ANNUAL REPORT 2017

ALBA
GRUPO MARCH

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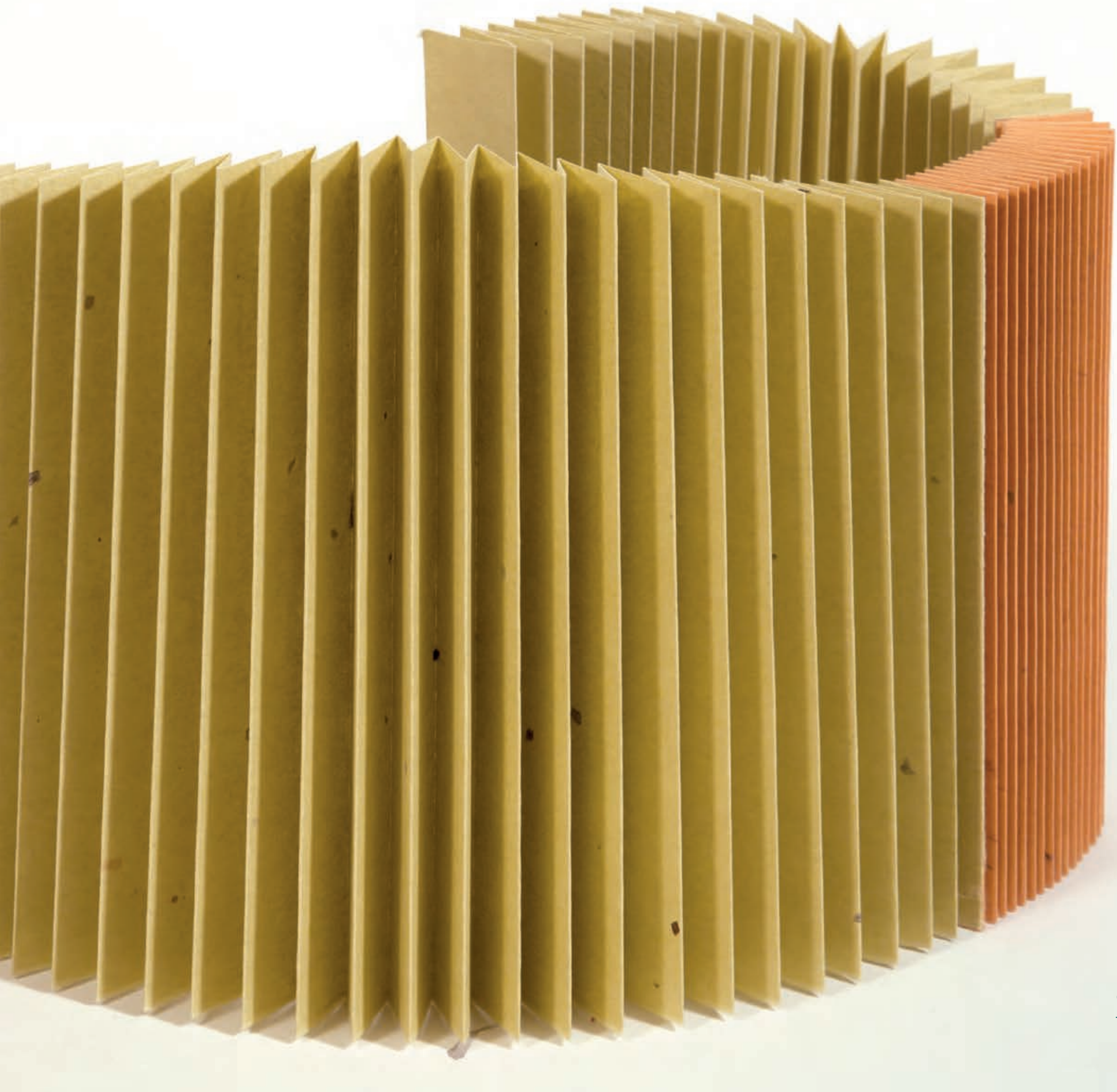
BOARD OF DIRECTORS AND MANAGEMENT



BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Chairmen
Mr. Juan March Delgado
Mr. Carlos March Delgado

Vice-President
Mr. Juan March de la Lastra

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

Directors
Mr. José Domingo de Ampuero y Osma
Mr. Ramón Carné Casas
Ms. Cristina Garmendia Mendizábal
Ms. María Eugenia Girón Dávila
Mr. Carlos González Fernández
Mr. Juan March Juan
Ms. Claudia Pickholz
Mr. Antón Pradera Jáuregui

Secretary and Director
Mr. José Ramón del Caño Palop

AUDIT AND COMPLIANCE COMMITTEE

Chairman
Mr. Carlos González Fernández

Members
Ms. María Eugenia Girón Dávila
Ms. Claudia Pickholz

Secretary
Mr. José Ramón del Caño Palop

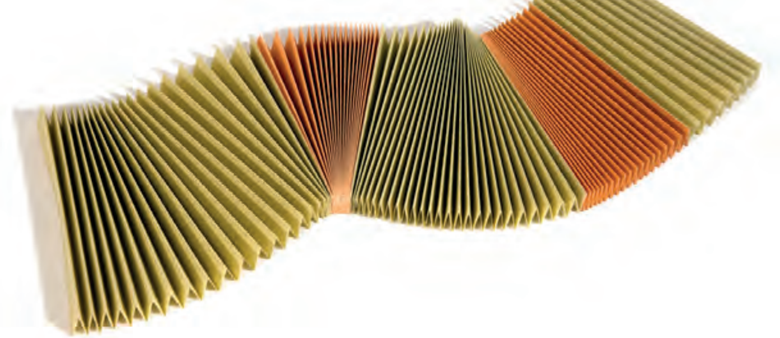
NOMINATION AND REMUNERATION COMMITTEE

Chairwoman
Ms. Cristina Garmendia Mendizábal

Members
Ms. María Eugenia Girón Dávila
Mr. Carlos March Delgado

Secretary
Mr. José Ramón del Caño Palop

Note: Composition of the Board of Directors and its Committees on 20 March, 2018, the date of preparation of the 2017 Annual Accounts.



OPERATIONS COMMITTEE

Chairman
Mr. Antón Pradera Jáuregui

Members
Mr. Carlos González Fernández
Ms. María Eugenia Girón Dávila
Mr. Juan March de la Lastra
Mr. Juan March Juan
Mr. Santos Martínez-Conde Gutiérrez-Barquín

Secretary
Mr. José Ramón del Caño Palop

INVESTMENT MONITORING COMMITTEE

Chairman
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 TEAM

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

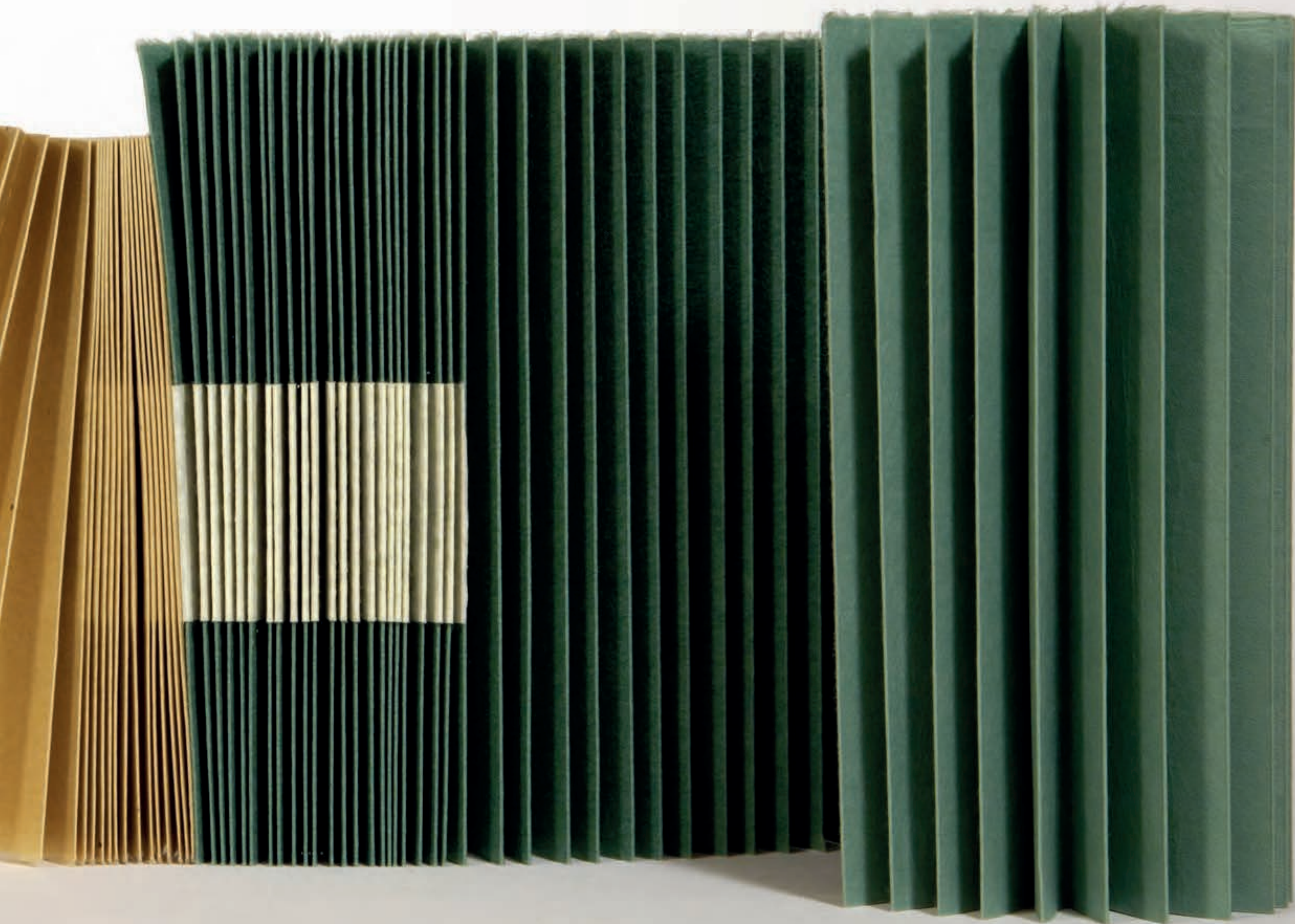
Directors
Mr. José Ramón del Caño Palop
Mr. Javier Fernández Alonso
Mr. Ignacio Martínez Santos
Mr. Carlos Ortega Arias-Paz
Mr. Andrés Zunzunegui Ruano

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

Comunication
Mr. Luis F. Fidalgo Hortelano

Note: Composition of the Board of Directors and its Committees on 20 March, 2018, the date of preparation of the 2017 Annual Accounts.

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS



LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Dear shareholders,

We are very pleased once again to be able to write to you this year to inform you about the progress of Alba and its investee companies in the past financial year.

Beginning with a brief review of the **global macroeconomic situation**, it must be stressed that 2017 was, in general, a positive year for the economies both of developed countries and of the main emerging markets. Almost all the major world economies recorded good economic growth data last year, with very moderate inflation rates.

In fact, 2017 can be regarded as an unusual year given the lack of significant economic crises and with a generalised economic boom, only occasionally disturbed by geopolitical events such as the nuclear crisis in North Korea, but which did not have any significant impact either on the economy or on markets.

In this sense, once the economic crisis that began in 2008 has been overcome, we believe that the main challenges facing the world economy –and especially the developed countries– are: to absorb the impact of the normalisation of the expansive monetary policies that have been in place for almost ten years, to respond to the increase in economic and social inequality (and the resulting political instability that it generates) and to mitigate the rise of protectionist and anti-free trade policies, led by the United States at the moment.

In addition, apart from possible unexpected geopolitical events, a lot of attention needs to be paid to developments in emerging countries. Among them, China, the world's second-largest economy, stands out as it has maintained robust economic growth in recent years, while seeking to reduce the risk of excessive domestic borrowing and possible housing bubbles.

Finally, it should be borne in mind that the world's leading economic power, the United States, is in one of the longest cycles of economic and stock market expansion in its history and an increasing number of experts are warning of a possible slowdown in the coming years, which could significantly affect the global economy. However, the Trump Administration's aggressive measures in the areas of taxation, tariffs and, still to be developed, investment in infrastructure, make it more difficult than usual to interpret whether we are close to a change of cycle or whether it could take a few more years.

As for **Spain**, the economy grew significantly again in 2017, with real GDP growing by 3.1%, the largest of the main countries in the European Union. The quarterly GDP has grown steadily in our country since September 2013 and presents good prospects for the coming years. Thus, the market consensus points to an increase in real GDP of 2.7% in 2018 and 2.3% in 2019, once again outpacing the expected growth in the large Eurozone economies. However, it should be stressed that, after three consecutive years of real GDP growth exceeding 3.0% per annum, the outlook for 2019 and beyond already suggests a moderation in economic growth, more in line with expectations for the European Union as a whole.

Despite good economic growth, Spain's public deficit remains high, at 3.1% of GDP at the end of 2017. Although this level is in line with the deficit target agreed with the European authorities and is the lowest since 2007, it remains one of the highest in the European Union, more than doubling the average for its member countries. In addition, the International Monetary Fund expects public deficits in Spain of over 2.0% per annum in the coming years.

This public deficit explains why the total amount of public debt increased by 3.4% in 2017, to over 1.1 trillion Euros at the end of the year. However, economic growth allowed the ratio of public debt to GDP to be reduced by a few tenths to 98.4% at the end of December 2017. Despite being the fourth consecutive year of reduction of this debt measure, it continues to be very close to the historical maximum of 100.9% reached in February 2015 and we cannot ignore that this improvement is being obtained by an economic growth higher than the increase in debt, but not by a reduction in it.

In our view, the fact that, despite robust economic growth, public deficits continue and public debt continues to rise should be a cause for concern for the future. On the one hand, high indebtedness to GDP may reduce the confidence of the investment community in our country's economy and make it more vulnerable to interest rate increases and market fluctuations and, on the other, place the national economy in a very delicate situation in the face of potential future recessions. At this point, it should be remembered that, before the start of the crisis, public debt was only 35.6% of GDP (2007), giving the State a great capacity to react. With public debt having almost tripled since then and a ratio of close to 100% of GDP, further adjustments are needed to reduce public debt and improve the ability to cope with possible future contingencies.

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

Despite this source of potential concern, the truth is that the markets have completely recovered confidence in Spanish public debt in recent years, with a risk premium that has remained low in 2017. This reduction in spreads is also largely due to the European Central Bank's expansionary monetary policy and, in particular, to the Public Assets Acquisition Programme under which, from its launch in March 2015 until the end of February 2018, it has purchased 235,740 million Euros of Spanish public debt, 31.9% of all gross issues of Spanish Treasury debt.

As we highlighted last year, the sharp increase in public debt resulting from the crisis is being partly offset by the reduction in private debt of households and non-financial corporations. The total debt of these parties was reduced by 22.2% from 2007 to 2017, from 2.0 to 1.6 trillion Euros, representing 136.9% of last year's GDP. Despite the recovery in business investment and the purchase and sale of homes, corporate and family debt continued to decline in absolute terms year on year (-1.6% in 2017).

The labour market continued to improve in 2017, driven by economic growth. According to the Labour Force Survey, last year the number of unemployed fell by 471,100 (-11.1% in the year, to 3.8 million unemployed) and the number of employed increased by 490,300 (+2.6%, to 19.0 million), which allowed the unemployment rate to fall to 16.6% by the end of the year (18.6% in December 2016). Despite the substantial improvement compared to the worst periods of the crisis, the current situation is still far from the pre-crisis situation, without the traditional problems of high youth unemployment, a high proportion of temporary contracts in the new hiring and low wages having been resolved.

Finally, we believe that the sustainability of the public pension system is possibly one of the greatest challenges facing our country, with a threefold economic, social and political dimension. The increase in life expectancy, the low birth rate and the economic crisis explain the gradual worsening of the proportion of contributors and beneficiaries which, once the Social Security Reserve Fund has been exhausted, calls the future of the system into question. In this regard, we consider it appropriate, among other measures, to review in depth the current public model and to promote private savings alternatives that complement public pensions and allow future generations to plan their retirement in a context of low public pensions and longer life expectancy.

With regard to the **stock markets**, it should be noted that 2017 was a very favourable year in the main world stock market indices and with a lower volatility than previous years, without significant one-off deep drops even in emerging countries. In Europe, it should be noted that the markets have been relatively immune to political developments that might otherwise have increased uncertainty, such as the tortuous Brexit negotiation process or the elections in Italy and Germany.

Countries performed as follows: very positive in the United States (+25.1% for the Dow Jones and +19.4% for the S&P 500) and Asia (+19.1% for the Nikkei 225, +36.0% for the Hang Seng and +21.8% for China 300), both higher than the main European indices (+6.5% for the Eurostoxx 50, +9.3% for the CAC 40, +7.6% for the FTSE 100, +7.4% for the IBEX 35, +12.5% for the DAX, etc.).

It is worth highlighting the revaluation of US stock market indices, which, especially in the last part of the year, continuously beat their historical highs in an environment of very low volatility. In particular, this market was helped by robust economic growth and announcements of expansionary policies, such as the federal tax cuts announced at the end of the year, despite some political instability in the United States.

The US markets only showed greater volatility at the beginning of 2018, as a result, on the one hand, of messages from the Federal Reserve or of inflation data that could point to a greater and/or faster tightening of monetary policy than expected and, on the other, of the announcement of aggressive tariff measures by the United States that could trigger a world trade war that, in the medium to long term, we believe would be very negative for all countries.

In our view, and in the absence of any unforeseen political and economic shocks, we believe that the key to market developments in 2018 will be the expected negative impact of the expected normalisation of monetary policy in Europe and the United States. In any case, there are several positive elements that could provide the markets with some support even in a scenario of moderate interest rate rises, such as the good performance of business results and the potential additional boost to economic growth in the United States due to the ambitious infrastructure plan announced more than a year ago and yet to be implemented.

This positive market tone at the end of 2017 has been affected in the first months of 2018 by a significant increase in volatility, which suggests a certain caution regarding the future. In this sense, and despite a strong appreciation in the first weeks of the year, the main European, North American and Asian indices showed moderate losses at the end of the first quarter.

In the current environment of relatively high valuations and possible increases in interest rates in Europe and the United States, we believe that it is advisable to act very prudently, always maintaining a long-term vision, low debt and an appropriate balance between profitability and risk.

Focusing now on **Alba**, Net Asset Value (NAV) increased by 1.5% in 2017, reaching 4,049.5 million Euros by the end of the financial year. NAV per share, once treasury shares were deducted, grew by the same rate, ending the year at 69.53 Euros per share.

Likewise, Alba's share price increased by 11.4% in 2017, to reach 47.72 Euros per share at the end of the financial year. The progress of Alba's share price was better than the performance that has already been discussed of the Ibex 35 (+7.4%) and the Eurostoxx 50 (+6.5%) in that same period.

In the first quarter of 2018, Alba's share price and NAV per share rose by 2.9% and 0.9% to 49.10 and 70.16 Euros per share, respectively.

As for Alba's results, in 2017, consolidated profits after taxes of 474.1 million Euros were obtained,16.3% higher than the net result of 407.8 million Euros the previous

year, thanks, to a large extent, to the capital gains obtained in the year on the sale of investees. Per share, Alba achieved a profit of 8.14 Euros in the year, compared with 7.00 Euros in 2016.

In this report, you can find a more detailed analysis of the various items that make up Alba's Income Statement and the Balance Sheet, as well as information about the progress of our investee companies in the 2017 financial year.

In line with previous financial years, Alba carried out significant investments in 2017, both by bringing new investee companies into its portfolio, and by increasing its stake in various Companies already in its portfolio. Thus, Alba's total investments reached 547.8 million Euros in the financial year:

- 303.2 million Euros in the purchase of 10.00% of CIE Automotive, a specialist provider of components and sub-assemblies for the global automotive market which also, via Dominion, offers services and solutions that seek to optimise efficiency in production processes through innovation.

- 206.6 million Euros to increase participation in: Parques Reunidos (112.0 million Euros for an additional 9.48%), Ebro Foods (62.2 million Euros for an additional 1.99%), Euskaltel (24.8 million Euros for an additional 1.65%) and Viscofan (7.6 million Euros for an additional 0.30%). Of note is the investment made in Parques Reunidos, in which the ownership interest was increased to 20.01%, making Alba one of the main shareholders in this company.

- In addition, 38.1 million Euros were invested through Deyá Capital in the purchase of shares in three unlisted companies: 40.30% of Gascan (distribution of propane gas channelled in Portugal), 16.83% of Alvinesa (management of wine by-products and their transformation into alcohol and other value-added products) and 28.07% of Satlink (technological solutions for the fishing sector). These are the first investments made by the second fund managed by Artá Capital.

On the other hand, in 2017, a significant amount of sales were also completed, for a total amount of 943.2 million Euros:

- Sale of the remaining 7.52% of ACS for 743.4 million Euros, in which Alba obtained a gross capital gain of 352.7 million Euros and an IRR of 11.5% per annum since the creation of ACS in 1997.

- Sale by Deyá Capital of its 19.75% stake in Flex for 59.3 million Euros (return on initial investment of 3.3 times and IRR of 22.3% per annum over 6 years) and its holdings in the EnCampus Residencias de Estudiantes group for 62.7 million Euros (return on initial investment of 2.8 times and IRR of 30.0% over 5 years).
- At the beginning of August, Alba sold its entire 20.00% stake in Clínica Baviera for a net amount of 32.7 million Euros as part of the takeover bid launched by Aier Eye.
- Finally, four buildings were sold in Madrid and one warehouse in Mallorca for a total amount of 45.1 million Euros.

As a result of these asset purchases and sales, Alba's net cash more than doubled in 2017, reaching 761.7 million Euros at the end of the year, 18.8% of the total NAV, a level well above the historical average.

Among the operations announced or completed after the close of the financial year and up to 31 March 2018, the following should be highlighted:

- The agreement to invest 500.0 million Euros in a 25.65% stake in Rioja Shareholdings, a company that will acquire from Repsol, subject to compliance with certain conditions, its 20.07% stake in the share capital of Gas Natural. Consequently, once this acquisition is completed, Alba will have an indirect stake of 5.15% in Gas Natural.

- The sale, through Deyá Capital, of 26.50% in Panasa to the Ardian fund, for 88.4 million Euros. As a result of this sale, which was announced in November 2017, Alba has obtained, since the initial investment made in February 2011, a return on investment of 3.3 times and an annual IRR of 20%.

- As part of the agreements reached with Ardian in the sale of Panasa, Alba, through Deyá Capital, has acquired a 3.7% stake in MonBake for 9.4 million Euros. MonBake is the group resulting from the acquisition, by funds managed by Ardian, of Panasa and Bellsolá, two of Spain's leading companies in the bread and pastries sector.

- The sale of a floor in an office building in Madrid for 15.3 million Euros.

With a view to 2018, we maintain a positive outlook for our investees in a favourable economic environment, despite the aforementioned uncertainties. Most of our investees have significantly improved their efficiency and competitiveness in recent years and have strong balance sheets to continue their development, largely in international markets. On the other hand, despite the high levels of the markets, we believe that new investment opportunities may arise for Alba and its investees, maintaining at all times a clear long-term vision and a high degree of prudence.

With regard to **the rules and practices of good corporate governance**, Alba has continued to take a special interest in them and has continued with the effort begun in 2015 to include in its internal regulations and practices, both the novelties introduced, at the time, in the Capital Companies Act by regulation 31/2014, of 3 December, and those incorporated in the Code of Good Governance of Listed Companies, approved by the CNMV on 18 February, 2015.

With regard to internal regulation, it should be noted that during 2017 the Audit and Compliance Committee Regulations were approved, following the recommendations of the CNMV Technical Guide 3/2017, of 27 June, on Audit Committees of public interest entities.

