation of Conduct.

Within this area of internal regulation, mention should also be made of the amendment of the Board Regulation (agreed upon on 3 May 2016, based on the report issued by this Committee) aimed mainly at incorporating the amendments made to the Spanish Limited Liability Companies Law by Law 22/2015, of 20 July, on Financial Auditing, in addition to those arising from recommendation 53 of the Code of Good Governance of Listed Companies, relative to the supervision of the fulfilment of good governance rules, of the internal codes of conduct and of the corporate social responsibility policy.

The aforementioned internal regulation envisage the corresponding control and monitoring bodies and the Code of Ethics and Conduct regulates a confidential reporting channel whose field of application currently comprises any action supposedly illegal or contrary to that envisaged in the Code itself. In 2016 no communication was made through the confidential reporting channel.

Legal Compliance

In addition to the internal regulation mentioned in the preceding paragraphs, in 2016, as a complementary measure to the other actions carried out in recent years to adapt to the new requirements and best good governance practices (such as, for example, the Internal Audit Service, the Financial Information Control

System, the creation of the Risk Management and Control Unit or the creation of a Crime Prevention model and manual), Corporación Financiera Alba formalised and implemented a Regulatory Compliance function within the General Secretariat for the purpose of coordinating, systematising and monitoring the different actions and efforts made in this connection, to which end Ernst & Young collaborated in the implementation and monitoring.

The objective of this function is to provide a reasonable guarantee that Alba will fulfil its key legal and regulatory obligations, to which end: (i) the main legislative and regulatory obligations to be fulfilled by the Company were identified; (ii) a compliance model was designed (with activities and tasks to be carried out, dates and responsible persons); and (iii) a monitoring and follow-up model of the Compliance activities, with early alerts and six-monthly reviews, for the purpose of avoiding any potential non-compliance.

The requirements identified, those fulfilled and those that did not apply are verified in the follow-up reports and, where applicable, improvement opportunities are indicated. Specifically, in the Report relative to the first half of 2016 (only report issued during the period) no non-compliance was detected and only three improvement proposals were made. These follow-up reports are presented and examined at the Audit and Compliance Committee meeting.

Crime prevention

As a result of the regulation of the criminal liability of legal persons, particularly after the reform of the Criminal Code by Organic Law 1/2015, a new Crime Prevention Model was approved (26 October 2015) and, throughout 2015 and 2016, different initiatives were launched in relation to the application of the new corporate regulations and monitoring, detection and reaction means. In this connection, the follow-up reports were prepared, in which different risks and their controls were analysed in accordance with the strategic plan and annual plan, having observed the generalised fulfilment thereof, formulating only some recommendations.

Other

In relation to this action area, the Audit and Compliance Committee also examined the draft Annual Corporate Governance Report -which was subsequently approved by the Board of Directors- and the follow-up Reports prepared by the control bodies of the Internal Regulation of Conduct, Code of Ethics and Conduct and Crime Prevention Manual, on actions carried out in compliance therewith.

Further, within this area of regulatory compliance, reference should also be made to the examination of related transactions with Directors, significant shareholders or their

representatives, or with persons related thereto or with investees ("related transactions"), which have been favourably reported on due to fulfilling the necessary conditions. Also, pursuant to the Code of Good Governance of Listed Companies (recommendation 6), the Audit Committee approved and published a report on the aforementioned related transactions on the Company's website.

Specific reference should be made to the monitoring of tax risk, which motivated the examination of the Company's tax situation by the Audit and Compliance Committee, in relation to its tax obligations in general, to the most relevant aspects in relation to Income Tax, VAT and Local Taxation, and to the fulfilment of the different information obligations.