LETTER FROM THE CHAIRMEN OF THE BOARD OF DIRECTORS

In addition, with regard to internal policies, we must first mention that the Board of Directors' Remuneration Policy was modified to adapt the maximum limit on directors' remuneration due to their status as such to the creation of the new Investment Monitoring Committee. Likewise, the Investment Policy was modified to expressly introduce the possibility of making investments outside Spain, as well as the incorporation of aspects relating to corporate governance and corporate social responsibility among the criteria to be taken into account when making investments. Finally, a Policy was approved for the provision by the external auditor of services other than statutory audit, which are not prohibited by applicable legislation, and to establish the manner in which the Audit and Compliance Committee must authorise the performance of such services by the external auditor.

It should also be noted that, in 2017, the Company complied with all the recommendations resulting from the application of the Code of Good Governance of Listed Companies, approved by the CNMV in 2015 (56 out of a total of 64 recommendations).

As a further improvement in the area of corporate governance, a new Board Committee was set up to monitor portfolio investments in greater detail than is done on a recurring basis on the Board itself.

The following reports and documents were also approved: the Annual Corporate Governance Report, the Directors' Remuneration Report, the Report on Related Party Transactions, the Board's evaluation, the Sustainability Report, as well as other additional reports issued by the Board's Committees. Follow-up reports on Risk Control and Management, Regulatory Compliance and Crime Prevention functions have also been prepared and submitted to the relevant bodies.

This effort to seek excellence and promote best practices in the field of Corporate Governance and Corporate Social Responsibility has been recognised internationally, with Corporación Financiera Alba being chosen as *2017 Corporate Governance Company of the Year for Spain* in the *Global Banking Finance Awards*, awarded by the British publication *The European*.

With regard to **the distribution profit for the year**, the Board of Directors has proposed to the General Shareholders' Meeting the distribution of an ordinary dividend of 1.00 Euro gross per share for 2017, which will

entail the payment, subject to prior approval by the General Shareholders' Meeting to be held in mid-June, of 0.50 Euro gross per share, complementary to the same amount paid on account in October last year.

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

Sincerely,
Juan March Delgado
Carlos March Delgado

KEY DATA

KEY DATA

ECONOMIC AND FINANCIAL

In millions of euros unless indicated otherwise	**2017**	2016	2015	2014
Share capital at the end of the year	58	58	58	58
Equity at the end of the year	3,996	3,621	3,313	3,077
Outstanding shares (thousands), average for the year	58,240	58,240	58,240	58,235
Net income (Loss)	474	408	270	241
Dividends	58	58	58	58
Earnings per share in euros	8.14	7.00	4.63	4.14
Dividend in euros per share	1.00	1.00	1.00	1.00

Note: Per share data calculated on the average number of shares outstanding for the year.

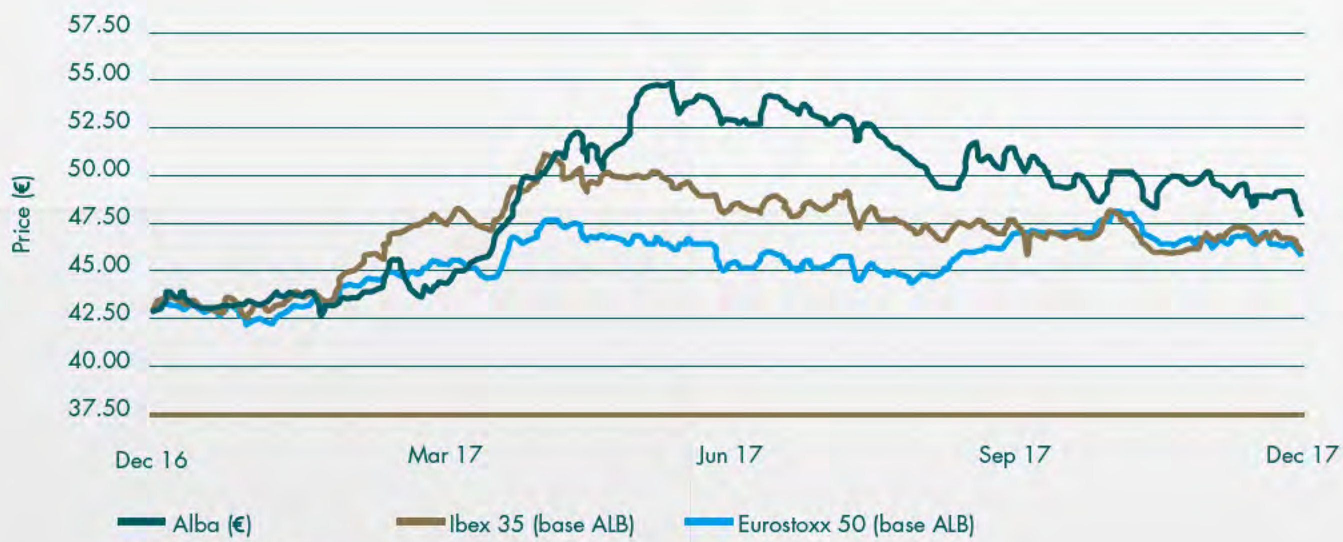
SHARE PRICE PERFORMANCE

	2017	2016	2015	2014
Closing price in euros per share				
Maximum	54.80	42.86	50.60	48.37
Minimum	42.38	30.60	36.92	38.52
Last	47.72	42.85	39.85	40.60
Market capitalisation at 31/12 (millions of euros)	2,782	2,498	2,323	2,367
Volume traded				
Number of shares (thousands)	4,330	8,514	7,826	8,323
Millions of euros	213	302	334	365
Daily average (millions of euros)	0.8	1.2	1.3	1.4
Dividend yield (on closing price)	2.1%	2.3%	2.5%	2.5%
PER (on closing price)	5.9 x	6.1 x	8.6 x	9.8 x

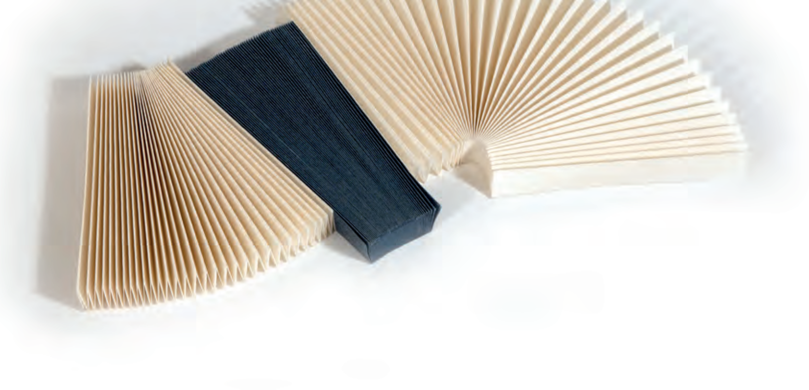
KEY DATA

Alba's share price rose by 11.4% in 2017, outperforming the Ibex 35 and Eurostoxx 50 for the second year running, which rose by 7.4% and 6.5% respectively.

ALBA SHARE PRICE PERFORMANCE IN 2017 AGAINST IBEX 35 AND EUROSTOXX 50



Source: Bloomberg.



The stock market performance of Alba's shares over the last ten years has been significantly better than that of the Ibex 35 and Eurostoxx 50. Thus, from December 2007 to the end of 2017, the price of the Alba share rose by 3.1%, while the Ibex 35 and Eurostoxx 50 fell by 33.8% and 20.4%, respectively. To put these big drops in context, it is necessary to remember that during 2007 many world indices, such as the Ibex 35, reached their historic highs. The following graph shows the depth of the stock market crash in 2008, the significant recovery since the March 2009 lows and the relapse suffered in 2011 and the first half of 2012, caused mainly by the sovereign debt crisis in the Euros area. A new upward cycle began in the second half of 2012, following the decisive action of the European Central Bank and the Eurogroup agreements of July of that year, which substantially reduced the uncertainties about a possible rescue for Spain and the future of the single currency. However, in the second half of 2015 and early 2016, there was a significant weakness in Alba's share price and in the evolution of national and international indices, due to doubts about world economic growth –particularly in China and other emerging countries– and to the collapse in the prices of oil and other raw materials. Since mid-2016, markets have recovered markedly thanks to improved economic prospects and the possibility that the political changes discussed above may give additional impetus to growth.

KEY DATA

ALBA SHARE PRICE PERFORMANCE OVER THE LAST 10 YEARS COMPARED TO IBEX 35 AND EUROSTOXX 50

Source: Bloomberg.

NET ASSET VALUE

In millions of euros unless otherwise indicated	**2017**	2016	2015	2014
Data at 31/12				
Gross Asset Value (1)	3,823	3,740	3,379	3,422
Net Asset Value (2)	4,049	3,990	3,666	3,668
Net Asset Value in euros per share (2)	69.53	68.51	62.95	62.98
Share price in euros per share	47.72	42.85	39.85	40.60
Discount to Net Asset Value	31.4%	37.5%	36.7%	35.5%

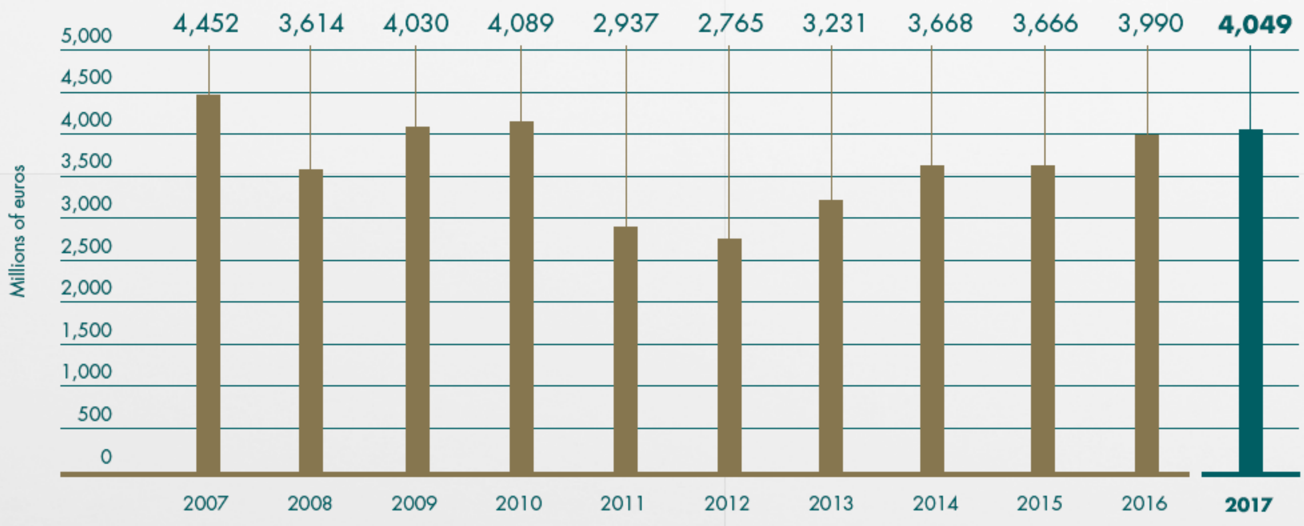
(1) Includes investments in listed and unlisted companies, real estate and, where applicable, the net cash position.
(2) Gross value of assets and other assets less, where applicable, net financial debt and other liabilities.

KEY DATA

Considering the amounts at the end of each year, the Net Asset Value (NAV) increased by 1.5% in 2017. The NAV per share of treasury stock varied in the same proportion, as there were no changes in the number of shares outstanding.

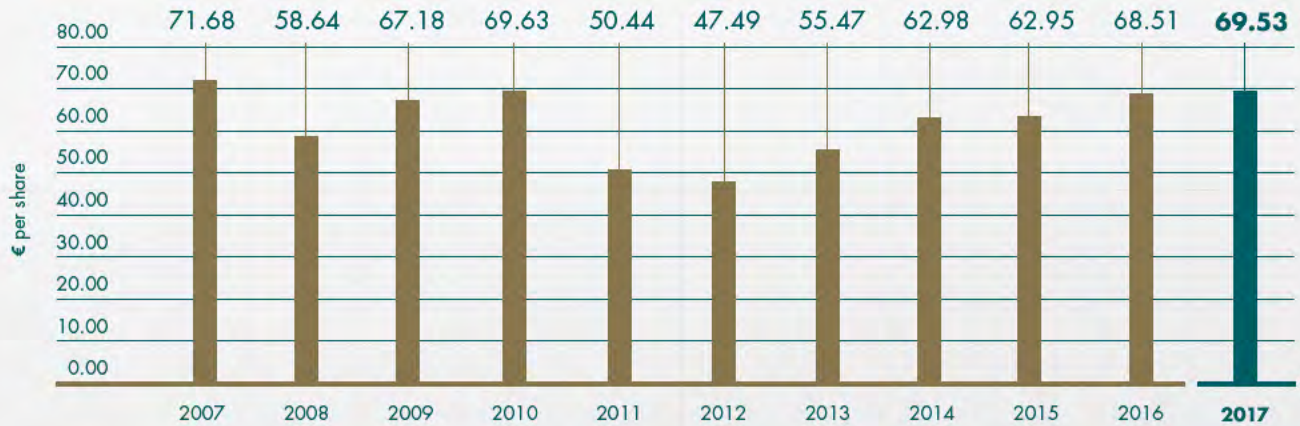
The following chart shows the evolution of the NAV since the end of 2007, which shows, among other things, the significant fall in 2011 –partly due to the extraordinary dividend distributed in that year– and the recovery of the NAV since the end of 2012:

PERFORMANCE OF THE NET ASSET VALUE BEFORE TAX (AT 31 DEC.)



The following table shows, for the same period, the evolution of the NAV per share in circulation, before tax, at 31 December of each year:

PERFORMANCE OF THE NET ASSET VALUE PER SHARE BEFORE TAX (AT 31 DEC.)



KEY DATA

In the last 10 years the NAV per Alba share fell by 3.0%, lower than the fall of 33.8% in the Ibex 35 and 20.4% in the Eurostoxx 50. This reduction in NAV per share is the result of the high market valuations at the end of 2007, the highest ever on the Spanish stock exchange, and, to a lesser extent, of the dividends distributed during the period, including the extraordinary dividend in 2011. The chart also shows the substantial recovery of the NAV per share from the 2012 lows.

During the same period, the Alba share price appreciated by 3.1%. This different behaviour of the share price and the NAV per share explains the evolution of the discount at which Alba shares are quoted on the market compared to the value of its assets, which fell from 35.4% at the end of 2007 to 31.4% at the end of 2017.

PERFORMANCE OF THE NET ASSET VALUE PER SHARE VERSUS SHARE PRICE

Source: Bloomberg for share prices.

KEY DATA

INVESTMENT PORTFOLIO

Structure of Alba's investees at 31 December 2017:

Acerinox

18.96%

Ebro Foods

12.00%

CIE Automotive

10.00%

CORPORACIÓN FINANCIERA ALBA

Viscofan

11.32%

Bolsas y Mercados Españoles

12.06%

Parques Reunidos

20.01%

Indra

10.52%

Euskaltel

11.00%

Mecalux

24.38%

Panasa

26.50%

in-Store Media

18.89%

Terberg Ros Roca

7.50%

Gascan

40.30%

Alvinesa

16.83%

Satlink

28.07%

KEY DATA

Value of the Portfolio at 31 December, 2017:

Listed companies [2]	Market value [1] Percentage of ownership	Millions of euros	Euros per share
Acerinox	18.96	623.6	11.915
Ebro Foods	12.00	360.5	19.520
CIE Automotive	10.00	312.3	24.210
Viscofan	11.32	290.3	55.010
Bolsas y Mercados Españoles	12.06	267.8	26.550
Parques Reunidos	20.01	239.9	14.850
Indra	10.52	212.0	11.405
Euskaltel	11.00	133.6	6.798
Total market value		**2,440.0**	
Total book value		2,383.1	
Unrealised capital gain		**56.9**	
Unlisted companies [3]		**268.4**	
Real estate		**353.0**	

(1) Prices at the last exchange rate in December. All the investee listed companies are listed on the Continuous Market of the Spanish Stock Exchange (SIBE).
(2) Investments accounted for using the equity method.
(3) Of the unlisted companies, Gascan and Satlink are fully consolidated. All other investments in unlisted companies are carried at fair value.

The evolution of the investment portfolio in recent years is detailed below:

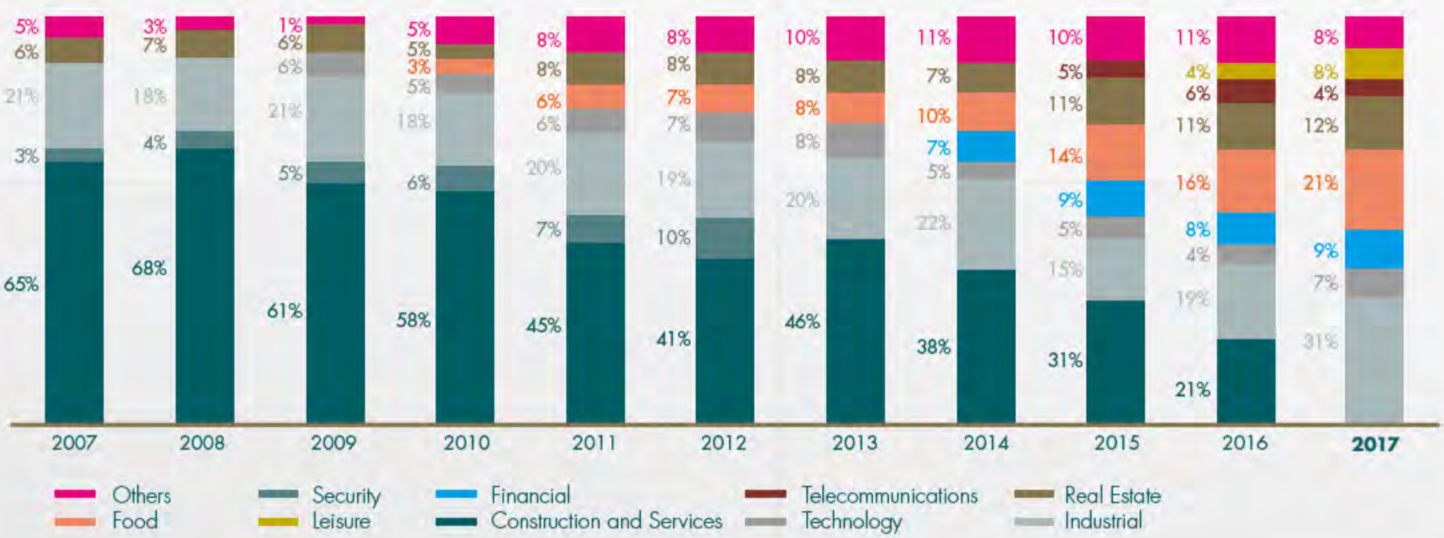
	Percentage of ownership (%)			
	31-12-2017	**Change in 2017**	31-12-2016	31-12-2015
Listed companies				
Acerinox	18.96	-	18.96	19.62
Ebro Foods	12.00	1.99	10.01	10.01
CIE Automotive	10.00	10.00	-	-
Viscofan	11.32	0.30	11.02	6.86
Bolsas y Mercados Españoles	12.06	-	12.06	10.57
Parques Reunidos	20.01	9.48	10.53	-
Indra	10.52	(0.80)	11.32	11.32
Euskaltel	11.00	-	11.00	10.00
ACS	-	(7.52)	7.52	11.69
Clínica Baviera	-	(20.00)	20.00	20.00
Unlisted companies				
Mecalux	24.38	-	24.38	24.38
Panasa	26.50	-	26.50	26.46
in-Store Media	18.89	-	18.89	18.89
TRRG Holding	7.50	-	7.50	17.36
Gascan	40.30	40.30	-	-
Alvinesa	16.83	16.83	-	-
Satlink	28.07	28.07	-	-
Flex	-	(19.75)	19.75	19.75
Siresa Campus	-	(17.44)	17.44	17.44
EnCampus	-	(32.75)	32.75	32.75

KEY DATA

INDUSTRY DIVERSIFICATION

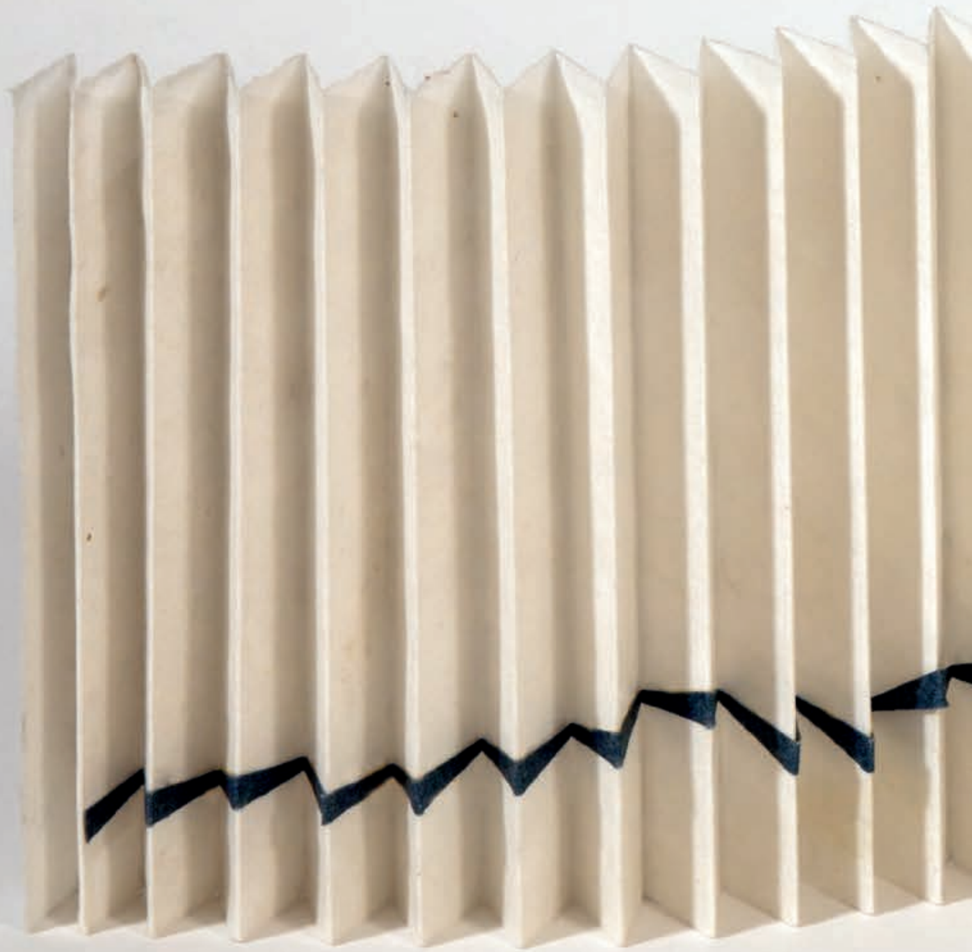
Adding the market value of the holdings in listed and unlisted companies and real estate investments gives the following sectoral distribution of the Company's investments (in percentage terms):

SECTORAL BREAKDOWN OF ALBA'S PORTFOLIO (AT 31 DEC.)



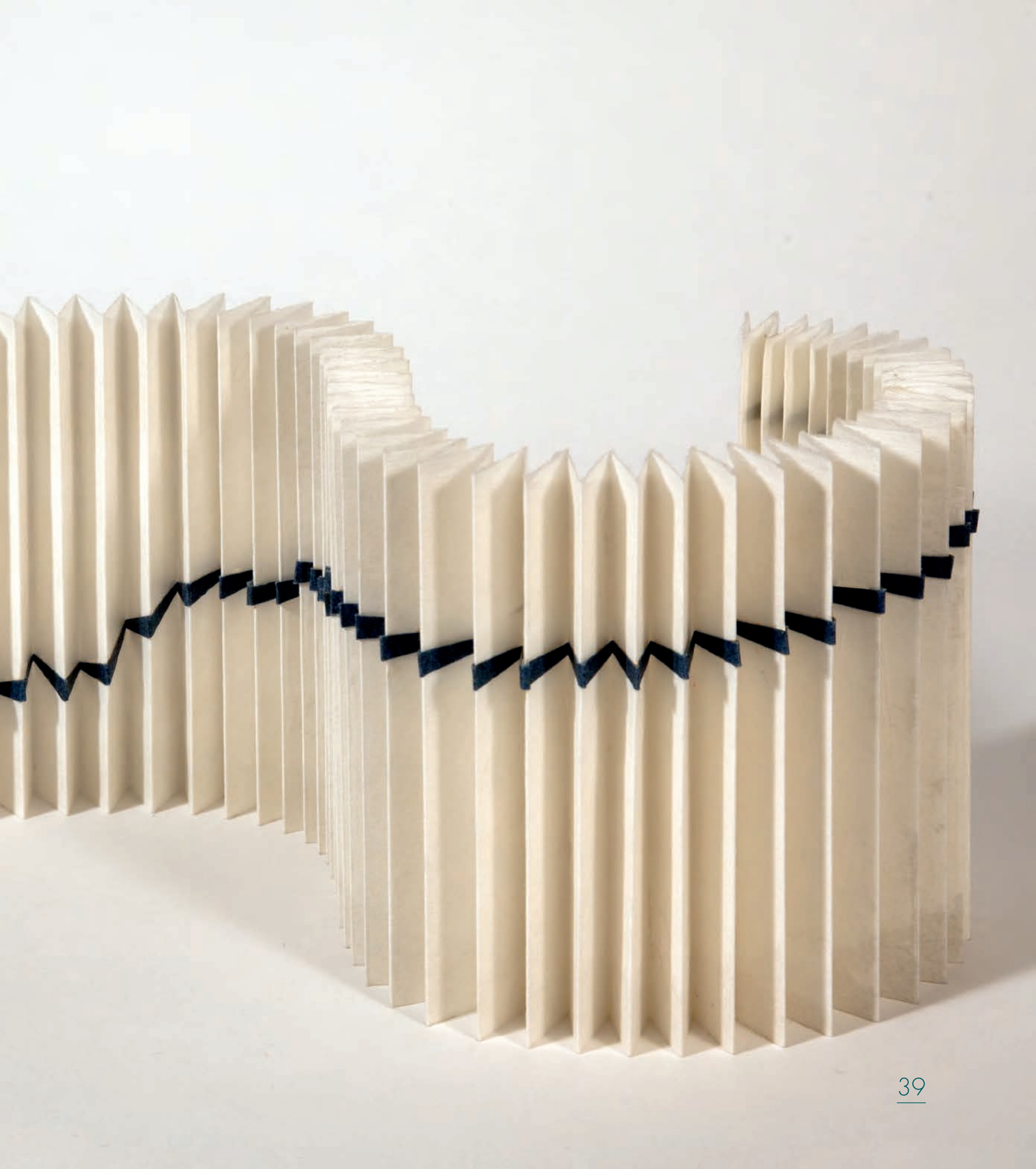
The composition of Alba's portfolio has changed substantially in recent years, significantly increasing its diversification by sector. From 2007 to 2017, Alba invested in new sectors such as Food (Ebro Foods and Viscofan), Technology (Indra), Finance (BME), Telecommunications (Euskaltel) and Leisure (Parques Reunidos) and significantly increased the weight of Industrial (Acerinox and CIE Automotive) and Miscellaneous (a category that includes, at the end of 2017, holdings in unlisted companies). On the other hand, in the last ten years it has completely divested itself of the Security sector (Prosegur, in 2013) and the Construction and Services sector (ACS, in 2017), the sector with the greatest weight in our portfolio in the last decade.

CONSOLIDATED FINANCIAL INFORMATION



- The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS).
- The investees Energyco II, S.A. ("Gascan") and Grupo Satlink, S.L. ("Satlink") are fully consolidated for the first time this year.

The final part of this report includes the consolidated financial statements, audited by KPMG Auditores, S.L., with more detailed information.



CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET BEFORE PROFIT DISTRIBUTION

ASSETS

In millions of euros	At 31 December 2017	At 31 December 2016	At 31 December 2015
Real estate investments	336.5	349.1	352.2
Property, plant and equipment	46.9	7.0	7.7
Goodwill	10.2	-	-
Other intangible assets	67.0	-	-
Investments in associated companies	2,383.1	2,321.4	2,236.0
Inv. at fair value through profit or loss	154.5	325.2	285.9
Other financial assets	68.8	133.8	149.9
Non-current assets	**3,067.0**	**3,136.4**	**3,031.7**
Cash and cash equivalents	912.5	469.9	298.8
Other current assets	296.8	193.2	162.0
Current assets	**1,209.3**	**663.1**	**460.8**
Total Assets	**4,276.3**	**3,799.5**	**3,492.5**

EQUITY AND LIABILITIES

In millions of euros	At 31 December 2017	At 31 December 2016	At 31 December 2015
Share capital	58.3	58.3	58.3
Reserves	3,461.1	3,185.7	3,016.0
Treasury shares	(2.4)	(2.4)	(2.4)
Interim dividend	(29.1)	(29.1)	(29.1)
Profit for the year	474.1	407.8	269.6
Minority interest	34.1	0.7	0.6
Equity	**3,996.1**	**3,621.0**	**3,313.0**
Financial debt	180.8	127.5	136.6
Provisions and other debt	7.5	3.5	2.9
Other liabilities	52.9	32.3	26.9
Non-current liabilities	**241.2**	**163.3**	**166.4**
Financial debt	14.5	9.1	9.0
Other debts	24.5	6.2	4.1
Current liabilities	**39.0**	**15.3**	**13.1**
Total Equity and Liabilities	**4,276.3**	**3,799.5**	**3,492.5**

CONSOLIDATED FINANCIAL INFORMATION

BALANCE SHEET

The evolution in 2017 of the main items on Alba's balance sheet was as follows:

The ***Real estate investments*** account, which collects real estate for rent, decreased 12.6 million Euros in 2017, to 336.5 million Euros at year-end, mainly due to the sale of several properties in Madrid and a warehouse in Mallorca, slightly offset by the increase in the estimated fair value of the property portfolio. The real estate valuation is carried out annually by independent experts, and the increase or decrease in value is recognised in the income statement under ***changes in the fair value of investment property.***

Property, plant and equipment increased from 7.0 to 46.9 million Euros, due to the first full consolidation of Gascan and Satlink. This consolidation also explains the changes in ***Goodwill*** and ***Other intangible assets***.

Investments in associated companies increased by 61.7 million Euros in 2017. This increase is explained by the results contributed by the investees (118.9 million Euros), by the net carrying amount of the investments and divestments made (another 118.9 million Euros, which includes the investments made in CIE Automotive, Parques Reunidos, Ebro Foods, Euskaltel and Viscofan, higher than the carrying amount of the sale made in ACS) and by the partial reversal of the impairment in the carrying amount of the investments in Indra in prior years (5.3 million Euros). This account includes the negative net balance of changes in the consolidated equity of associates (74.9 million Euros), dividends accrued by investees (71.7 million Euros), and the impairment of the carrying amount of the investments in Euskaltel (20.9 million Euros) and Bolsas y Mercados Españoles (13.9 million Euros).

Financial investments at fair value through profit or loss decreased from 325.2 million Euros to 154.5 million Euros in 2017 due to the sale of Flex, EnCampus and Siresa EnCampus (101.2 million Euros) and the transfer of the ownership interest in Panasa (88.4 million Euros) to ***Non-current assets held for sale***, an item included under ***Other current assets***, due to the agreement reached for their sale, completed at the beginning of 2018. On the positive side, the acquisition of a stake in Alvinesa (12.6 million Euros) and the higher estimated fair value of the interests included under this heading (6.2 million Euros) are positive. In this regard, it should be noted that in 2017 this

account includes all the holdings in unlisted companies, except those of Gascan and Satlink, which are fully consolidated.

Other financial assets were reduced by 65.0 million Euros, mainly due to the collections received from a long-term debt receivable.

Cash and cash equivalents increased from 469.9 million Euros in 2017 to 912.5 million Euros, mainly due to divestments.

Other current assets increased from 193.2 million Euros to 296.8 million Euros as a result of the aforementioned transfer to ***Non-current assets held for sale*** of the holding in Panasa, the increase in ***Accounts receivable*** for withholdings and installment payments on account of ***Corporate income tax*** and the full consolidation of Gascan and Satlink.

In 2017 there were no changes in the ***Share capital***, which remained at 58.3 million Euros.

Reserves increased by 275.4 million Euros, from 3,185.7 million Euros to 3,461.1 million Euros, due to the results of the previous financial year, net of the dividends distributed by Alba, which were much higher than the negative variations in the reserves of the investees, mainly due to exchange differences.

The item ***Interim dividend*** amounted to 29.1 million Euros at the end of 2017 and reflects the Ordinary Interim Dividend of 0.50 Euros gross per share paid last October out of 2017 profit.

Treasury shares include the cost of Alba's Treasury Stock, which did not change during the year. Thus, at 31 December 2017, Alba held 59,898 Treasury Shares, representing 0.10% of its Share Capital, at a cost of 2.4 million Euros.

Profit for the year stood at 474.1 million Euros,16.3% higher than the profit of 407.8 million Euros obtained in 2017.

Minority shareholders increased from 0.7 to 34.1 million Euros in the year as a result of the first full consolidation of Gascan and Satlink.

As a result, ***Equity***, including ***Minority interest***, increased by 10.4% in the year to 3,996.1 million Euros.

Non-current liabilities include financial liabilities maturing in over one year amounting to 180.8 million Euros and deferred tax liabilities amounting to 52.9 million Euros. The changes in these items are also due to the change in the scope of consolidation already mentioned on several occasions.

Current liabilities, which include both bank loans maturing in less than one year and other short-term liabilities, increased from 15.3 million Euros at the end of 2016 to 39.0 million Euros at the end of 2017, mainly due to the consolidation of Gascan and Satlink.

At 31 December 2017, Alba's Net cash position, excluding the global consolidation of Gascan and Satlink, calculated as cash position less short-term and long-term financial liabilities, was 761.7 million Euros, compared with 333.3 million Euros net cash at the end of the previous year. This increase in the net cash position is mainly due to the positive balance of sales of assets less investments made and dividends received from investees. In the first months of 2018, the net cash balance continued to increase as a result of additional sales, including the sale of the stake in Panasa. Also noteworthy is the agreement to invest 500 million Euros in the acquisition of an indirect stake in Gas Natural, which is expected to be completed during the first half of the year.

CONSOLIDATED INCOME STATEMENT [1]

In millions of euros	**2017**	2016	2015
Equity in income of associated companies	118.9	165.0	61.3
Turnover and other revenue	70.8	18.7	15.8
Change in fair value of investment property	0.9	15.8	4.7
Interest income	7.3	7.0	8.0
Impairment of assets and change in fair value of financial instruments	(36.0)	65.7	63.1
Income from assets	389.9	168.6	139.0
Total	**551.8**	**440.8**	**291.9**
Cost of goods sold	(19.5)	-	-
Operating expenses	(42.1)	(23.2)	(20.8)
Financial expenses	(5.4)	(2.7)	(1.6)
Provisions	(0.4)	-	-
Depreciation	(8.4)	(0.9)	(0.9)
Corporate income tax	1.2	(5.4)	1.6
Minorities	(3.1)	(0.9)	(0.5)
Total	**(77.7)**	**(33.1)**	**(22.3)**
Net income	**474.1**	**407.8**	**269.6**
Net income per share (euros)	**8.14**	**7.00**	**4.63**

(1) This income statement is presented grouped according to management criteria, which explains the differences between certain chapters and the data included in the financial statements.

CONSOLIDATED FINANCIAL INFORMATION

INCOME STATEMENT

Alba's ***Net income*** amounted to 474.1 million Euros in 2017, 16.3% more than the previous year's result. Net earnings per share increased from 7.00 Euros in 2016 to 8.14 Euros in 2017.

The income included under the heading ***Equity in income of associated companies*** decreased by 27.9%, from 165.0 million Euros in the previous financial year to 118.9 million Euros in 2017. This decrease is mainly due to the non contribution of results from the ACS stake (79.0 million Euros contributed in 2016) due to its classification as ***Current assets held for sale***. This effect was partially offset by the higher contribution to results of Acerinox (29.1 million Euros more than in 2016) and the other associated companies, which together contributed 3.8 million Euros more than the previous year. If the contribution of the stakes in ACS and Clínica Baviera, both sold in 2017, were excluded in 2016, this item would have increased by 40.9%, from 84.4 million Euros to 118.9 million Euros.

Revenue and other income increased by 52.1 million Euros to 70.8 million Euros in the year, mainly as a result of the full consolidation of Gascan and Satlink.

Revenue from real estate investment fell by 12.2% to 16.1 million Euros, due to the sale of the aforementioned properties. In fact, the reduction in revenue corresponds almost entirely to the reduction in the leasable area, which amounted to approximately 85,800 square metres at the end of 2017. At that date, the occupancy rate of the buildings was 86.4%, compared with 81.8% at 31 December, 2016.

According to the assessment made by independent experts, the estimated value of the real estate assets increased by 0.9 million Euros in 2017, this amount being paid to the item ***Variation in the fair value of real estate investments***. At 31 December 2017, the fair value of investment property was 336.5 million Euros.

Interest income was 7.3 million Euros in 2017 compared to 7.0 million Euros the previous year, due to higher interest and dividends received.

The heading ***Impairment of assets and change in the fair value of financial instruments*** presented a negative result of 36.0 million Euros in 2017and includes, among others, the Impairment Losses on the book value of the holdings in Euskaltel

and Bolsas y Mercados Españoles (20.9 and 13.9 million Euros, respectively), the partial recovery of Impairment Losses on the carrying amount of the investment in Indra (5.4 million Euros) and the Increase in the Estimated Fair Value of the Holdings in Unlisted Companies (4.7 million Euros), among others.

The ***Result from assets*** includes income of 389.9 million Euros in 2017, 131.3% more than in the previous year, which corresponds mostly to the pre-tax gain obtained on the sale of the remaining 7.52% stake in ACS during the year.

Operating expenses in 2017 amounted to 42.1 million Euros, 18.9 million Euros more than in the previous year. This increase is broken down into: 15.3 million Euros for the first global consolidation of Gascan and Satlink and the remaining 3.6 million Euros for higher personnel costs, those directly linked to the real estate business and other general expenses of Alba. Overall, ***Operating expenses*** directly attributable to Alba represented 0.66% of the Net Asset Value before tax at year-end. The consolidation of Gascan and Satlink also explains the 19.5 million Euros of ***Cost of good sold*** that appear for the first time in Alba's consolidated income statement.

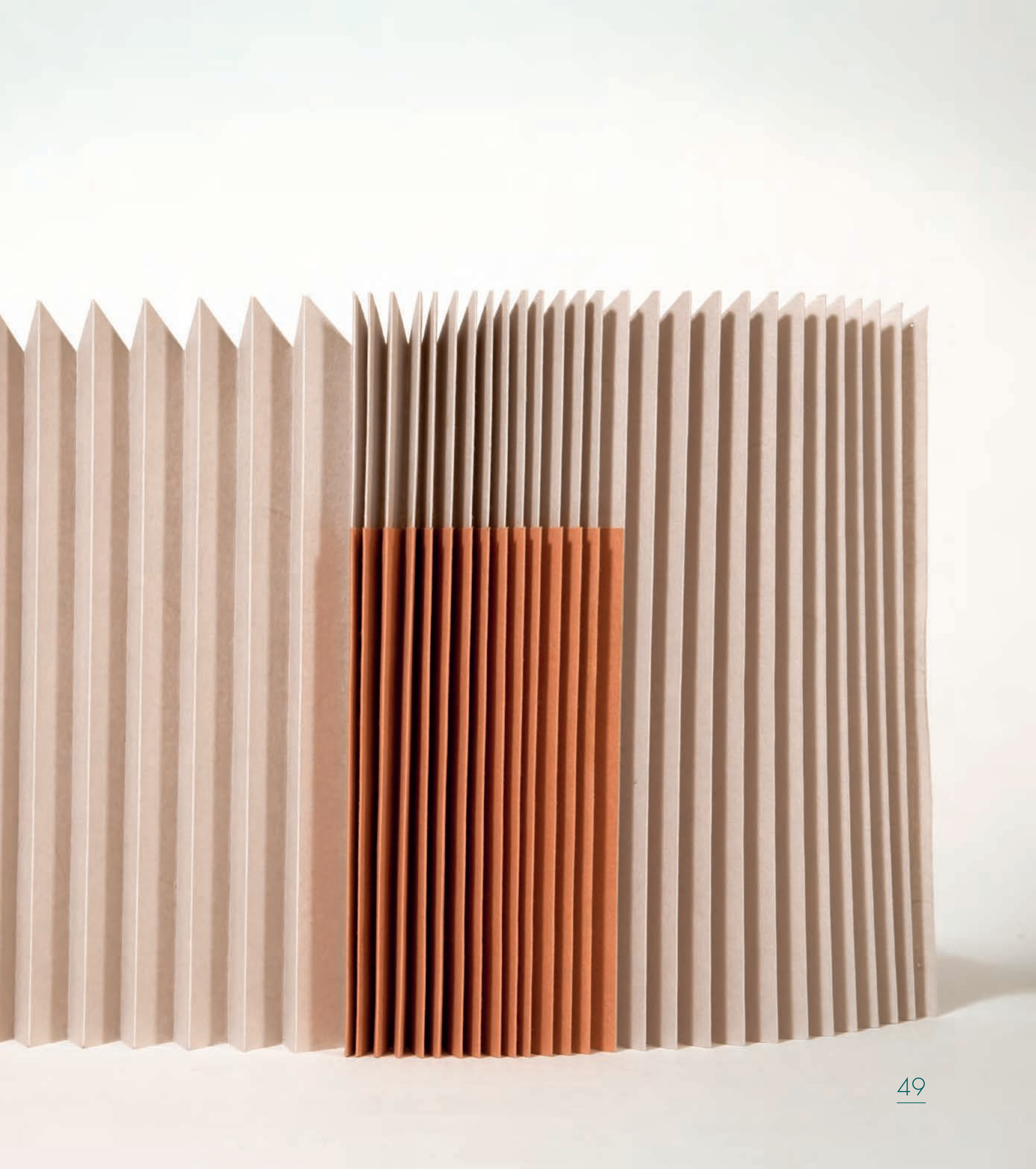
Financial expenses increased from 2.7 to 5.4 million Euros, mainly due to the global consolidation of Gascan and Satlink, with no significant variations in the comparable bank debt of Alba (excluding the consolidation of these companies). This change in the scope of consolidation also explains the increase in ***Minorities*** from 0.9 to 3.1 million Euros in 2017.

Corporate income tax includes income of 1.2 million Euros compared to an expense of 5.4 million Euros in 2016.

INFORMATION ON INVESTEE COMPANIES

LISTED

UNLISTED



INFORMATION ON INVESTEE COMPANIES LISTED

ACERINOX

www.acerinox.es

COMPANY DESCRIPTION

Acerinox is one of the world's leading stainless steel manufacturing companies, with a steel mill production capacity of 3.5 million tons per year.

The Company has four flat product factories (Spain, the United States, South Africa and Malaysia), three long product factories (two in Spain and one in the United States) and an extensive sales network, with its own warehouses and service centres in 37 countries. Acerinox sells its products in 85 countries across all five continents.

SALES BY REGION

- America **45.9%**
- Rest of Europe **26.3%**
- Asia **12.3%**
- Spain **10.3%**
- Africa **4.8%**
- Oceania **0.4%**

By market, North American Stainless's (NAS) position in the United States stands out, where it is the market leader and has what is possibly the most efficient and profitable factory in the world. The United States was, in turn, the largest Acerinox market in terms of sales in 2017.

NOTES ON THE COMPANY'S ACTIVITIES DURING 2017

According to data from the *International Stainless Steel Forum*, world stainless steel production reached 48 million tonnes in 2017, up 5.0% on the previous year. This growth rate is in line with the usual average growth rates historically recorded in the industry (+5.9% per annum since 1950).

Production increased in all major markets. However, for the first time in recent years, it was not China that recorded the highest growth (+4.7%) but the US (+11.0%) and India (+5.4%), although both markets are substantially smaller than China. In terms of market share, China remains the leading stainless steel manufacturer with a 53.6% share of world steel production.

On the other hand, apparent consumption recorded growth in all markets, with the exception of the South African market, where consumption of flat products fell by 6.9% compared to the previous year as a result of the weakness of its economy and political instability, although in recent months there has been an improvement in sectors such as mining. China, with an apparent consumption growth of 7.2%, absorbed the increase in its production, a factor that makes it possible to be optimistic about a better balance between capacity and domestic demand in the Asian country. In Europe, apparent consumption grew by 0.7%, following the sharp increase in 2016 (+8.7%), to 5.4 million tonnes, very close to the historic high of 2006. Finally, real consumption in the United States maintained sustained growth driven by both the flat product market, which increased by around 3%, and the long product market, which increased by more than 20% as a result of the recovery in the hydrocarbons sector.

As regards the development of the price of raw materials, the price of nickel rose by 20.1% in 2017. Despite this increase in annual terms, prices started the first half of the year on a downward trend and hit the annual low on the London Metal Exchange of 8,700 Dollars per tonne in June. The announcement of nickel production cuts and the good performance of demand, especially in China, laid the foundations for a price improvement in the second half of the year, which led to peaks in November of 12,800 Dollars per tonne, prices not seen since July 2015. The year closed at levels of 12,200 Dollars per tonne. For the second consecutive year, nickel consumption was higher than nickel production, leading to a reduction in inventories.

The price of ferrochrome, which usually shows relative stability, experienced one of the most volatile behaviour in recent years, which had its impact on the alloy surcharge. It peaked in the first quarter at 1.65 Dollars per pound, the highest level since 2008, due to high demand from the Chinese market. Subsequently, after setting lows of 1.10 Dollars per pound in the third quarter, it closed the year at 1.39 Dollars per pound once both demand and inventories stabilised.

2017 was a good year in terms of production for the Acerinox Group. Cold rolling production was 1.7 million tonnes, up 1.3% on the previous year and the highest production volume ever recorded in the Group's history. In turn, crude steel and hot rolling production reached the second highest figures in history, with 2.5 and 2.2 million tonnes, respectively, representing growth of 1.8% and 1.0% compared to the previous year.

ANNUAL PRODUCTION IN THOUSANDS OF TONNES

	2017	2016	2015
Crude steel	2,519	2,475	2,320
Hot rolling	2,231	2,209	2,039
Cold rolling	1,738	1,716	1,609
Long products (hot-rolled)	234	224	216

KEY DATA

In millions of euros unless otherwise indicated	**2017**	2016	2015
Sales	4,627	3,968	4,221
EBITDA	489	329	286
EBIT	318	157	121
Net profit	234	80	43
Total assets	4,404	4,455	4,126
Net financial debt	609	620	711
Equity	1,970	2,169	2,023
Employees (31-dec.)	6,742	6,573	6,506
Share price (closing 31-dec.) (in euros per share)	11.92	12.61	9.42
Market capitalisation (closing 31-dec.)	3,289	3,480	2,512
Gross dividend yield (on closing price)	3.8%	3.5%	4.8%

In 2017 Acerinox obtained their best results in the last ten years.

Sales grew by 16.6% to 4,627 million Euros thanks to the increase in sales prices. The average price of the standard stainless steel coil increased by 18% in Europe, 26% in the United States and 17% in Asia.

The EBITDA reached in the year, both in absolute terms (489 million Euros) and in sales margin (10.6%), represents the best data since 2007 and 2006, respectively, despite the fact that prices in the main markets in 2017 were well below those of those years. Likewise, EBIT and net income increased by 102.0% and 191.5%, respectively, to 318 and 234 million Euros, the best figures in both cases since 2007. Net income was favoured by the U.S. tax reform and the consequent accounting income from the adjustment of North American Stainless's deferred tax liabilities to the new tax rate. However, the most significant impact will begin to be felt in NAS and the consolidated Group from 2018 onwards through lower expenses and recurring tax payments.