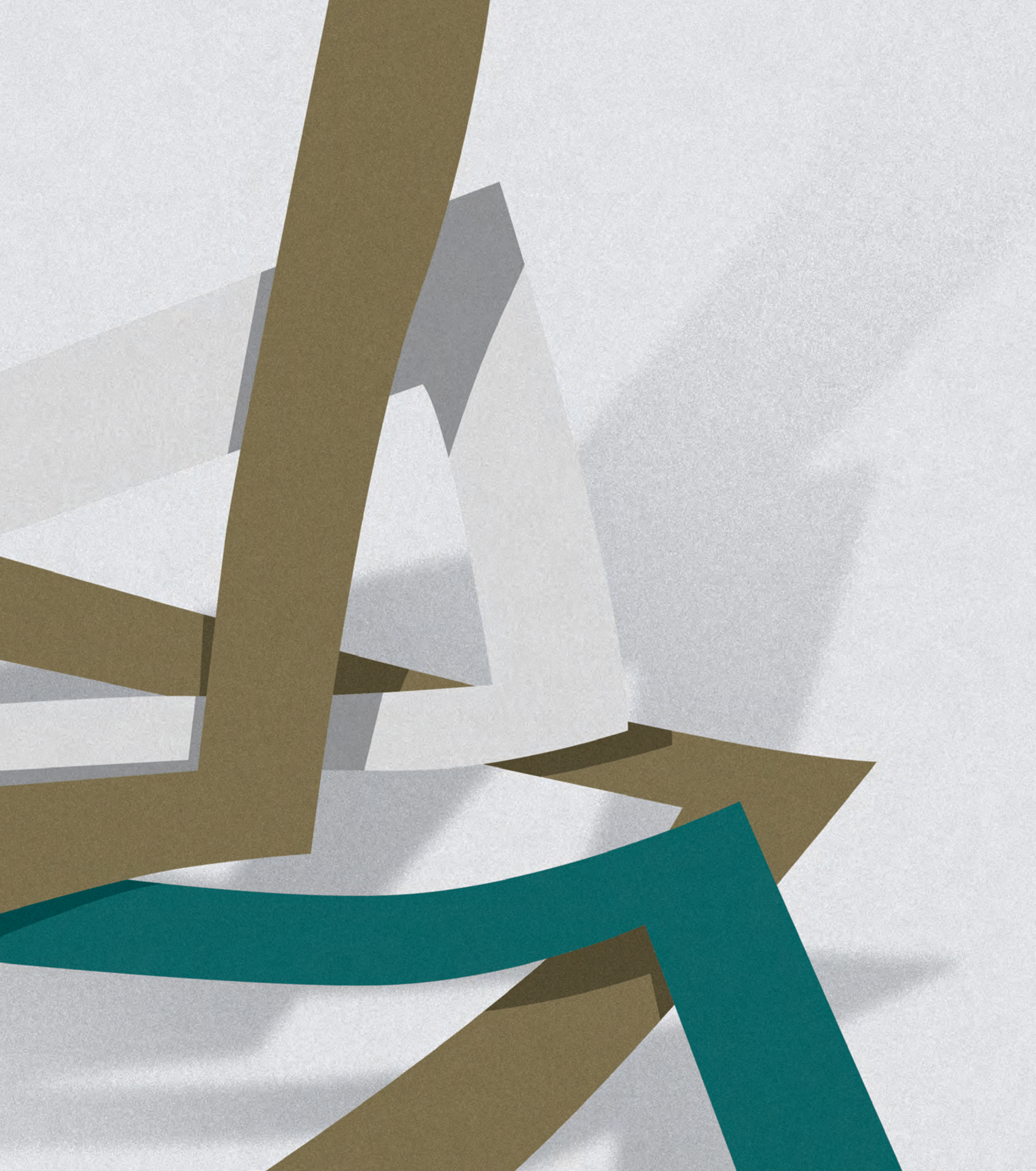
Also in relation to the monitoring of the Company's tax matters, it should be noted that the Committee twice examined the proposal to merge Corporation Financiera Alba (absorbing company) with its wholly-owned subsidiaries, Alba Participaciones, S.A.U. and Balboa Participaciones, S.A.U. (absorbed companies), the reasons for the transaction, its previous tax situation and the intention to perform the merger (the two successive mergers) under the tax neutrality regime provided for in Chapter VII of Title VII of the Spanish Limited Liability Companies Law. Also, a Binding Consultation was requested from the Directorate-General of Taxes, which positively valued the transaction and economic reasons thereof (the merger was approved at the Annual General Meeting held on 8 June 2016 and was registered at the Mercantile Registry on 7 November 2016). As a result of the aforementioned merger, the group structure that had been approved by the Board of Directors in 2015 was modified, due to which, based on the report issued by this Committee, a new group structure was approved that removed the companies Balboa Participaciones, S.A.U. and Alba Participaciones, S.A.U. therefrom.