This improvement in the Group's profitability is mainly due to the efficiency and cost savings measures adopted by the Company in recent years. Thus, in 2017, the V Excellence Plan was launched, covering the years 2017 and 2018. The first year of implementation ended with 49% compliance with a total recurrent savings target of 50 million Euros. In the four previously implemented plans, combined recurrent savings of more than 250 million Euros were recorded.

At 31 December 2017, Acerinox had equity of 1,970 million Euros and net borrowings of 609 million Euros, 1.7% less than at the end of 2016. The reduction would have been greater had it not been for the depreciation of the dollar, which had a negative effect of 62 million Euros on the Company's US dollar-denominated cash position.

Acerinox invested 173 million Euros in the year, the same amount as in 2016. These investments were concentrated in Algeciras (111 million Euros) and NAS (44 million Euros), with the aim of increasing production capacity and enabling the production of certain products with higher added value on the European and North American markets.

ALBA'S PERCENTAGE OF OWNERSHIP

As of 31 December, 2017, Alba remained the Company's largest shareholder with an ownership interest of 18.96% of its share capital, and there were no changes during the year.

SHARE PRICE PERFORMANCE

The Acerinox share price ended 2017 at 11.92 Euros per share, which represented a decrease of 5.5% in the year, a performance lower than that of the Ibex 35 (+7.4%). Its market capitalisation amounted to 3,289 million Euros at the end of the year.

ACERINOX SHARE PRICE PERFORMANCE IN 2017

Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES LISTED

EBRO FOODS

Ebro

www.ebrofoods.es

COMPANY DESCRIPTION

Ebro Foods is a multinational food company, world leader in the rice sector and the second largest pasta manufacturer in the world. It has a 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, its main markets being the United States and France, while Spain accounts for a small part of its business (6.7% of sales in 2017).

In recent years, the Company has expanded its activities through selective acquisitions, which it has successfully integrated, consolidating leadership positions or strengthening its presence in certain products and markets and substantially improving its profitability. In line with this strategy of inorganic growth, in 2017 the Company acquired 100% of the Spanish company Vegetalia, which specialises in organic products and the manufacture of vegetable protein, and 52% of the Italian company Geovita, a leader in the production and marketing of pulses, rice and fast-cooking grains. At the beginning of 2018, Ebro Foods reached an agreement to buy 70% of the

Italian company Bertagni, known as the oldest brand of stuffed pasta in Italy and a specialist in fresh pasta in the premium sector.

NOTES ON THE COMPANY'S ACTIVITIES DURING 2017

Ebro's annual sales in 2017 grew by 1.9% to 2,507 million Euros, mainly due to the good performance of the rice division.

EBITDA and EBIT increased by 4.3% and 4.5%, respectively, to 359 and 279 million Euros. The EBITDA margin on sales increased to 14.3%, from 14.0% in the previous year, with a decrease in advertising spending.

The net profit was 221 million Euros, 30.0% higher than the previous year, mainly due to the new tax regulations approved in the United States, which have meant updating net deferred taxes at the new rate (from 35% to 21%) and which have resulted in an extraordinary income derived from the accounting of corporate income tax of 51 million Euros. Additionally, this new regulation will have a positive impact on the lower taxes payable in the United States from 2018 onwards.

INFORMATION ON INVESTEE COMPANIES LISTED

KEY DATA

In millions of euros unless otherwise indicated	**2017**	2016	2015
Sales	2,507	2,459	2,462
EBITDA	359	344	315
EBIT	279	267	246
Net profit	221	170	145
Total assets	3,661	3,645	3,404
Net financial debt	517	443	426
Equity	2,122	2,106	1,993
Employees (31-dec.)	6,460	6,145	5,508
Share price (closing 31-dec.) (in euros per share)	19.52	19.91	18.16
Market capitalisation (closing 31-dec.)	3,003	3,063	2,793
Gross dividend yield (on closing price)	2.9%	2.7%	3.6%

The company's net financial debt increased by 16.7% in 2017, to 517 million Euros due to the investments made and the aforementioned acquisitions of Vegetalia and Geovita. Even so, the net debt to EBITDA ratio for the year was 1.44 times, a very moderate level that allows Ebro Foods to continue with its strategy of geographical and product consolidation while maintaining an appropriate dividend policy.

The Group's return on capital employed (ROCE) stood at 16.6% in 2017, the same as in the previous year.

SALES BY ACTIVITY

- Rice **52.5%**
- Pasta **47.5%**

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

SALES BY GEOGRAPHICAL AREA

- Other european countries **48.8%**
- North America **37.0%**
- Spain **6.7%**
- Others **7.5%**

INFORMATION ON INVESTEE COMPANIES LISTED

By business area, sales of the Rice division grew by 4.8% to 1,345 million Euros, due to the recovery of sales in the United States following Hurricane Harvey and the good performance of the European business. EBITDA and EBIT grew by 5.0% and 5.5%, respectively, to 206 and 173 million Euros. The significant appreciation of the dollar in the last financial year had a negative impact on the division's EBITDA of 3 million Euros.

Sales of the Pasta division reached 1,218 million Euros in the year, 1.4% less than in 2016, affected by the situation in the North American market. Both EBITDA and EBIT reported growth of 3.7% and 3.4%, respectively, to 163 and 117 million Euros, after a 6.6% reduction in advertising spending, mainly due to the redefinition of strategies in the US market.

ALBA'S PERCENTAGE OF OWNERSHIP

In 2017, Alba increased its stake in the share capital of Ebro Foods from 10.01% to 12.00%, with an investment of 62.2 million Euros, as one of its main shareholders.

SHARE PRICE PERFORMANCE

During 2017, the Ebro Foods share price fell by 1.9% to 19.52 Euros per share, which contrasts with the 7.4% rise in the Ibex 35. At 31 December, the market capitalisation of Ebro Foods was 3,003 million Euros.

EBRO FOODS SHARE PRICE PERFORMANCE IN 2017

Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES LISTED

CIE AUTOMOTIVE

CIE Automotive

www.cieautomotive.com

COMPANY DESCRIPTION

CIE Automotive is an international industrial group based in Spain specialising in high added value processes in two different business areas: automotive components and applied innovation (Dominion).

The company was created in 2002 through the merger of Grupo Egaña and Aceros y Forjas de Azcoitia (Aforasa).

CIE Automotive's business units operate independently:

- Automotive business: As a TIER 2 supplier, CIE Automotive focuses on the design, production and distribution of components for the global automotive market, with more than 6,000 component and sub-assembly SKU's and a presence in Europe, NAFTA, Asia and Brazil. It offers a wide range of different technologies such as aluminium injection, metal stamping and tube forming, iron casting, machining, plastic, forging and ceiling systems.

- Dominion: is a global provider of multi-technical services and specialised engineering solutions. Dominion helps its

clients to make their production processes more efficient, either through complete outsourcing ("Services") or through the application of solutions based on specialised technologies and platforms ("Solutions"). Dominion was listed on the stock exchange in April 2016 and CIE Automotive held a 50.1% stake in the company at the end of 2017. In March this year, CIE Automotive announced its intention to distribute Dominion's shares to its shareholders in the form of an extraordinary dividend.

NOTES ON THE COMPANY'S ACTIVITIES DURING 2017

CIE Automotive's sales once again broke its historic record, rising 29.4% over 2016 to 3.725 million Euros. Following the strategy of selective acquisitions that has characterised the Company since its creation, in 2017 it acquired Newcor, which reinforces the technological and product portfolio of the Automotive segment in the United States, and The Phone House, to grow in the Smart House area in Dominion. Even without the contribution of the integrated companies during the year, organic growth in consolidated sales was 14.3%, well above that of the market.

EBITDA and EBIT rose by 30.2% and 34.7% respectively, to 530 and 376 million Euros, with a margin of 14.2% and 10.1%. This increase took place against a background of favourable developments in its main markets.

The Group closed the year with a net profit of 215 million Euros, 32.7% higher than the previous year, due to the good performance of the business and the change in the scope of consolidation.

With these solid results, CIE Automotive is on track to meet the estimates set out in the 2016-2020 Strategic Plan, which were revised in 2017 to bring forward to 2019 the target of 260 million Euros in net profit.

INFORMATION ON INVESTEE COMPANIES LISTED

KEY DATA

In millions of euros unless otherwise indicated	**2017**	2016	2015
Sales	3,725	2,879	2,632
EBITDA	530	408	366
EBIT	376	279	244
Net profit	215	162	129
Total assets	4,480	4,077	3,270
Net financial debt	855	816	670
Equity	1,337	1,263	885
Employees (31-dec.)	30,948	26,072	22,812
Share price (closing 31-dec.) (in euros per share)	24.21	18.52	15.45
Market capitalisation (closing 31 dec.)	3,123	2,388	1,993
Gross dividend yield (on closing price)	1.7%	1.8%	1.3%

The company's net financial debt increased by 4.7% in 2017, to 855 million Euros, due to the aforementioned acquisitions, the increase in growth investment and the payments pending from acquisitions in previous years. Even so, the net debt to EBITDA ratio was 1.6 times, slightly lower than in 2016, as a result of the increase in EBITDA in the year.

The profitability of the group's assets (Return on Net Assets - RONA) stood at 19%, higher than the 16% obtained in the previous year and approaching the strategic objective of 23%.

SALES BY ACTIVITY

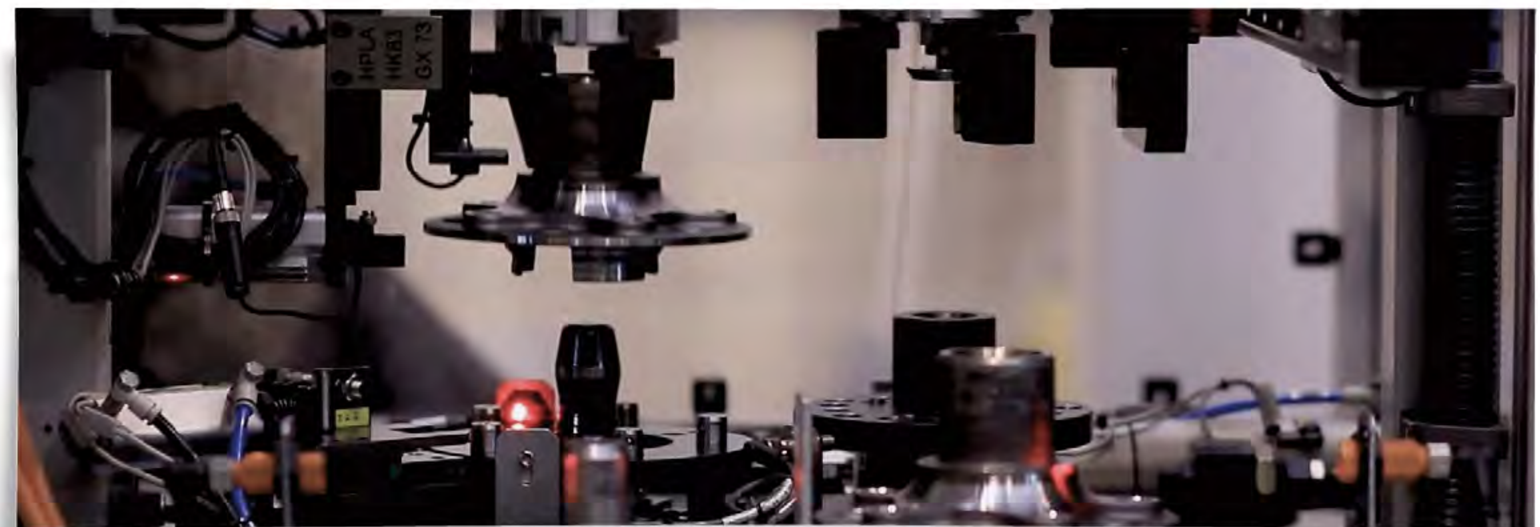
- Automotive **77.4%**
- Dominion **22.6%**

EBITDA BY ACTIVITY

- Automotive **89.1%**
- Dominion **10.9%**

By business area, Automotive is the division with the greatest weight within the group and contributed 77.4% to turnover and 89.1% to EBITDA. Sales grew by 27.1% to 2,881 million Euros and EBITDA by 31.2% to 472 million Euros. The group continued its progression with strong organic growth through the development of new factories and the integration of companies (Newcor). Additionally, it is worth noting that the factories in Mexico obtained the Group's highest margins, the recovery of operating normality and margins at the Mahindra CIE factories in Europe, the improvement in efficiency of the factories in India and China and the good performance of the Brazilian business.

The applied innovation division, Dominion, contributed 22.6% to turnover and 10.9% to EBITDA. Sales grew by 37.7% to 843 million Euros and EBITDA by 22.3% to 58 million Euros. This growth was driven by organic growth of 7.2% and the integration of The Phone House, mentioned above.



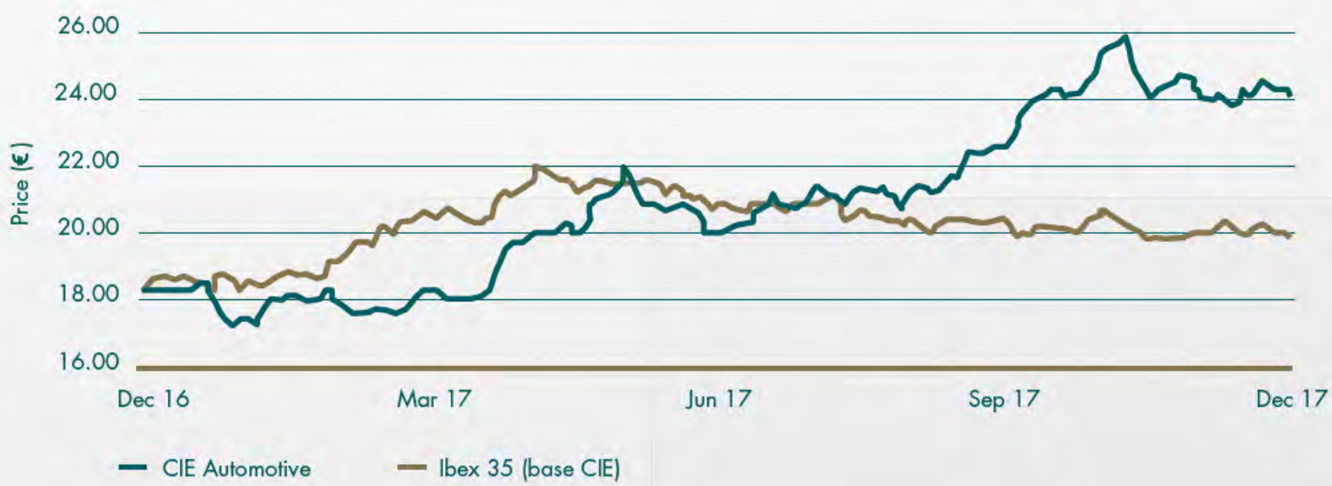
ALBA'S PERCENTAGE OF OWNERSHIP

Alba is the company's second largest shareholder, holding 10.00% of its share capital at 31 December, 2017. The holding was acquired for 303.2 million Euros on 13 December and in equal parts from Acek Desarrollo y Gestión Industrial, S.L. and Mahindra & Mahindra, Ltd., directly or via companies in which they have a shareholding.

SHARE PRICE PERFORMANCE

In 2017, CIE Automotive's share price rose 30.8% to 24.21 Euros per share, much higher than the 7.4% rise in the Ibex 35. As of 31 December, CIE Automotive's market capitalisation was 3,123 million Euros.

CIE AUTOMOTIVE SHARE PRICE PERFORMANCE IN 2017



Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES LISTED

VISCOFAN

www.viscofan.com

COMPANY DESCRIPTION

Viscofan is the global leader in artificial casings for meat products, being the only world producer to manufacture all categories of casings: cellulose, collagen, fibrous and plastic.

The Company's revenue is broadly diversified, with some 2,000 customers in over 100 countries worldwide.

Viscofan has an extensive 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 DURING 2017

The 2017 financial year is the second year of the Company's Strategic Plan 2016-2020 ("MORE TO BE") which aims to position Viscofan as a leader in service, cost and technology in all major casing markets. Within the framework of this strategy, 2017 saw a record year in the volume of investments, reaching a total of 107 million Euros. Of note were the investments made in the new fibrous factory in Cáseda (Spain) and the investments in collagen technology in the Suzhou (China) and Novi Sad (Serbia) plants. This strategy also includes the acquisition, in November

2017, of the Supralon plastic casing company in Europe, which complement the activities of the Vector companies in the United States and Europe, acquired a few months earlier.
In terms of business performance in 2017, the casing market was characterised by solid volume growth supported by emerging regions.

KEY DATA

In millions of euros unless otherwise indicated	**2017**	2016	2015
Sales	778	731	741
EBITDA	211	204	214
EBIT	155	154	161
Net profit	122	125	120
Total assets	961	931	832
Net financial debt/(net cash)	41	9	(3)
Equity	728	708	633
Employees (31-dec.)	4,748	4,541	4,342
Share price (closing 31-dec.) (in euros per share)	55.01	46.85	55.64
Market capitalisation (closing 31-dec.)	2,564	2,183	2,593
Gross dividend yield (on closing price)	2.7%	3.1%	2.2%

Note: In 2015 the IAN Group was consolidated as a discontinued operation/available for sale. The 2016 financial year consolidates Vector's activity in November and December. The 2017 financial year consolidates the business of Supralon by the full integration method from 1 December, 2017.

INFORMATION ON INVESTEE COMPANIES LISTED

Viscofan's sales grew by 6.5% in 2017, to 778 million Euros, thanks to the good performance of the volumes of all the casing categories and the contribution of Vector, acquired in 2016. By nature of revenue, sales of Casings showed solid growth (+6.2%) with respect to the previous year.

Cogeneration revenue also increased by 11.2% compared to 2016, to 44 million Euros. Excluding the impact of foreign currencies, the effect of the change in the consolidation perimeter and non-recurring results, annual revenue would have increased 3.4% compared to 2016.

SALES BY ACTIVITY

- Casings **94.3%**
- Cogeneration **5.7%**

SALES BY GEOGRAPHICAL AREA

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

By geographical area, the positive performance in Latin America, Europe and Asia is noteworthy in view of the decline in sales in the United States. Revenue in Europe and Asia reported organic growth of 3.9% compared to 2016 thanks to higher volumes sold. For its part, Latin America recorded organic revenue growth of 9.6% compared to the previous year, mainly due to the good performance of Brazil. However, revenue in North America declined by 0.4% in organic terms due to weak volumes and weak Dollar-Euro exchange rates. If we consider the figures reported –which include the impact of changes in exchange rates and changes in the scope of consolidation– sales increased in all geographical areas, rising by 4.9% in North America, 5.6% in Europe and Asia and 13.2% in Latin America.

EBITDA grew by 3.5% in 2017 to 211 million Euros, with a sales margin of 27.1% compared to 27.9% in 2016. EBIT amounted to 155 million Euros, 0.3% more than the previous year. This reduction in the EBITDA and EBIT margins is explained by the increase in the costs of certain raw materials, the increase in the workforce and an increase in depreciation as a result of the investments made as part of the strategic plan.

The net income was 122 million Euros, 2.4% lower than in 2016, due to the aforementioned variations and a net financial result lower than in 2016 due to negative exchange rate differences.

Net bank debt amounted to 41 million Euros at December 2017, compared to 9 million Euros at the end of the previous year 2016, due to the increase in shareholder remuneration, the acquisition of the Supralon group and the acceleration of various investment projects. In addition, Viscofan paid a total dividend of 72 million Euros to shareholders out of 2017 results, an increase of 6.9% over the previous year. In addition, at the end of February 2018, the Board of Directors resolved to distribute an extraordinary dividend of 0.13 Euros per share based on the extraordinary capital gain from the Supreme Court's ruling on IAN's appeal against Mivisa Envases in relation to a patent infringement. This extraordinary dividend, for a total amount of 6 million Euros, was distributed to shareholders in March of this year.

ALBA'S PERCENTAGE OF OWNERSHIP

In 2017, Alba acquired an additional 0.30% stake in the Company for 8 million Euros, increasing its stake to 11.32% of its share capital at year-end. Alba is currently the largest shareholder of Viscofan.

SHARE PRICE PERFORMANCE

Viscofan's share price rose by 17.4% in 2017 to 55.01 Euros per share, increasing its market capitalisation to 2,564 million Euros at the end of the year.

VISCOFAN SHARE PRICE PERFORMANCE IN 2017

Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES LISTED

BOLSAS Y MERCADOS ESPAÑOLES

www.bolsasymercados.es

COMPANY DESCRIPTION

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

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

The Company is diversified in its activities and is organised into six business units: Equities, Fixed Income, Derivatives, Clearing, Settlement and Registration and Market Data & VAS (Value Added Services).

NOTES ON THE COMPANY'S ACTIVITIES DURING 2017

In 2017, BME achieved net revenue of 320 million Euros, 1.2% lower than in the previous year. The good performance of revenue in the Clearing (+10.4%) and Market Data & VAS (+6.3%) segments, the latter

of which benefited from Infobolsa's global consolidation, was slightly lower than the decreases in the segments directly related to market activity: Fixed Income, Derivatives, Equities and Settlement and Registration.

EBITDA fell by 2.9% to 210 million Euros, due to the aforementioned fall in revenue and higher annual operating costs, mainly in the Market Data & VAS segment, which was affected by the integration of Infobolsa. Net profit fell by 4.3% to 153 million Euros.

The efficiency indicators continue to keep BME as a benchmark in its sector, with a ratio of 34.4% in 2017, 10 percentage points better than the average of its peers. This high level of efficiency and cash flow generation enabled it to obtain a ROE of 36.1% and maintain a high return to shareholders. If the final dividend proposed to the Annual General Meeting is approved, BME will have distributed a total gross dividend of 1.78 Euros per share out of 2017 profit, representing a *pay-out* of 97.1% and a dividend yield of 6.7% on the closing price in 2017.

INFORMATION ON INVESTEE COMPANIES LISTED

KEY DATA

In millions of euros unless otherwise indicated	**2017**	2016	2015
Net revenue	320	324	347
EBITDA	210	216	245
EBIT	202	208	239
Net profit	153	160	173
Total assets	22,683	23,081	31,272
Net cash	292	283	322
Equity	430	424	433
Employees (31-dec.)	755	762	700
Share price (closing 31-dec.) (in euros per share)	26.55	28.00	31.06
Market capitalisation (closing 31-dec.)	2,220	2,341	2,597
Gross dividend yield (on closing price)	6.8%	6.4%	6.1%

By business lines, the Equity segment (Listing and Trading), which represents 45.5% of the Company's total revenue, reported a slight decrease in both revenue (-0.7%) and EBITDA (-0.8%) compared to the previous year. Revenue from the Listing activity increased by 7.3% with respect to 2016 due to the increase in investment flows channelled to the Stock Exchange, placing the Spanish Stock Exchange among the main European markets in the admission of new companies to listing. On the other hand, revenue from trading activity fell by 2.2% due to the decrease in the number of trades traded (-6.3%). The trading of ETFs and *warrants* in turn reflected lower trading volume and cash.

NET REVENUE PER BUSINESS UNIT

- Equities **45.5%**
- Settlement and Registration **20.1%**
- Market Data & VAS **19.8%**
- Clearing **8.5%**
- Derivatives **3.4%**
- Fixed Income **2.7%**

EBITDA PER BUSINESS UNIT

- Equities **47.7%**
- Settlement and Registration **22.1%**
- Market Data & VAS **18.4%**
- Clearing **7.9%**
- Derivatives **2.1%**
- Fixed Income **1.9%**

Note: Breakdown before corporate results and intragroup sales.

The Settlement and Registration segment, the second largest in volume of revenue, reported negative growth with respect to the previous year in both revenue (-6.9%) and EBITDA (-7.7%), mainly affected by the entry into force of the reform of the Securities Clearing, Settlement and Registration System, which has substantially reduced the number of transactions settled.

The Market Data & VAS segment, created in 2017, consists mainly of the businesses that were previously part of the Information and IT & Consulting units. Revenue in this segment increased by 6.3% due to the consolidation by global integration of Infobolsa and the good performance of the Value Added Services area (VAS). However, EBITDA fell by 1.0% as a result of the division's higher operating costs, which include, among others, those arising from the operational integration of Infobolsa.

The Clearing segment, which mainly includes the clearing of spot equity transactions and the clearing and settlement of all financial and electricity derivatives and fixed income transactions, reported an increase in revenue of 10.4% and an increase in EBITDA of 15.4%.

In relation to the other segments, both Derivatives and Fixed Income reported falls in revenue and EBITDA, as a result of lower activity in both products.

At the end of 2017 the Company had a net cash position of 292 million Euros, including short-term financial assets.

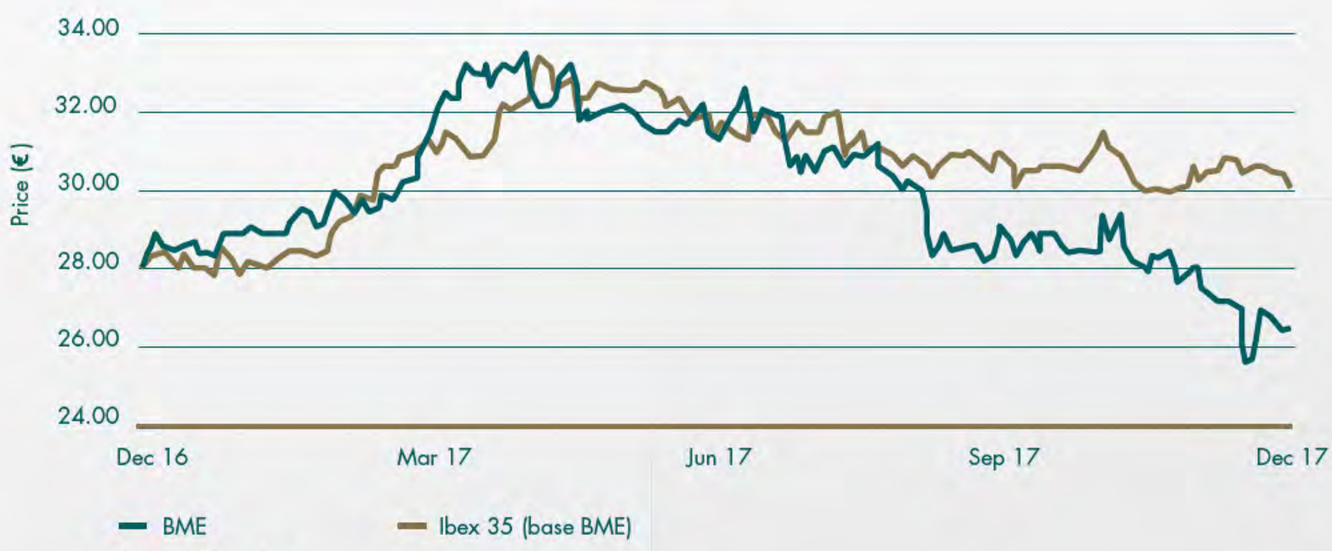
ALBA'S PERCENTAGE OF OWNERSHIP

Throughout the year, Alba kept its stake in the share capital of BME stable. With a stake of 12.06%, Alba is the Company's largest shareholder.

SHARE PRICE PERFORMANCE

The price of the BME share fell by 5.2% in 2017 (compared to an increase of 7.4% in the Ibex 35) to 26.55 Euros per share, with a market capitalisation of 2,220 million Euros at the end of the year.

BME SHARE PRICE PERFORMANCE IN 2017



Source: Bloomberg.

PARQUES REUNIDOS

www.parquesreunidos.com

COMPANY DESCRIPTION

Parques Reunidos is one of the most important global leisure park operators in the world, with a strong presence in Spain and other European countries and the United States. With more than 20 million visitors each year, Parques Reunidos is the second largest European leisure park operator in Europe and the eighth largest in the world, as well as the largest water park operator in the world.

As of 30 September 2017, the closing date of its last financial year, Parques Reunidos had 61 parks in 14 countries, including several projects under development. Its portfolio of parks is very diversified, both geographically and by type of park, including amusement parks, animal parks and water parks, among others.

In addition to the potential organic growth in its current facilities, Parques Reunidos has four additional growth avenues: expansion projects in existing parks, development of shopping malls and similar (*Mall Entertainment Centres* or MECs), management contracts for third-party owned parks and the purchase of regional parks, many of which are family owned. From an organic point of view, the increase in revenue comes from the increase in the

number of visitors and from the higher income per person, both through the net price of entrance fees and from the higher sales of restaurants and other services within the parks.

NOTES ON THE COMPANY'S ACTIVITIES DURING 2017

The operational results of Parques Reunidos in 2017, despite the strong results recorded in the low season (October to June), were affected by unfavourable weather conditions in the United States and Central Europe during the summer, and by the slower than initially expected recovery of the Marineland Park (France), due to more restrictive building permit conditions.

SALES BY GEOGRAPHICAL AREA

- United States **38.0%**
- Rest of Europe **36.1%**
- Spain **24.3%**
- Others **1.6%**

EBITDA BY GEOGRAPHICAL AREA

- United States **34.1%**
- Rest of Europe **35.2%**
- Spain **30.8%**

Note: The breakdown of EBITDA is made on EBITDA before structural and other expenses (e.g. management contracts in Dubai and Vietnam).

Thus, the total number of visitors and consolidated revenue fell by 0.9% and 0.8%, respectively, to 19.6 million visitors and 579 million Euros, which explains the 7.6% drop in EBITDA for the year, to 174 million Euros. In 2017, international revenue accounted for 75.7% of the total, with the United States accounting for 38.0%.

KEY DATA

In millions of euros unless otherwise indicated	**2017**	2016	2015
Sales	579	584	606
EBITDA	174	188	195
EBIT	102	120	127
Net profit	11	4	20
Total assets	2,094	2,208	2,253
Net financial debt	516	540	1,047
Equity	1,109	1,132	610
Employees (30-sep.)	8,242	8,590	8,443
Share price (closing 31-dec.) (in euros per share)	14.85	15.26	n.a.
Market capitalisation (closing 31-dec.)	1,199	1,232	n.a.
Gross dividend yield (on closing price)	1.7%	0.0%	n.a.

Note: The Parques Reunidos accounting year ends on 30 September each year.

By geographical area, Spain reached an all-time high of 141 million Euros in sales (+2.7% compared to 2016) despite less favourable weather conditions during the summer season. This revenue growth was possible thanks to a high number of season ticket sales, the good reception of off-season events (Halloween, Christmas, etc.) and the introduction of new attractions, including the first virtual reality roller coaster in Spain. The rest of Europe, excluding Marineland, reported positive sales growth of 1.4% compared to the previous year, to 182 million Euros, driven by an increase in per capita revenue and by the contributions of new expansion projects, despite the bad weather conditions in the region in the summer months. In turn, it has not been possible to fully implement the plan for the recovery of the Marineland park following the floods in 2016, due to the delay in obtaining the necessary construction permits that prevented the execution of the planned expansion investments, which explains the 7.5% drop in sales of the park with respect to the previous year. Finally, sales in the United States fell by 4.9% compared to 2016, affected by the rains and events such as Hurricanes Irma and Harvey.

The Company's recurring net income was 51 million Euros, 15.9% lower than the previous year, due to the above-mentioned reasons and higher tax payments. The reported net income, including non-recurring items, amounted to 11 million Euros, mainly due to impairment in the carrying value of the assets of Marineland, Miami Seaquarium and certain water parks in the United States.

The net debt of Parques Reunidos at the end of the year was 516 million Euros, 4.5% less than in September 2016 thanks to the positive cash flow generation in the period. This net financial debt is equivalent to 3.0 times the recurring EBITDA for the year, the Company's objective being to reduce this ratio to 2.0-2.5 times in the medium term.

In addition, the Board of Directors has proposed to the General Shareholders' Meeting the distribution in 2018 of a dividend of 20 million Euros, which represents 39% of recurring net income.

ALBA'S PERCENTAGE OF OWNERSHIP

Alba is the second biggest shareholder in Parques Reunidos. In 2017, Alba invested 112.0 million Euros in the acquisition of an additional 9.48% of its share capital, increasing its stake to the current 20.01%.

SHARE PRICE PERFORMANCE

Since its Initial Public Offering at the end of April 2016, the share price of Parques Reunidos has shown some volatility, with a minimum of 11.69 Euros per share and a maximum of 17.45 Euros per share. In 2017, the share price fell by 2.7% to 14.85 Euros per share, with a market capitalisation of 1,199 million Euros at the end of the year.

PARQUES REUNIDOS SHARE PRICE PERFORMANCE IN 2017

Souerce: Bloomberg.

INDRA

www.indracompany.com

COMPANY DESCRIPTION

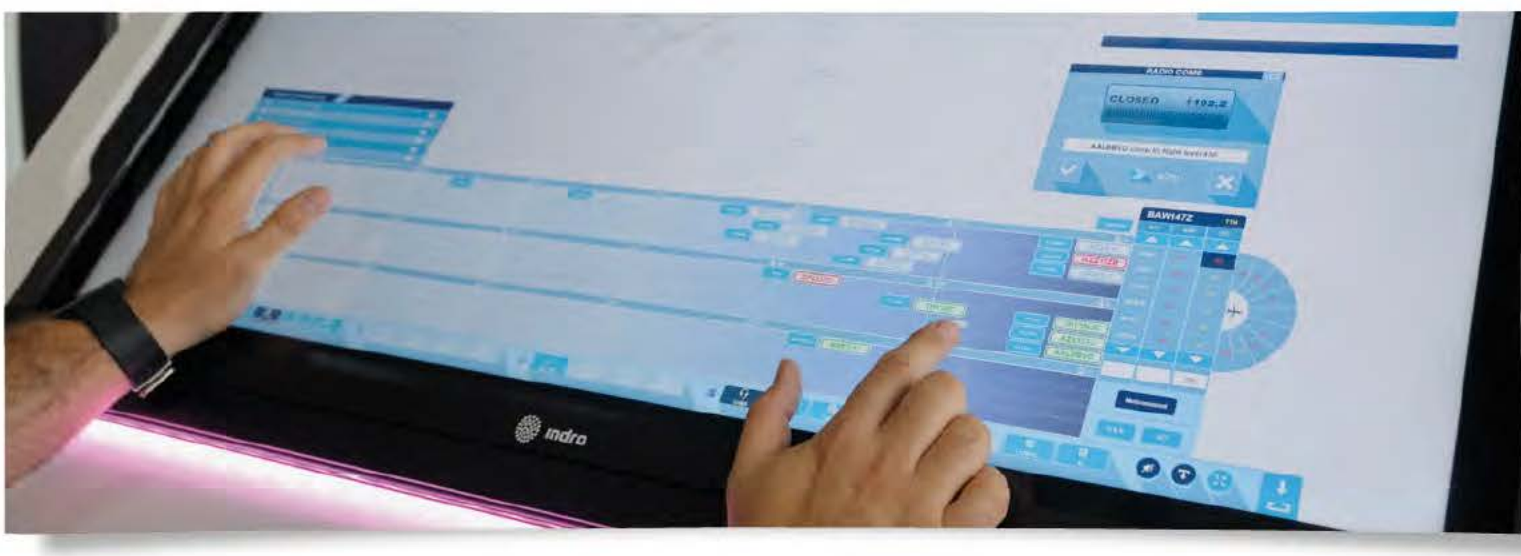
Indra is Spain's leading company in information technology and security and defence systems, and one of the leading companies in Europe and Latin America. It offers high added value solutions and services for the Transport and Defence markets (which includes the Defence and Security and Transport and Traffic sectors) and Information Technologies (IT), which brings together the Energy and Industry, Financial Services, Public Administrations and Health and Telecom and Media sectors.

The Company operates in more than 140 countries and had more than 40,000 employees at the end of 2017. Indra's international business has grown substantially in recent years and, in 2017, represented 53.9% of total sales, with the Americas accounting for 21.8% of total sales.

Indra follows a global management model of customer needs, from the design of a solution, through its development and implementation, to its operational management. Indra offers its customers a wide range of integrated systems, applications and components, both its own and those of third parties, for

the capture, processing, transmission and subsequent presentation of information, basically focused on the control and management of complex processes. In addition, Indra provides outsourcing services for the management, maintenance and operation of systems and applications for third parties, as well as the outsourcing of certain business processes where technology is a strategic and differential element. The Company also offers technological, operational and strategic consulting services.

At the end of April 2017, Indra completed the takeover bid for 100% of the share capital of Tecnocom for a total amount of approximately 345 million Euros. This acquisition strengthens their IT business in Spain, especially in the financial and payment sector. This company has been consolidated in Indra's results since April 2017, with a contribution in the year of 255 million Euros in sales and losses of 4 million Euros in EBIT (including 12 million Euros in integration costs). The achievement of the operating synergies, estimated at the time of the announcement of the transaction at 31 million Euros, is taking place at a faster pace and at a lower cost than initially forecast.



INFORMATION ON INVESTEE COMPANIES LISTED

NOTES ON THE COMPANY'S ACTIVITIES DURING 2017

Indra reported total sales of 3,011 million Euros in 2017, up 11.1% on the previous year (1.7% on a like-for-like basis).

The net income increased for the second consecutive year and amounted to 127 million Euros in 2017, which represents a growth of 81.5% compared to the previous year, despite the negative impact on its profit from the integration of Tecnocom.

KEY DATA

In millions of euros unless otherwise indicated	**2017**	2016	2015
Sales	3,011	2,709	2,850
EBITDA	266	229	131
EBIT	196	162	(642)
Net profit (loss)	127	70	(641)
Total assets	3,867	3,332	3,063
Net financial debt	588	523	700
Equity	649	378	308
Employees (31-dec.)	40,020	34,294	37,060
Share price (closing 31-dec.) (in euros per share)	11.41	10.41	8.67
Market capitalisation (closing 31-dec.)	2,015	1,709	1,423
Gross dividend yield (on closing price)	0.0%	0.0%	0.0%

Source: Indra's consolidated accounts include Tecnocom for global consolidation since 18 April, 2017.

By vertical markets, the positive performance of Information Technologies (IT) stands out, which increased its revenue by 23.1%, mainly thanks to the acquisition of Tecnocom. Excluding this impact, the organic growth of the segment was 6%, boosted by the good performance of the Public Administrations and Healthcare vertical due to the high level of activity in the Elections business, the positive growth of the Energy and Industry vertical supported by the improved dynamics in the Oil & Gas sector and by the increase in activity with large accounts customers, being negatively affected by the Telecom and Media vertical, largely due to the loss of the BPO contract with Vodafone.

On the other hand, the vertical Transport and Defence (T&D) market experienced a 3.3% drop in revenue during the year, but with large differences between the two segments that make up the market. Defence and Security revenue remained virtually stable, with a drop of 0.5% due to the slight drop in activity of the Eurofighter project. Conversely, Transport and Traffic sales fell by 6.0%, mainly due to the reduction in the international market in the Transport segment, where the decline in activity in relevant projects and delays in the award of some contracts was slightly offset by the growth in the Air Traffic business.

INFORMATION ON INVESTEE COMPANIES LISTED

In terms of business performance by geographical area, sales growth in Spain (+19.2%, mainly due to the integration of Tecnocom) and in Asia, the Middle East and Africa (+29.6%, due to the positive contribution of the electoral processes business) were noteworthy. On the other hand, sales in the Americas remained flat (+0.4%), boosted by the consolidation of Tecnocom (-5% in organic terms), with Europe being the only country with a drop in reported revenue in 2017 (-6.1%),

SALES BY VERTICAL MARKETS

- Financial Services **20.1%**
- Security & Defence **19.8%**
- Transport & Traffic **19.5%**
- Public Admin. & Health **16.8%**
- Energy & Industry **16.0%**
- Telecom & Media **7.8%**

SALES BY GEOGRAPHICAL AREA

- Spain **46.1%**
- America **21.8%**
- Europe **16.3%**
- Asia, Middle East & Africa **15.8%**

as a result of the drop in activity in the Eurofighter project in the last quarter of the year.

Net order intake grew by 18.4% to 3,248 million Euros due to the favourable impact of the integration of Tecnocom and the organic growth of Indra's order intake (+10.0% organically), both in the IT and R&D segments.

With regard to the performance of EBIT, the Company reported a positive result of 196 million Euros, 20.9% higher than the previous year, thanks to the improvement in margins in the IT segment due to the contribution of Public Administrations and Healthcare and, to a lesser extent, to the slight improvement in Financial Services.

Cash flow generation in the year was 186 million Euros, very similar to that recorded in the previous year. However, operating cash flow before working capital variation reached 264 million Euros, 15.8% higher than in 2016. This increase is supported by the solid operational improvement of the business.

Net debt rose to 588 million Euros in December 2017 (523 million Euros in December 2016), mainly as a result of the acquisitions of Tecnocom, Paradigma and GTA. Net debt is 2.2 times the EBITDA for the year. Excluding these non-recurring items, net debt would have been reduced to 309 million Euros and leverage would have been 1.2 times the EBITDA for the year.

ALBA'S PERCENTAGE OF OWNERSHIP

In 2017, Alba's stake in Indra's share capital was reduced from 11.32% to the current 10.52% as a result of the capital increase carried out by the Company for the acquisition of Tecnocom in April.

SHARE PRICE PERFORMANCE

As in the previous two years, Indra's share price in 2017 outperformed that of the Ibex 35. Thus, while the benchmark index in the Spanish market rose by 7.4% in 2017, Indra's share price rose by 9.6% in the year to 11.41 Euros per share at 31 December. At year-end, Indra's market capitalisation was 2,015 million Euros.

INDRA SHARE PRICE PERFORMANCE IN 2017

Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES LISTED

EUSKALTEL

www.euskaltel.com

COMPANY DESCRIPTION

Euskaltel is a regional telecommunications operator that offers high-speed broadband services, digital pay TV, fixed and mobile telephony to private and business customers in the Basque Country, Galicia (through R Cable) and Asturias (through Telecable). It is one of the leading operators in these regions, with market shares of over 30% in several of the segments in which it operates.

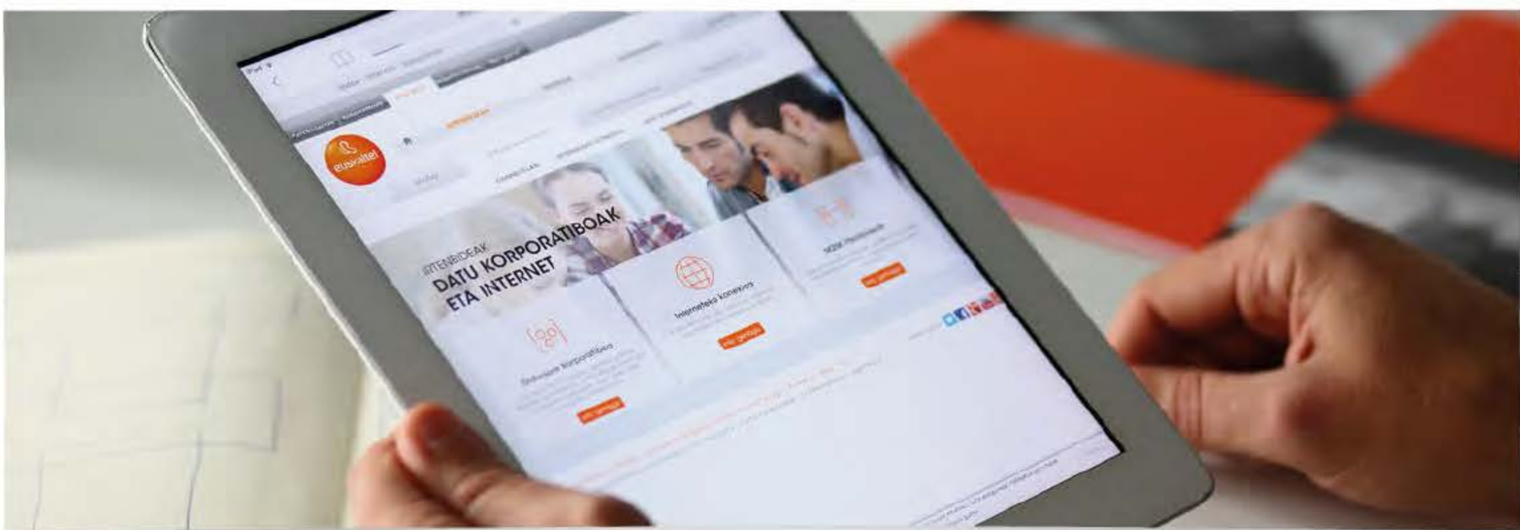
The Company has its own fibre optic network, covering 2.2 million residential homes in the three regions in which it operates, a WiFi network in public places in Galicia and the Basque Country and agreements with other operators to provide mobile telephone services nationwide, complemented by its own mobile phone network with 2.6 GHz frequencies in the Basque Country. Euskaltel, through its different brands, offers a combination of fixed, mobile, broadband and television services through convergent packages that group together one or more of these services (1P, 2P, 3P or 4P) to private customers, the self-employed, SMEs and large companies.

As of December 2017, Euskaltel had a total of 660,946 residential customers and 116,048 business customers in the three regions in which it operates.

NOTES ON THE COMPANY'S ACTIVITIES DURING 2017

The results of Euskaltel shown below include, for 2017, the consolidation by global integration of five months of Telecable activity, acquired at the end of July.

Total revenue increased to 622 million Euros in 2017, 8.6% more than in 2016, mainly due to the acquisition of Telecable.



INFORMATION ON INVESTEE COMPANIES LISTED

KEY DATA

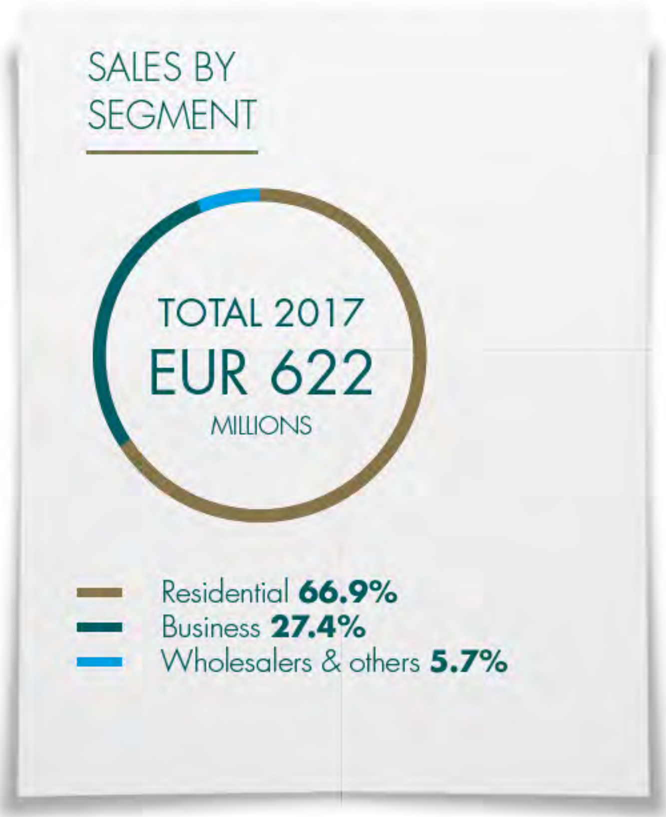
In millions of euros unless otherwise indicated	**2017**	2016	2015
Revenue	622	573	349
EBITDA	307	281	152
EBIT	135	130	67
Net profit	50	62	7
Total assets	2,905	2,330	2,282
Net financial debt	1,606	1,223	1,358
Equity	963	742	703
Employees (31-dec.)	739	557	564
Share price (closing 31-dec.) (in euros per share)	6.80	8.42	11.58
Market capitalisation (closing 31-dec.)	1,214	1,279	1,758
Gross dividend yield (on closing price)	5.3%	4.3%	0.0%

Note: The results include: in 2017, the global consolidation of Telecable since August; in 2016, the consolidation of R Cable for the full year, whereas in 2015 it only recorded one month of results for the Company. The 2016 EBITDA refers to the EBITDA reported by the company adjusted for non-recurring expenses incurred in the integration process of the Euskaltel and R Cable companies.