Further, reference must be made to the monitoring performed by the Corporate Social Responsibility Policy Committee, highlighting in particular that it informed in the Sustainability Report, prepared following the recommendations of the Code of Good Governance of Listed Companies (mainly, 54 and 55), in which it makes reference to: the principles of Alba's investment policy; the management of the Company from the viewpoint of corporate responsibility; the importance of the different stakeholders; the channels of communication therewith; Alba's portfolio and the sustainability challenges of its investees; Alba's team and the most relevant aspects thereof; and the impact on society and the environmental footprint. This Report is aligned with one of the most widely used international sustainability reporting standards worldwide, the Global Reporting Initiative (GRI), in its latest version, G4.

Lastly, the Audit and Compliance Committee monitored the functioning of the Company's website, which was modified as a result of the approval of CNMV Circular 3/2015, of 23 June, and which is fully adapted to the provisions in force.

Based on the foregoing, the Audit and Compliance Committee considers that the Company has an appropriate organisation and a regulatory framework considered sufficient to ensure satisfactory compliance with the regulations, and that the Company's effective compliance with the internal and external regulations applicable thereto, and the provisions and recommendations in relation to corporate good governance is satisfactory.

Madrid, 23 February 2017



ANNUAL REPORT ON DIRECTORS' REMUNERATION

To go to the Directors' Remuneration Report please click on this link.

PROPOSED RESOLUTIONS

PROPOSED RESOLUTIONS

The Board of Directors submitted the following resolutions for consideration at the Annual General Meeting:

1. Approve the financial statements, both individual and consolidated, for the year ended 31 December 2016.

2. Approve the management of the Board of Directors during the same period.

3. Approve the proposed distribution of profits and payment of dividends.

4. Empower the Board of Directors to increase capital against reserves (retained earnings) by issuing new ordinary shares of the same class and series as those currently outstanding, to instrument a "scrip dividend".

5. Approve the re-election and categories of directors (voting separately the proposals): Re-elect Mr. José Domingo de Ampuero Osma (independent), Ms. Cristina Garmendia Mendizábal (independent) and Mr. José Ramón del Caño Palop (executive) as Company directors.

6. Approve, in a advisory capacity, the Remuneration Report of the Board of Directors in 2016.

7. Approve the proposed amendment of the Directors´ Remuneration Policy and the maximum amount of the annual remuneration of the Company´s Directors (EUR 1,500,000).

8. Approve, pursuant to Article 219 of the LSC (Spanish Corporate Enterprises Act) and Article 39 of the Bylaws, a variable remuneration tied to the value of the Company's shares for the executive directors and personnel determined by the Board of Directors, in order to bind them directly to the shareholder value creation process.

9. Authorise the acquisition of treasury shares, within the maximum limits permitted at a given time and in compliance with the requirements established in the Spanish Limited Liability Companies Law, and the use of the shares acquired by virtue of this authorisation and prior authorisations, for the allotment of remuneration plans of executive directors, executives and employees consisting of the delivery of shares or options thereon, and authorise the Board of Directors to reduce the share capital, where applicable.

10. Authorise the Board of Directors to execute the resolutions adopted at the Annual General Meeting.

11. Approve the minutes of the Annual General Meeting.