The Residential segment increased its revenue by 11.6% (+0.4% if we assume the consolidation of Telecable for the full year in 2016 and 2017) to reach 416 million Euros. This growth is the result of Telecable's contribution of five months of activity and an improvement in average monthly revenue per user (ARPU) of 2.7% in 2017, thanks to the increase in customers with three and four products contracted.

The Business segment, which groups together SMEs, large accounts and the sub-segment of small companies and self-employed (SOHO), obtained revenues of 170 million Euros, 2.4% more than in the previous year due to the contribution of Telecable, which offset the slight fall in revenues in Euskaltel and R Cable. In pro forma terms, revenue for the period would have fallen by 5.1% with respect to the previous year due to the loss of a relevant institutional contract at the end of last year.

The Wholesale segment grew by 6.0% to 35 million Euros, again mainly due to Telecable's contribution.



EBITDA, adjusted for the non-recurrent costs incurred in the integration process of R Cable and Telecable, amounted to 307 million Euros, up 9.4% on the same period last year, largely due to the contribution of Telecable and also to the synergies and efficiencies achieved in the Group. Thus, the EBITDA margin stood at 49.3% in 2017, 30 basis points higher than in the previous year.

Net income amounted to 50 million Euros in 2017, 20.2% lower than in 2016, mainly due to the increase in depreciation and amortisation from the acquisition of Telecable and from non-recurring provisions and extraordinary expenses.

Operating cash flow, defined as the difference between EBITDA and net investments, was 198 million Euros in 2017, representing a conversion ratio over EBITDA of 64.6%, higher than that of comparable companies in the sector in Europe.

Net financial debt stood at 1,606 million Euros at December 2017, compared to 1,223 million Euros a year earlier. This increase in net debt is mainly explained by the acquisition of Telecable. In terms of net debt to EBITDA ratio, the leverage ratio stood at 4.5 times including expected recurring synergies. In addition, in 2017, Euskaltel distributed 55 million Euros in dividends to its shareholders.

ALBA'S PERCENTAGE OF OWNERSHIP

Alba is the third shareholder of the Company with a stake of 11.00% in its share capital at 31 December, 2017. During the year, Alba acquired an additional 1.65% for 25 million Euros with the aim of recovering the 11.00% stake in the share capital of Euskaltel, prior to the dilution resulting from the capital increase carried out by the Company as part of the acquisition of Telecable.

SHARE PRICE PERFORMANCE

In 2017, the Company's share price fell by 19.3% to 6.80 Euros per share, while its market capitalisation fell to 1,214 million Euros at the end of the year.

EUSKALTEL SHARE PRICE PERFORMANCE IN 2017

Source: Bloomberg.

MECALUX

www.mecalux.com

COMPANY DESCRIPTION

Mecalux is one of the leading companies in the worldwide storage systems market. Its activity consists of the design, manufacture, marketing and provision of services related to metal pallet racking, automatic warehouses and other storage solutions, with state-of-the-art technology in the sector.

Mecalux has an extensive international presence, with sales in approximately 70 countries and more than 80% of its activity generated outside Spain. It has production centres in Spain, Poland, the United States, Mexico, Brazil and Argentina, and an extensive sales and distribution network, making it a leading company in the southern European shelving markets, NAFTA and Mercosur.

As of 31 December, 2017, Alba held 24.38% of the share capital of Mecalux, 8.78% directly and 15.60% through Deyá Capital.

PANASA

www.berlys.es

COMPANY DESCRIPTION

Founded in 1968, Panasa (Berlys) is one of the top manufacturers of fresh and frozen bread, pastries and cakes in Spain, and are considered market leaders.

Following a competitive process for the sale of 100% of Panasa, an agreement was reached in November 2017 for its sale to the French private equity fund Ardian which, in parallel, reached an agreement for the acquisition of the competitor Bellsolá, the fifth largest company on the market.

Following the approval of the transaction by the competition authorities in February 2018, Ardian completed the acquisition of both companies by creating the MonBake group, in which funds and vehicles managed by Artá Capital have acquired a minority stake. Alba's indirect stake in MonBake is 3.70%.

The combination of both companies creates a leading company in the frozen bakery and pastry sector, reinforcing its leading position in Spain with a high degree of complementarity of products and markets.

INFORMATION ON INVESTEE COMPANIES UNLISTED

IN-STORE MEDIA

in-Store Media

www.in-storemedia.com

COMPANY DESCRIPTION

in-Store Media, founded in 1998, is currently one of the world's leading companies in the operation of point-of-sale advertising media through exclusive agreements with *retailers* and the provision of services to 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 major 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), being a leader in technology, innovation and invoicing in all the aforementioned markets.

As of 31 December 2017, Alba's stake in in-Store Media through Deyá Capital was 18.89%.

TERBERG ROS ROCA

TERBERG ROSROCA

www.terbergrosroca.com

COMPANY DESCRIPTION

In the first quarter of 2016, Ros Roca Environment and the Dutch company Terberg Environmental completed their merger, creating the UK-based company TRRG Holding Limited. Ros Roca Environment is a Spanish company dedicated to the manufacture of urban waste collection vehicles and Terberg Environmental is the environmental subsidiary of the Dutch family conglomerate Terberg.

With a great complementarity of products and markets, the merger of both companies has allowed the creation of a leader in urban waste management with the manufacture of collection equipment, special chassis and lifting systems, with production centres in the United Kingdom, Spain, Holland, Germany and France.

At 31 December 2017, Alba, through Deyá Capital, held a 7.50% stake in TRRG.

GASCAN

Gascan

www.gascan.pt

COMPANY DESCRIPTION

Gascan is a leading company in the distribution of channelled propane gas in Portugal, providing daily service to nearly 65,000 customers through its own supply infrastructure.

Focusing primarily on the residential and bulk customer segments, it is headquartered in Lisbon and has operations in all regions of the country, with more than 25 years of market presence.

The company distributes nearly 11,000 tons of propane gas annually, managing more than 1,500 of its own distribution networks with 700 kilometres of associated pipelines.

At 31 December 2017, Alba, through Deyá Capital IV, held a 40.30% stake in Gascan.

ALVINESA

ALVINESA

www.alvinesa.com

COMPANY DESCRIPTION

Alvinesa is a world leader in the production of natural ingredients from grapes, mainly alcohols for beverages and other uses, tartaric acid, grape seed oil, antioxidants and 100% natural colourants for the oenological, nutraceutical and food industry, among others.

The rest of the by-products obtained are used for the production of biomass, animal feed and composting, which allows the wine industry to be a fully circular economy, since it uses practically 100% of the grapes.

Located in one of the most intensive wine regions in the world, its main suppliers are wineries in Castilla La Mancha, Extremadura and Castilla y León, from which it collects the pressed grapes and lees generated in wine production.

As of 31 December, 2017, Alba, through Deyá Capital IV, held a 16.83% stake in Alvinesa.

INFORMATION ON INVESTEE COMPANIES UNLISTED

SATLINK

www.satlink.es

COMPANY DESCRIPTION

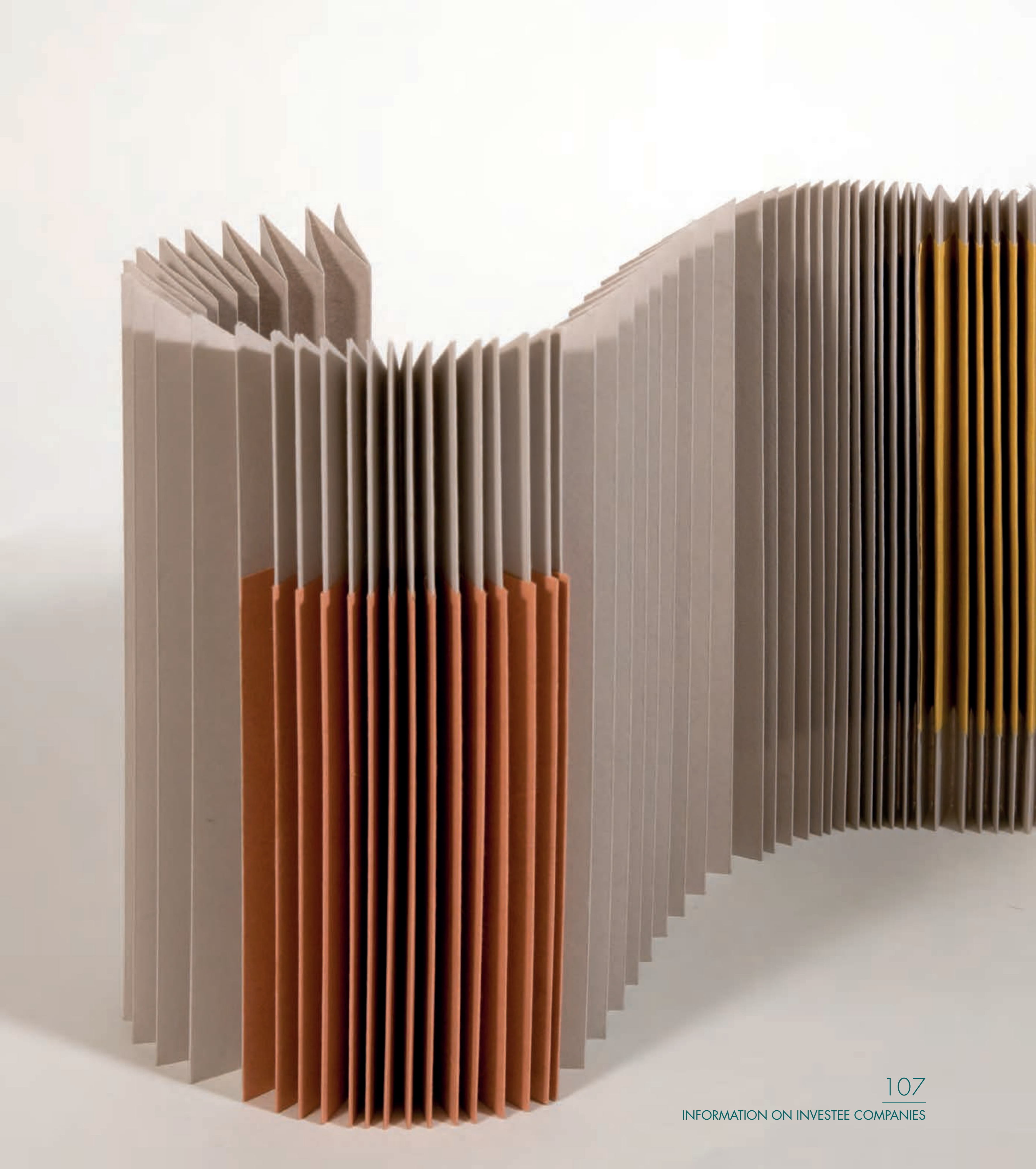
Satlink is an engineering company that develops mainly technological solutions in favour of sustainable fishing and better fisheries management.

Satlink also offers a wide range of satellite products and solutions for the maritime industry including, among others, telecommunications, tracking systems, electronic *reporting* and video surveillance from land to improve the traceability of fishing and sea transport.

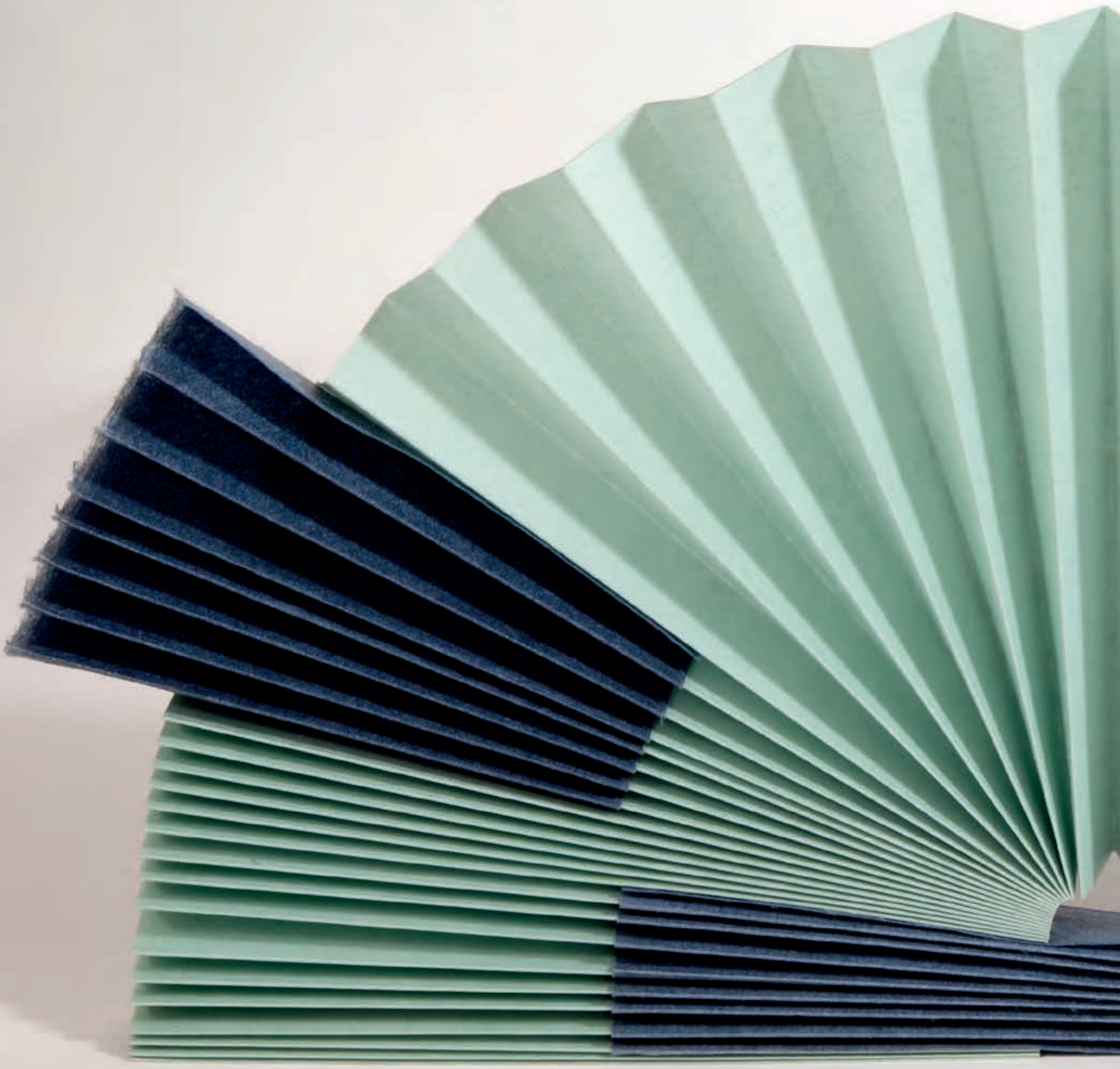
Its agreements with the main satellite networks, such as Inmarsat, Thuraya and Iridium, give it the capacity to provide global coverage in voice and data transmission to any type of user, whether at sea or on land.

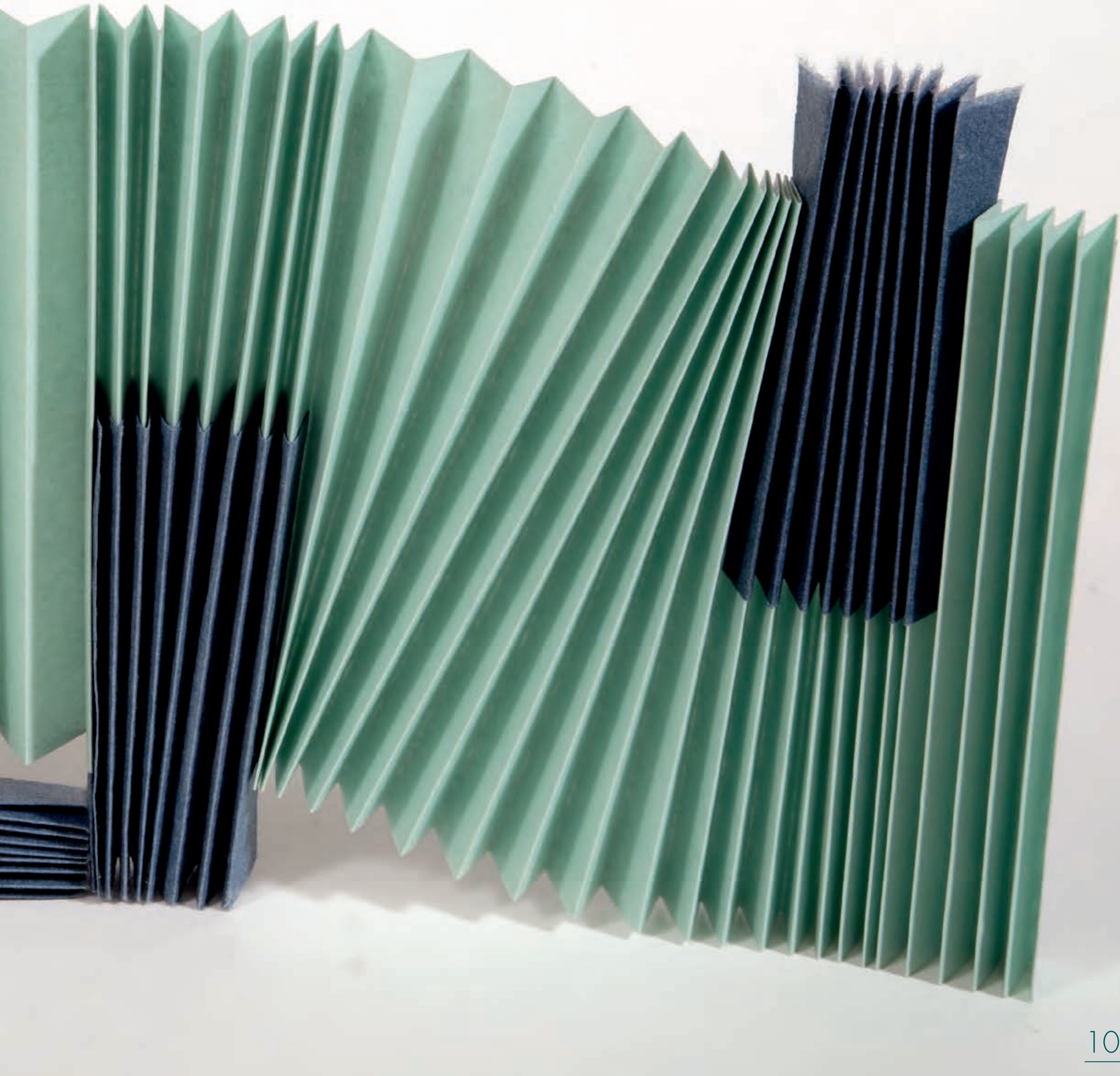
Thanks to its capacity for innovation, Satlink has successfully captured growth in its sector, generating nearly 70% of its activity in international markets.

As of 31 December, 2017, Alba, through Deyá Capital IV, held a 28.07% stake in Satlink.



REAL ESTATE ACTIVITY





REAL ESTATE ACTIVITY

By the end of 2017, Alba had approximately 85,800 square metres of leasable space and 1,400 parking spaces in office buildings located in Madrid (68,000 square metres) and Barcelona (17,800 square metres).

The real estate book value is updated annually on the basis of an appraisal carried out by an independent expert, who, at 31 December, 2017, valued them at 336.5 million Euros, which is 4.1 million Euros more on a like-for-like basis than the previous year. This appraisal amount exceeds the net value of the investment by 116.7 million Euros.

The occupancy rate at the end of 2017 was 86.4%, 4.6 points higher than at the end of 2016.

Revenue from real estate leases amounted to 16.1 million Euros for the year, direct expenses amounted to 5.4 million Euros and the gross profitability, calculated on the investment made, reached 5.4% at the end of the year.

3.0 million Euros were invested during the year to refurbish the leasable spaces, renovating buildings as required and modernising facilities, achieving greater efficiency and thus adding value to them.

In 2017, sales of the following were completed: four floors of office buildings in Miguel Ángel, 23, a commercial property in Miguel Ángel, 21, the ONO building (close to the A6 motorway), an office floor in Lagasca, 88 –all of them in Madrid– and an industrial building in Manacor. These sales amounted to 45.1 million Euros, reporting a profit of 5.4 million Euros, of which 2.6 million Euros were recorded in 2016.

In the first quarter of 2018, another office floor in Lagasca, 88 (Madrid) was sold, resulting in a capital gain of 2.9 million Euros.

AUDITOR'S REPORT

AUDITOR'S REPORT

KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Corporación Financiera Alba, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Corporación Financiera Alba, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of investments in associates
See notes 4 e) and 10 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group's investments in associates are accounted for using the equity method and amount to Euros 2,383.1 million at 31 December 2017. There is a risk that the carrying amount of the net investment in an associate exceeds its recoverable amount, particularly in the case of entities whose list price is lower than their carrying amount. At each reporting date the Group assesses whether there are indications of impairment of these investments and, if so, estimates their recoverable amount and determines the need to recognise the corresponding impairment thereof. The recoverable amount of these investments is determined on the basis of their value in use by applying valuation techniques that require managements' judgement and the use of assumptions and estimates. Due to the uncertainty and judgement associated with these estimates, as well as the significance of the carrying amount of the investments in associates, we have considered this a key audit matter.	Our audit procedures included the following: • We assessed the design and implementation of the key controls associated with the processes employed to identify possible evidence of impairment and estimate the recoverable amount of the investments in associates. • We assessed the criteria applied by management in this respect. We verified the information on the list prices of the investments in associates used in this assessment. • Together with our valuation specialists, we assessed the reasonableness of the methodology and assumptions used to estimate the recoverable amounts. • We compared the information contained in the valuation model with information from external sources comprising estimates and an outlook of the future state of the industry in which these associates operate. • We assessed the sensitivity of the estimated recoverable amounts to changes in relevant assumptions and judgements such as future cash flows, the discount rate and expected future growth rate, with a view to determining their impact on the measurement of these investments. Lastly, we assessed whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

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Other matters

The consolidated annual accounts of Corporación Financiera Alba, S.A. and subsidiaries for the year ended 31 December 2016 were audited by other auditors, who expressed an unqualified opinion thereon.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2017 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the consolidated directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in a) above has been provided in the consolidated directors' report and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

KPMG

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 11 April 2018.

Contract Period

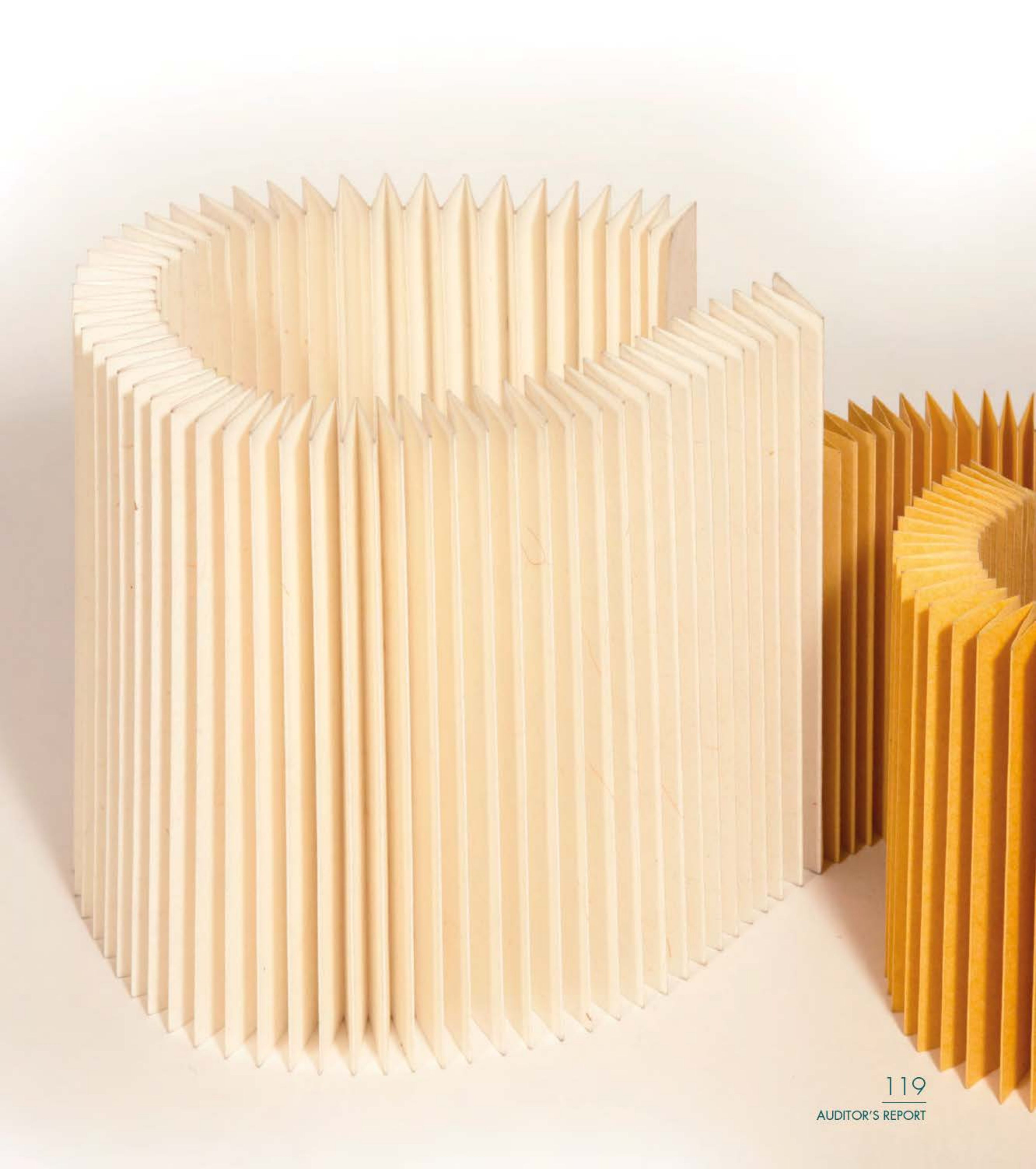
We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 8 June 2016 for a period of three years, from the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

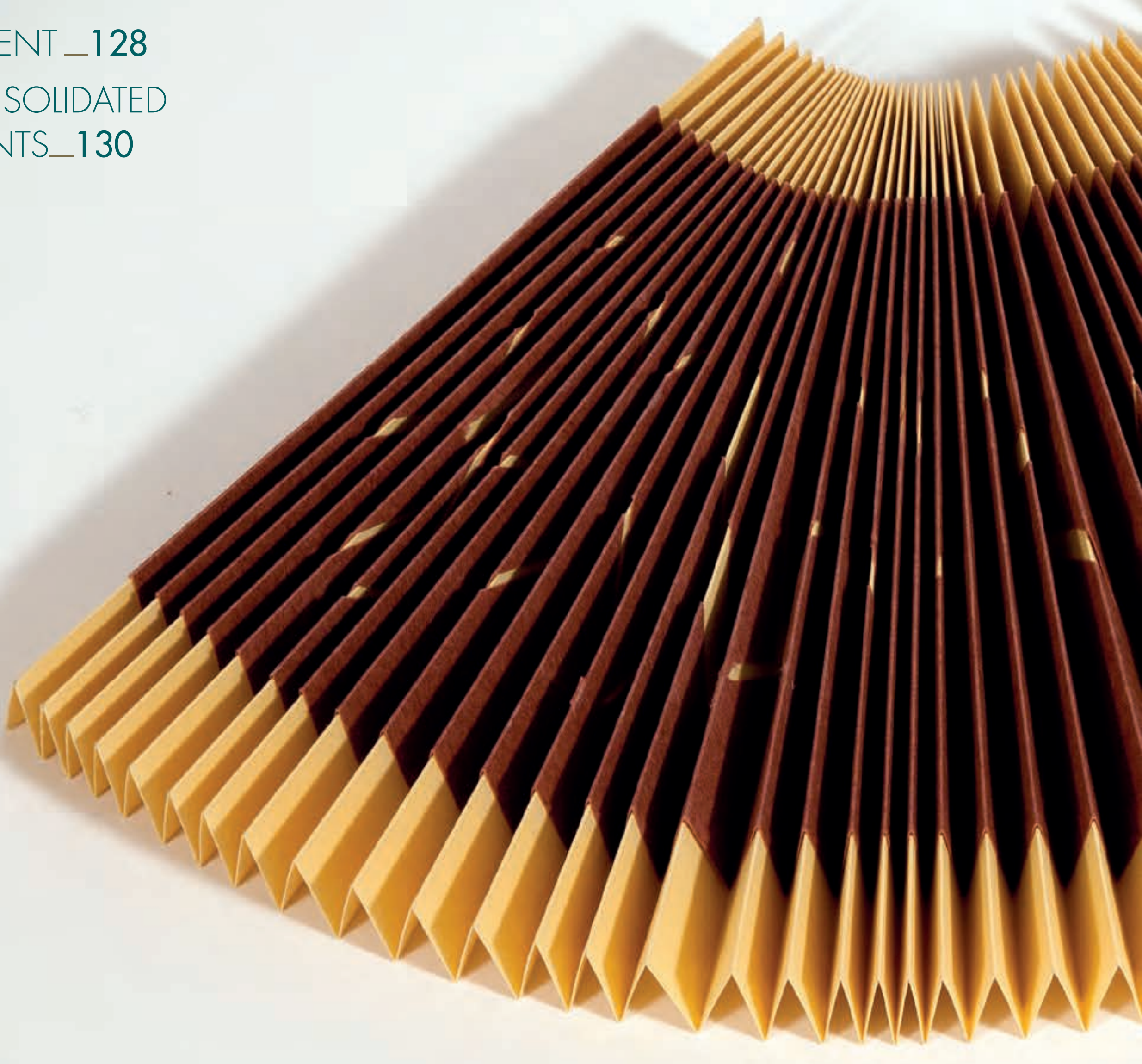
Borja Guinea López
On the Spanish Official Register of Auditors ("ROAC") with No. 16,210

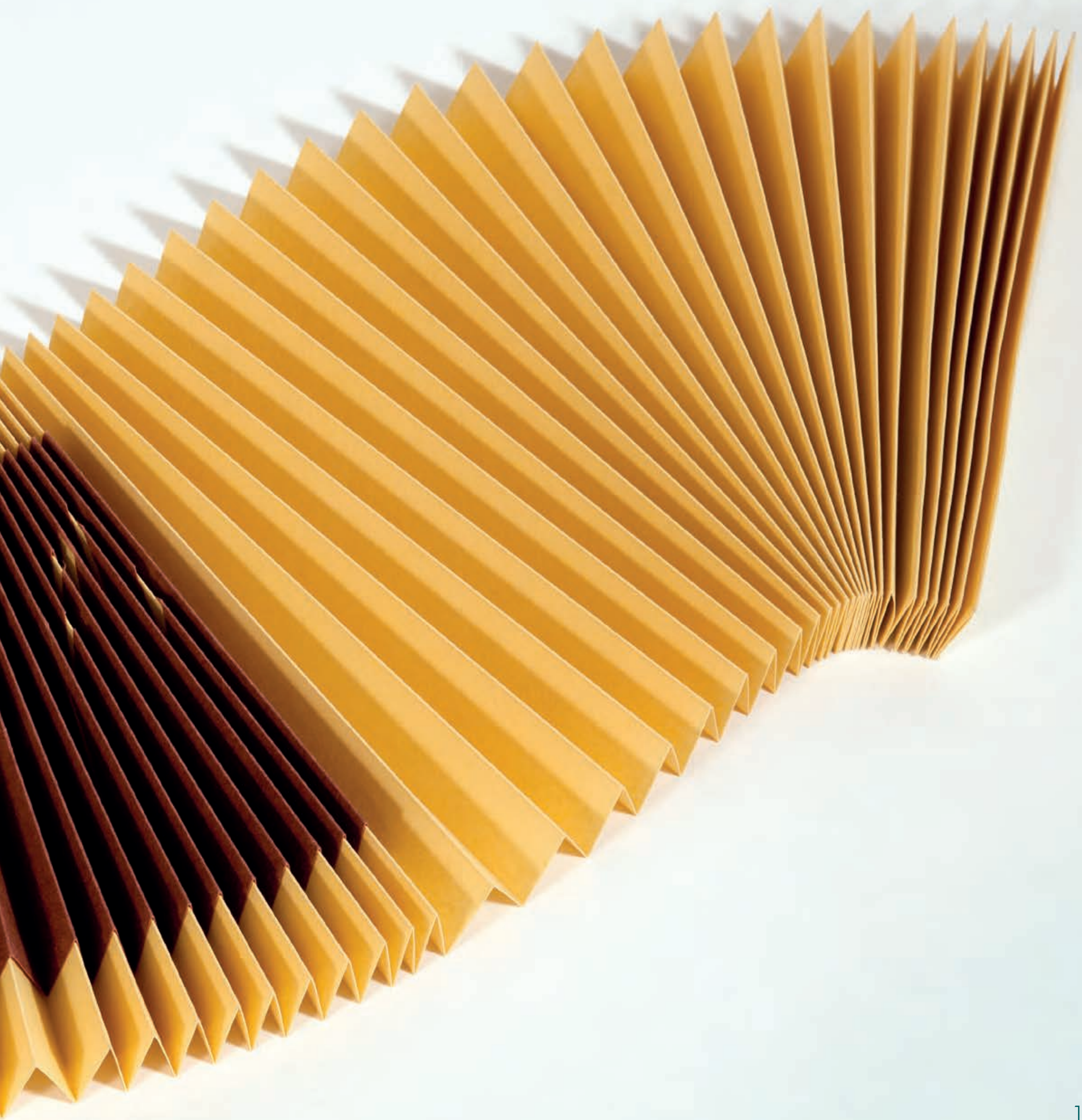
11 April 2018



CONSOLIDATED FINANCIAL STATEMENTS

OF CORPORACIÓN FINANCIERA ALBA, S.A. AND SUBSIDIARY COMPANIES FOR THE 2017 FINANCIAL YEAR





CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2017 AND 2016

ASSETS

Millions of euros	Notes	**31/12/17**	31/12/16
Property investments	6	336.5	349.1
Property, plant and equipment	7	46.9	7.0
Goodwill	8	10.2	-
Other intangible assets	9	67.0	-
Investments in associates	10	2,383.1	2,321.4
Financial instruments at fair value with changes to profits and losses	11	154.5	325.2
Other financial assets	12	67.0	132.9
Deferred tax asset	22	1.8	0.8
Non-current assets		**3,067.0**	**3,136.4**
Non-current assets held for sale	6 and 11	88.4	53.5
Inventory		7.3	-
Clients and other receivables	13	201.1	139.7
Other financial assets	14	602.5	-
Cash and cash equivalents	14	310.0	469.9
Current assets		**1,209.3**	**663.1**
Total Assets		**4,276.3**	**3,799.5**

Notes 1 to 31 of the consolidated report attached form a part of these annual consolidated accounts at 31 December 2017.

TRANSLATION OF REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS ISSUED IN SPANISH IN ACCORDANCE WITH GENERALLY ACCEPTED PRINCIPLES IN SPAIN (SEE NOTE 32). IN THE EVENT OF DISCREPANCY, THE SPANISH VERSION PREVAILS.

EQUITY AND LIABILITIES

Millions of euros	Notes	**31/12/17**	31/12/16
Share capital	15	58.3	58.3
Retained earnings and other reserves	15	3,935.2	3,593.5
Treasury shares	15	(2.4)	(2.4)
Interim dividend	3	(29.1)	(29.1)
Shareholders' equity		**3,962.0**	**3,620.3**
Minority interests		34.1	0.7
Total equity		**3,996.1**	**3,621.0**
Bank borrowings	19	180.8	127.5
Other financial liabilities	12	6.4	2.7
Provisions	17	1.1	0.7
Deferred tax liabilities	22	52.9	32.3
Non-current liabilities		**241.2**	**163.2**
Suppliers and other payables	18	24.5	6.2
Bank borrowings	19	14.5	9.1
Current liabilities		**39.0**	**15.3**
Total Equity and Liabilities		**4,276.3**	**3,799.5**

Notes 1 to 31 of the consolidated report attached form a part of these annual consolidated accounts at 31 December 2017.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2017 AND 2016

Millions of euros	Notes	**2017**	2016
Interest in associates' income for the financial year	10	118.9	165.0
Turnover	24	64.5	18.6
Other income		6.3	0.1
Cost of goods sold		(19.5)	-
Variations in the fair value of property investments	6	0.9	15.8
Income from the disposal and proceeds from financial and other assets	10 and 11	389.9	168.6
Asset impairment	7, 10 and 11	(31.3)	11.2
Staff costs	25.a	(19.5)	(11.9)
Other operating costs	24	(22.6)	(11.3)
Provisions		(0.4)	-
Amortisation	7 and 9	(8.4)	(0.9)
Operating profits/(losses)		**478.8**	**355.2**
Financial income	25.b	7.3	7.0
Financial expenses and exchange rate differences		(5.4)	(2.7)
Variation in the fair value of financial and other instruments	25.c	(4.7)	54.5
Financial performance		**(2.8)**	**58.8**
Profits/(losses) before tax from ordinary activities		**476.0**	**414.0**
Corporation tax expenditure	22	1.2	(5.4)
Profits/(losses) from ordinary activities		**477.2**	**408.6**
Consolidated results from the financial year		**477.2**	**408.6**
Results attributed to minority interests		3.1	0.9
Consolidated results from the financial year attributed to the group		**474.1**	**407.8**
Basic earnings and diluted earnings per share (euros/share)	15	8.14	7.00

Notes 1 to 31 of the consolidated report attached form a part of these annual consolidated accounts at 31 December 2017.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2017 AND 2016

Millions of euros	Notes	**2017**	2016
Consolidated income from the profit and loss account		477.2	408.6
Income and expenses allocated directly to equity			
Items that will not be reclassified as income	10	(0.4)	-
Interest in other comprehensive income from investments in associates		(0.4)	-
Items that will be reclassified as income	10	(74.5)	(41.6)
Interest in other comprehensive income from investments in associates		(74.5)	(41.6)
Total income and expenses allocated directly to equity		**(74.9)**	**(41.6)**
Total comprehensive income		**402.3**	**367.0**
Allocated to the parent organisation		399.2	366.2
Allocated to minority interests		3.1	0.8

Notes 1 to 31 of the consolidated report attached form a part of these annual consolidated accounts at 31 December 2017.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2017 AND 2016

Millions of euros	Share capital	Retained earnings and other reserves	Treasury shares
Balance at 1 january 2016	**58.3**	**3,285.6**	**(2.4)**
Variations in the consolidated equity of the associates (Note 10)	-	(41.6)	-
Profits from the financial year	-	407.8	-
Total income and expenses from the financial year	-	366.2	-
Interim dividend for the prior financial year (Note 3)	-	(29.1)	-
Dividends paid in the financial year (Note 3)	-	(29.1)	-
Other variations	-	(0.1)	-
Balance at 31 december 2016	**58.3**	**3,593.5**	**(2.4)**
Variations in the consolidated equity of the associates (Note 10)	-	(74.9)	-
Profits from the financial year	-	474.1	-
Total income and expenses from the financial year	-	399.2	-
Interim dividend for the prior financial year (Note 3)	-	(29.1)	-
Dividends paid in the financial year (Note 3)	-	(29.1)	-
Increases/(reductions) resulting from business consolidation	-	-	-
Other variations	-	0.7	-
Balance at 31 december 2017	**58.3**	**3,935.2**	**(2.4)**

Notes 1 to 31 of the consolidated report attached form a part of these annual consolidated accounts at 31 December 2017.

TRANSLATION OF REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS ISSUED IN SPANISH IN ACCORDANCE WITH GENERALLY ACCEPTED PRINCIPLES IN SPAIN (SEE NOTE 32). IN THE EVENT OF DISCREPANCY, THE SPANISH VERSION PREVAILS.

Interim dividend	Shareholders' equity	Minority interests	Total equity
(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**
-	(74.9)	-	(74.9)
-	474.1	3.1	477.2
-	399.2	3.1	402.3
29.1	-	-	-
(29.1)	(58.2)	(1.7)	(59.9)
-	-	32.0	32.0
-	0.7	-	0.7
(29.1)	**3,962.0**	**34.1**	**3,996.1**

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2017 AND 2016

Millions of euros	Notes	**2017**	2016
Operating activities			
Profits from the financial year before tax		476.0	414.0
Adjustments to the profits			
Amortisation		8.4	0.9
Variations in the fair value of property investments	6	(0.9)	(15.8)
Interest in associates' income for the financial year	10	(118.9)	(165.0)
Income from assets	10	(378.1)	(168.6)
Asset impairment	7, 10 and 11	31.3	(11.2)
Variation in the fair value of financial and other instruments	11 and 25.c	(1.5)	(54.5)
Financial income	25.b	(7.3)	(7.0)
Financial expenses		5.4	2.7
Other cash flows from operating activities			
Collection of dividends		80.7	114.4
Working capital		(13.5)	2.1
Corporation tax instalment payments		(40.4)	17.6
Interest receivables		7.3	7.0
Interest payments		(5.4)	(2.7)
Other items		-	1.6
Net cash from operating activities		**43.1**	**135.6**

Notes 1 to 31 of the consolidated report attached form a part of these annual consolidated accounts at 31 December 2017.

Millions of euros	Notes	**2017**	2016
Investment activities			
Purchases of interests in associates and other financial investments	10 and 11	(522.4)	(268.2)
Payments for acquiring subsidiaries, net of cash and cash equivalents	5	(8.0)	-
Sales of interests in associates and other financial investments	10	898.0	374.6
Property investment acquisitions	6	(3.0)	(3.8)
Property investment sales	6	45.1	0.1
Purchases of other financial investments	14	(602.5)	-
Receivables from other financial assets		64.1	-
Purchases of tangible fixed assets	7	(0.5)	(0.2)
Net cash from investment activities		**(129.2)**	**102.7**
Financing activities			
Dividend payments	3	(58.2)	(58.2)
Repayment and amortisation of debts with credit institutions	19	(15.6)	(9.0)
Net cash from financing activities		**(73.8)**	**(67.2)**
Increase/(decrease) in net cash		**(159.9)**	**171.1**
Cash and cash equivalents at 01/01		**469.9**	**298.8**
Cash and cash equivalents at 31/12	**14**	**310.0**	**469.9**

Notes 1 to 31 of the consolidated report attached form a part of these annual consolidated accounts at 31 December 2017.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

1. ACTIVITIES

Corporación Financiera Alba, S.A. (Alba) is a company, headquartered in Madrid (Spain), with a collection of significant interests in a series of companies, active in a variety of sectors of the economy, that are detailed below. The operation of buildings, under leasing arrangements, and interests in companies via the Venture Capital operations form part of the basic activities of these companies.

Alba, given the activities in which it is involved, has no environmental liability, expenses, assets, provisions or contingencies that could be significant with regards to the equity, financial position and performance of this activity. For this reason, there is no specific breakdown, in these annual consolidated accounts, of information concerning environmental questions.

2. PRESENTATION RULES FOR THE ANNUAL CONSOLIDATED ACCOUNTS

2.1. Accounting principles

Alba's annual consolidated accounts for the financial year ending on 31 December 2017 were prepared by the Board of Directors in its session of 20 March 2018, in accordance with International Financial Reporting Standards (hereinafter, IFRS) adopted by the European Union, according to (EC) Regulation number 1606/2002 of the European Parliament and the Council of 19 July, as well as subsequent amendments, so that they provide a faithful reflection of Alba's equity and consolidated financial position on 31 December 2017, of the results of its activities, of changes to equity and consolidated cash flows which occurred in the Group in the financial year ending on this date.

The annual consolidated accounts are presented in millions of euros, unless indicated otherwise.

These annual consolidated accounts were prepared using the historical cost basis, with the following exceptions (International Accounting Standards 1-117 and 1-118):

- Property investments recorded at fair value;

- Fair value financial assets with changes in income and fair value financial assets with changes in other comprehensive income;

- Non-current assets and disposal groups held for sale are recorded at the lower end of their accounting value and fair value, less disposal or other sale costs.

The valuation principles and criteria applied are detailed in Note 4 of this consolidated report. There is no mandatory accounting principle or valuation criteria that would have a significant impact on the annual consolidated accounts that was not applied.

The Directors of the parent Company are of the opinion that the annual consolidated accounts for the 2017 financial year which were prepared on 20 March 2018 will be approved by the General Shareholders' Assembly without any amendment.

They are presented, for comparison purposes, with each of the figures broken down in these annual consolidated accounts, those for the previous financial year, with the exception of those detailed in note 24.

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

The accounting policies used when preparing these annual consolidated accounts are the same as those applied in the annual consolidated accounts of the financial year ending on 31 December 2016, with the exception of the following amendments to standards which were applied for the first time this financial year:

Standards effective from 1 January 2017 and which may require accounting policy and presentation changes:

a) Amendments to IAS 7, Cash flow statements.

Standards issued that are not effective from 1 January 2017 and that Alba hopes to adopt from 1 January 2018 or after:

a) IFRS 9 Financial instruments.

b) IFRS 15 Income from contracts with clients and Clarifications to IFRS 15.

c) IFRS 16 Leases.

d) Classification and valuation of transactions with share-based payments. Pending adoption by the EU.

e) Reclassifications of property investments. Pending adoption by the EU.

f) Amendments to IAS 28 Investments in associates and joint businesses. The organisation must apply the standard to its first IFRS financial statements for periods beginning on or after 1 January 2019. Pending adoption by the EU.

g) Amendments to IFRS 9 Early Prepayment features with negative compensation. Pending adoption by the EU.

h) Annual 2015/2017 improvement project. Pending adoption by the EU.

The Group intends to adopt the standards, interpretation and amendments to the standards issued by the IASB, which do not have to be applied in the European Union, on the date these annual consolidated accounts were prepared, when they come into force, if they are applicable. Based on the analyses performed to date, the Group is of the opinion that its initial application will not have a significant impact on its consolidated annual accounts, with the exception of the following standards, interpretation and amendments to the standards issued:

IFRS 9 Financial instruments

In July 2014, the IASB published the final version of IFRS 9 Financial instruments, which replaces IAS 39 Financial Instruments: valuation and classification and all previous versions of IFRS 9. This standard assembles the three phases of the financial instrument project: classification and valuation, impairment and hedge accounting. IFRS 9 applies to financial years beginning on or after 1 January 2018, and early application is permitted. With the exception of hedge accounting, retroactive application is required, however comparative information does not need to be amended. Requirements are generally applied prospectively for hedge accounting, with limited exceptions.

The Group plans to adopt the new standard on the application date required. In 2017, the Group performed a high-level assessment of the impacts of the three aspects of the IFRS 9.

(a) Classification and valuation.

The Group does not expect major changes to its balance sheet or equity as a result of the application of the IFRS 9 classification and valuation requirements. It hopes to continue valuing, at fair value, all the financial assets that are currently registered at fair value.

Loans, as well as trade receivables, will be retained in order to receive contractual cash flows, and it is hoped these include cash flows that only represent principal and interest payments. Therefore, the Group hopes that they will continue to be registered at the amortised cost, according to the IFRS 9.

(b) Damage

The Group does not expect a significant impact.

IFRS 15 Income from contracts with clients

IFRS 15 was published in May 2014 and provides a new five step model applied to the accounting of income from contracts with clients. According to IFRS 15, income is recorded at an amount that reflects the compensation that an entity expects to be entitled to receive in exchange for providing goods or services to a client.

This new standard will repeal all prior standards concerning the recording of income. Full or partial retroactive application is required for the financial years beginning on 1 January 2018 or after, and early application is permitted. The Group plans to adopt the new standard on the effective date required, using the full retroactive method. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will supervise any new developments.

Given the type of business of the group, including the activities included this year, no significant impacts have been identified.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces the IAS 17 Leases, IFRIC 4 Determining if an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. IFRS 16 provides the principles for the recognising, measuring, presenting and disclosing of leases and requires lessees to recognise all leases under a single accounting model similar to the current method for accounting for financial leases, according to IAS 17. The standard includes two exemptions for recognising leases by lessees, leases with low value assets (for example, personal computers) and short term leases (in other words, lease agreements with a term of 12 months or less). On the start date of a lease, the lessee will recognise a liability for the payments to be made for the lease (in other words, the lease liability) and an asset representing the right to use the underlying asset during the term of the lease (in other words, the right-of-use asset). Lessees must recognise interest costs corresponding to the lease liability and costs for amortising the right-of-use separately.

Lessees will also be obliged to re-evaluate the lease liability if certain events occur (for example, a change in the term of the lease, a change in the future rent payments resulting from a change in an index or rate used to determine these payments). The lessee will generally recognise the amount of the lease liability re-evaluation as an adjustment to the right-of-use asset.

The lessor's accounts, according to IFRS 16, are not substantially modified as compared with the current accounts under IAS 17. Lessees will continue classifying the leases using the same classification principles as in IAS 17 and will register two types of lease: operating and financial leases.

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

IFRS 16 is effective for the financial years beginning on 1 January 2019 or after, and early application is permitted, but not before an entity applies IFRS 15. A lessee may choose to apply the standard fully

retroactively or using a modified retroactive transition. The transitory provisions in the standard allow for certain exemptions.

The group has not identified significant impacts.

2.2. Use of discretion and estimates when preparing the annual consolidated accounts

In order to prepare certain information included in these annual consolidated accounts, discretion and estimates based on a hypothesis concerning the application of accounting criteria and principles and asset, liability, revenue, expense and commitment amounts that are included in these accounts are used. The most significant estimates used when preparing these annual consolidated accounts include:

- An estimate of the recoverable value of interests in associate companies, with indications of impairment.
- The hypotheses used to calculate the fair value of certain unlisted financial assets and property investments.
- A determination of the fair values of business consolidations and the assessment of certain losses due to the impairment of specific assets.

The estimates and hypotheses used are reviewed periodically. If, as a result of these reviews or future events, there was a change in these estimates, the effect of this change will be recorded in the consolidated profit and loss account for this period and successive periods, according to IAS 8.

2.3. Subsidiary companies

Subsidiary companies have been fully consolidated. Control is secured when the Group is exposed, or is entitled, to variable outputs resulting from its involvement in a subsidiary and has the opportunity to influence these outputs by exercising its power over the subsidiary. Specifically, the Group controls a subsidiary if, and only if, the Group has:

- Power over the subsidiary (existing rights entitling it to direct important activities of the subsidiary).

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

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

Generally, there is a presumption that the majority of voting rights give control. In those cases where the Group incorporates venture capital organisations, or has an interest in these organisations, with a view to allowing its clients to access specific investments, it is determined, according to internal criteria and procedures and bearing in mind the provisions of IFRS 10, if there is control and, therefore, whether the organisations should be fully consolidated or not. These methods keep in mind, among other matters, the scope of the power to make decisions, rights held by third parties, the remuneration awarded according to the relevant remuneration agreements or the exposure of the party responsible for making decisions to the variability of the outputs from other interests the Group has in the company. Venture capital organisations in which the Group has an interest or which are managed by the Group are included in these organisations, and investments in these organisations.

At the time of acquisition of a subsidiary company, its assets and liabilities are calculated at fair values on the date of acquisition. Any excess in the acquisition cost as compared with the fair values of the net assets which can be identified as having been acquired is recognised as goodwill. Any deficiency in the acquisition cost below the fair values of the net assets which can be identified as having been acquired, in other words, a discount on acquisition, is allocated, where applicable, to earnings on the acquisition date.

The interests of third parties in the Group's equity and in the earnings for the financial year are presented in the "Minority Interests" sections in the "Total Net Equity" part of the consolidated balance sheet and "Earnings allocated to minority interests" in the consolidated Profit and Loss Account.

According to International Financial Reporting Standards, companies in the group and business consolidations were fully consolidated, and all their assets, liabilities, income, costs and cash flows were included in the annual consolidated accounts, once the corresponding adjustments and eliminations had been performed for intra-group transactions.

Below, the information for 31 December 2017

and 2016 is shown:

Subsidiary	Activity	Years	Percentage of ownership interest	Net book value before consolidation	Equity before earnings for the year	Profit/(Loss) from the financial year
Alba Patrimonio Inmobiliario, S.A.U C/ Castelló, 77, 5ª planta 28006-Madrid	Real Estate investment	2017 2016	100.00 100.00	180.9 180.9	206.5 194.0	18.5 6.7
Alba Europe SARL Rue Eugène Ruppert 6 L-2453 Luxembourg	Security investment	2017 2016	100.00 100.00	719.1 287.4	712.0 289.7	(9.4) 2.4
Artá Capital, SGEIC, S.A.U. Pza. Marqués de Salamanca, 10 28006-Madrid	Private equity management company	2017 2016	78.16 78.51	1.7 1.7	3.3 2.9	8.1 4.0
Artá Partners, S.A. C/ Castelló, 77, 5ª planta 28006-Madrid	Property investment	2017 2016	78.16 78.51	1.6 1.6	2.1 2.1	7.7 3.8
Deyá Capital, SCR, S.A.U. C/ Castelló, 77, 5ª planta 28006-Madrid	Private equity company	2017 2016	100.00 100.00	92.2 147.5	194.9 185.5	80.3 10.6
Deyá Capital IV, SCR, S.A.U. C/ Castelló, 77, 5ª planta 28006-Madrid	Private equity company	2017 2016	100.00 100.00	39.7 0.4	39.7 0.4	(2.6) (1.2)
Energyco Subgroup (1) Avda. António José de Almeida, 8 Lisbon-Portugal	Distribution of propane gas	2017 2016	40.30 -	13.4 -	33.0 -	(0.8) -
Satlink Subgroup (2) Avda. de la Industria, 53 Nave 7 Alcobendas-Madrid	Technological solutions for the fishing sector	2017 2016	28.07 -	12.1 -	41.8 -	3.1 -

(1) This subgroup is comprised of Energyco II, S.A., Gascan, S.A. and Newstead - Gestão Imobiliária, S.A.
(2) This subgroup is comprised of Grupo Satlink, S.L. (sociedad limitada [limited partnership]), Satlink, S.L., Satlink, LTD, Linksat Solutions, S.A., Digital Observer Services, S.L., Satlink WCPO Limited and Satlink WCPO Solomon
(1) (2) These Alba interests are held via Deyá Capital IV, SCR, S.A.U.
45.83% of the Energyco II subgroup and 31.93% of the Satlink subgroup belong to other SCR or FCR managing Arta Capital, SGEIC, S.A.U., which has ownership powers over the SCR and FCS and is responsible for determining which investments are made. There is no restriction on the management and they have exposure to variable returns, as a result of all this, Alba has considered that it has control of these 2 subgroups.

In 2017, KPMG Auditores, S.L. was the auditor for all the companies, with the exception of the subgroup Energyco and the subgroup Satlink, whose auditor was Pricewaterhousecoopers Auditores, S.L. In 2016, Ernst & Young Auditores, S.L. was the auditor of all subsidiary companies.

2.4. Associate companies

Associate companies are considered as those over which Alba has significant influence, although its interest does not reach 20%. In order to determine the existence of significant influence, the parent company considers, among other matters, representation on the Board of Directors or the option to appoint a Board Member, participation in the process of setting policies and the level of permanence of this participation.

Below, the information for the 2017 and 2016 financial years is shown:

			Percentage ownership interest		
Associate company/Auditor	Registered office	Activity	At 31-12-17	At 31-12-16	Change
Acerinox, S.A. Auditor: 2017 PWC and 2016 KPMG	Santiago de Compostela, 100 (Madrid)	Manufacturing and sale of stainless steel products	18.96	18.96	-
ACS, Actividades de Construcción y Servicios, S.A. Auditor: Deloitte 2017 and 2016	Avda. de Pío XII, 102 (Madrid)	Construction and services	-	7.52	(7.52)
Bolsas y Mercados Españoles, Sociedad Holding De Mercados y Sistemas Financieros, S.A. Auditor: PWC 2017 and 2016	Plaza de la Lealtad, 1. (Madrid)	Systems for registering, liquidating and offsetting securities	12.06	12.06	-
CIE Automotive, S.A. Auditor: PWC 2017 and 2016	Alameda Mazarredo, 69 (Bilbao)	Automotive and Solutions and Services (Smart Innovation)	10.00	-	10.00
Ebro Foods, S.A. Auditor: E&Y 2017 and 2016	Paseo de la Castellana, 20 (Madrid)	Food	12.00	10.01	1.99
Euskaltel, S.A. Auditor: KPMG 2017 and 2016	Parque Tecnológico, Edificio 809 (Derio-Vizcaya)	Telecom	11.00	11.00	-
Indra Sistemas, S.A. Auditor: Deloitte 2017 and 2016	Avda. de Bruselas, 35 (Alcobendas - Madrid)	New technologies	10.52	11.32	(0.80)
Parques Reunidos Servicios Centrales, S.A. Auditor: KPMG 2017 and 2016	Recinto Parque de Atracciones, Casa de Campo s/n (Madrid)	Recreation and entertainment activities	20.01	10.53	9.48
Viscofan, S.A. Auditor: 2017 PWC and 2016 E&Y	Polígono Industrial Berroa (Tajonar-Navarra)	Manufacture of casings, cellulosic or artificial	11.32	11.02	0.30

In 2017, the entire interest it had in ACS, Actividades de Construcción y Servicios, S.A. was sold. The reduction of the interest in Indra Sistemas, S.A. was a result of the dilution following the merger of this company with Tecnocom Telecomunicaciones y Energía, S.A. At Euskaltel, S.A., the dilution that occurred as a result of the merger with Parselaya, S.L. was offset with acquisitions from the financial year. And, lastly, increases in the interest were due to acquisitions in the financial year (note 10).

In 2016, the percentage interest in ACS, Actividades de Construcción y Servicios, S.A. was reduced due to the sale of 4.17% and the interest in Acerinox, S.A. was reduced due to a capital increase for the payment of a “scrip dividend” which Alba collected in cash. Furthermore, the interest in Parques Reunidos Servicios Centrales, S.A. was acquired and the interest in Bolsas y Mercados Españoles, the Holding Company of Mercados y Sistemas Financieros, S.A. was increased by 1.49%, the interest in Euskaltel, S.A. was increased by 1.00% and the interest in Viscofan was increased by 4.16%.

3. DISTRIBUTION OF PROFIT

The distribution of profits from the 2017 financial year of Corporación Financiera Alba, S.A. which the Board of Directors will propose to the General Shareholders’ Assembly and the distribution of profits from the 2016 financial year approved by the General Shareholders’ Assembly are as follows (in millions of euros):

Basis of allocation	**2017**	2016
Profits from the financial year	484.4	262.1
Retained earnings	-	145.8
Total	484.4	407.9

Distribution	**2017**	2016
To reserves	426.2	349.7
To retained earnings	-	145.8
To dividends	58.2	58.2
Total	484.4	407.9

The dividends paid by the parent company in the 2017 and 2016 financial years were as follows:

	No. of shares with rights	Euros/share	Millions of euros
Year 2017			
Interim dividend for the 2017 financial year	58,240,102	0.500	29.1
Final dividend for the 2016 financial year	58,240,102	0.500	29.1
Year 2016			
Interim dividend for the 2016 financial year	58,240,102	0.500	29.1
Final dividend for the 2015 financial year	58,240,102	0.500	29.1

An additional dividend of 0.50 euros per share, charged against the 2017 financial year, for the shares in circulation on the date the dividend is paid will be proposed for approval by the General Shareholders' Assembly.

The Board of Directors has presented the liquidity statement required by article 277 of the Capital Companies Act in the individual Report of the parent company.

4. VALUATION STANDARDS

The main valuation standards used when preparing the Annual Consolidated Accounts were as follows:

a) Business consolidation and non-controlling interests (note 5)

In business consolidations, Alba applies the acquisition method. The acquisition date is the date on which Alba gained control of the business purchased.

The compensation handed over for the business consolidation is determined on the date of acquisition by the sum of the fair values of the assets handed over, the liabilities incurred or assumed, the equity instruments issued and any contingent consideration which depends on future events or compliance with certain conditions, in exchange for control of the business acquired.

The compensation handed over excludes any disbursement which is not part of the exchange for the business acquired. Costs related to the acquisition are recognised as an expense as they are incurred.

The Group recognises the assets acquired on the acquisition date and the liabilities assumed for their fair value. The non-controlling interest in the business purchased is recognised for the sum corresponding to the percentage interest in the fair value of the net assets acquired. This criteria only applies for non-controlling interests which grant current access to the economic benefits and a right to the proportional part of the net assets in the organisation acquired in case of liquidation. Otherwise, the non-controlling interests will be valued at their fair value or the value based on market conditions. The liabilities assumed include contingent liabilities to the extent that they represent current obligations which result from past events and their fair value can be measured reliably. Likewise, the Group recognises indemnification assets granted by the seller at the same time and according to the same valuation criteria as the item in the business acquired for which indemnification is granted, considering, where applicable, the risk of insolvency and any contractual limitation on the amount indemnified.

The assets and liabilities assumed are classified and appointed for subsequent valuation on the basis of contractual agreements, economic conditions, accounting policies and operating policies as well as other conditions existing on the date of acquisition, with the exception of lease agreements and insurance.

The excess existing between the compensation handed over, plus the value assigned to the non-controlling interests, and the net amount of the assets acquired and the liabilities assumed, is registered as goodwill. Where applicable, deficiencies, after evaluating the amount of the compensation handed over, the value assigned to the non-controlling interests and the identification and valuation of the net assets acquired are recognised as earnings.

When a business consolidation was only able to provisionally close on the date of closure of the financial year, the identifiable net assets are initially recorded at their provisional values, recognising adjustments made during the valuation period as though these were known on this date, and re-expressing, where applicable, the comparative figures from the previous financial year. In any case, the adjustments to the provisional values only include information concerning the events and circumstances existing on the date of acquisition and which, if they were known, would have affected the sums recognised on this date.

The potential gain from tax losses and other deferred tax assets of the purchased company that are not registered since they do not comply with criteria for their recognition on the date of acquisition are accounted for, to the extent that they do not correspond to an adjustment in the valuation period, as revenue for profit tax.

The contingent consideration is classified according to underlying contractual conditions, either as a financial asset or liability, equity instrument or provision. To the extent that subsequent variations in the fair value of a financial asset or liability do not correspond to an adjustment in the valuation period, they are recognised in the consolidated income or other comprehensive income measures. The contingent consideration classified as equity is not subsequently updated, and liquidation is also recognised in the equity.

Contingent consideration classified as a provision is recognised subsequently, according to the corresponding valuation standards.

The cost of business consolidation includes contingent consideration if, on the date of acquisition, contingent consideration is probable and it can be estimated reliably. Subsequent recognition of contingent consideration or subsequent variations of the contingent consideration are recognised as a prospective adjustment of the cost of business consolidation.

Non-controlling interests

Non-controlling interests in the subsidiary organisations are recorded on the date of acquisition based on the percentage interest in the fair value of the identifiable

net assets. Non-controlling interests in the subsidiary organisations acquired prior to the transition date were recognised based on the percentage interest in the equity of the organisations on the date of initial consolidation.

Alba's interest and non-controlling interests in the consolidated results of the financial year and in changes to the equity of subsidiary organisations, once the adjustments and eliminations resulting from consolidation have been taken into account, are determined based on ownership interests at the closure of the financial year, without considering the possible exercise or conversion of the potential voting rights, excluding dividends, whether or not they were granted, from cumulative preference shares which were classified in the accounts as equity. However, the Group's interest and the non-controlling interests are determined bearing in mind the possible exercise of the potential voting rights and other derivative financial instruments which essentially grant access currently to the economic benefits associated with ownership interests, in other words, the right to participate in future dividends and changes to the value of the subsidiary organisations.

The income and each item of the comprehensive income is assigned to the equity which can be attributed to shareholders of the parent Company and to non-controlling interests, proportionally to their interest, even though this creates a debit balance of non-controlling interests. The agreements signed between the Group and non-controlling interests are recognised as a separate transaction.

b) Property investments (note 6)

Property investments and leased properties are initially valued based on their cost, including transaction costs. They are then registered at their fair value, which is determined by independent experts according to the following definition: "The fair value at which the building can be sold using a private contract between a willing seller and an independent buyer on the date of valuation, on the understanding that the property was publicly offered for sale on the market, that the market conditions made it possible to dispose of the building in an orderly manner and that there was an acceptable amount of time, bearing in mind the nature of the building, to negotiate the sale". Variations in the fair value are included in the profit and loss account for the period in which they occurred. These investments are not amortised.

b.1) Leases

Determining whether or not an agreement is or contains a lease is based on the economic value of the arrangement on the start date of the arrangement. The agreement is analysed with a view to checking if compliance with the agreement depends on the use of an asset or specific assets or if the agreement implies a right-of-use of the asset or assets, although this right is not explicitly specified in the agreement.

Leases where the Group maintains, for the most part, all risks and benefits inherent to ownership of the property leased are classified as operative leases. Contingent rents are registered as income in the period in which they are secured.

c) Tangible fixed assets (note 7)

Pursuant to IFRS 1 "First time adoption of international financial reporting standards", own use properties were registered on 1 January 2004 at their fair value, which was determined by independent experts, as defined in the note above, and this amount is now considered as an acquisition cost. This increase in value was credited to the equity of the consolidated Balance sheet.

The remaining tangible fixed assets were valued at the acquisition cost; neither interest nor exchange rate differences were included. Expansion, modernisation or improvement costs which lead to an increase in productivity, capacity or efficiency, or an extension of the useful life of the buildings, amount to the greatest cost for the corresponding properties.

Amortisation is recorded using the straight-line method, distributing the accounting value of the assets between the estimated years of useful life, according to the following percentages:

	Annual depreciation percentages
Buildings and structures	2
Technical facilities	8
Furniture and equipment	10
Information processing equipment	25

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

d) Intangible assets

d.1) Goodwill

Goodwill is determined according to the criteria listed in the section concerning business consolidation (note 5).

Goodwill is not amortised but its impairment is checked on an annual basis or more, if there are signs of a potential loss in the value of the asset. To this end, the goodwill resulting from the business consolidation is assigned to each of the cash-generating units (UGE) or groups of UGEs in the Group which are expected to benefit from synergies from the consolidation, and the criteria referred to in note 8 are applied. After the initial recognition, the goodwill is assessed at its cost, less accumulated losses due to value impairment.

The recoverable amount of the assets is the greater sum between its fair value, less disposal costs or sale by other means, and its use value.

In the event that the recoverable amount is below the net book value of the asset, the corresponding loss due to impairment loss for the difference is recorded and charged to the value impairment losses item in the consolidated income statement.

d.2) Portfolio of clients

Relations with clients recognised by Alba in the portfolio of clients item can be separated and are based on a contractual relationship, complying with the requirements established by regulation to be considered as intangible assets that can be separated from goodwill. Generally, these are contracts for the provision of services to clients recognised in the assignment of fair values in business consolidations.

The fair value assigned to portfolios of client contracts acquired from third parties is the acquisition price.

In order to determine the fair value of the intangible assets assigned in business consolidations performed with clients, the income approach methodology is used: discount from cash flows generated by these relations at the time of acquisition of the subsidiary entity. Cash flows are estimated based on financial forecasts for sales, operational investments and EBITDA margin, based on the company's business plans.

Portfolios of clients are amortised using the straight line methodology, based on the estimated useful life. Useful life is estimated based on indicators such as the average period of customer loyalty or the average annual exit rate. On the date of each closure, the useful lives assigned to these intangible assets are reviewed. The useful life of the portfolio of clients is 10 years.

The portfolios of clients are assigned to cash-generating units (UGE), based on the country of operation and the business segment.

d.3) Other intangible assets
These are intangible assets which have been recognised in business consolidations.

They are amortised using the straight line methodology, based on the estimated useful life, which is between 3 and 60 years.

The other intangible assets are assigned to cash-generating units (UGE), based on the country of operation and the business segment.

The value of the assets subject to amortisation is analysed in order to determine if there are impairment losses, provided any event or change in circumstances indicates that the book amount is not recoverable. An impairment loss is recognised based on the difference between the book value and its recoverable amount. The recoverable amount is the greater sum between the fair value of an asset, less disposal costs or sale by other means, or the use value. For the purposes of evaluating losses due to value impairment, the assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units, UGE). Non-financial assets, other than goodwill, which suffer impairment losses, are reviewed on each closure date, in case the loss was reversed.

e) Investments in associates (note 10)

Investments in associate organisations are registered using the equity method from the date on which significant influence was exercised until the date on which the Company could not continue justifying the existence of this significant influence. However, if, on the date of acquisition, all or part of the investment complies with the conditions for being classified as non-current assets or disposal groups held for sale, it is registered at its fair value, less disposal or other sale costs.

Investments in associate organisations are initially recognised based on their acquisition cost, also including any cost directly attributable to the acquisition of any contingent consideration asset or liability which depends on future events or compliance with certain conditions.

The excess between the investment cost and the percentage held by the Group in the fair values of the identifiable net assets is registered as goodwill and is included in the accounting value of the investment.

The Group's interest in the profits or losses of associate organisations obtained from the date of acquisition is registered as an increase or decrease in the value of the investments, either being credited to or charged against the Interest item in the income for the financial year of the associates, which is recorded in the accounts by applying the equity method in the consolidated income statement. Likewise, the Group's interest in the comprehensive income of the associates achieved from the date of acquisition is registered as an increase or decrease in the value of the investments in the associates, recognising the offsetting due to the nature of the comprehensive income. Dividend distributions are registered as reductions in the value of the investments. In order to determine the Group's interest in the profits or losses, including losses due to value impairment recognised by associates, the income or expenses resulting from the acquisition method are considered.

The Group's interest in the profits or losses of the associates and in the changes in equity is determined based on the ownership at the close of the financial year, without considering the possible exercise or conversion of potential voting rights.

The impairment calculation is determined as the product of the comparison of the accounting value associated with the net investment in the associate, with its recoverable value. Recoverable value is understood as the use value or fair value, less disposal costs or sale costs using other means. In this regard, the use value is calculated based on the Group's interest in the current value of the estimated cash flows of the ordinary activities and the amounts which may be generated by the final sale of the associate. The recoverable amount of the investment in an associate is assessed in relation to each associate organisation.

The value impairment loss is not assigned to goodwill or other assets implicit in the investment in the associates resulting from application of the acquisition method. In previous financial years, the value reversals of the investments were recognised as income, to the extent that there was an increase in recoverable value. The value impairment loss is presented separately from the Group's interest in the income of associates.

In 2017, the associate companies in which the list price at the end of the year was below the book value were: Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros S.A., Euskaltel, S.A., Parques Reunidos Servicios Centrales, S.A. and Indra Sistemas, S.A. In these cases, in order to calculate the use value, the discounted cash flow method has been used, then deducting the value of the net debt and minority interests. The hypotheses used were as follows:

	Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Perpetual growth rate	1.5%	1.5%	1.8%	2.0%
Discount rate	8.9%	7.2%	9.0%	8.2%
Capital structure	100% equity	65% equity and 35% debt	85% equity and 15% debt	73% equity and 27% debt
Equity ratio	8.9%	9.2%	10.0%	9.4%
Cost of debt after taxes	n.s.	3.5%	3.7%	3.9%
Estimated use value (Euros/share)	30.23	8.45	14.88	18.11

On 31 December 2017, Alba decreased its interest in Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and in Euskaltel, S.A. and reverted the decrease of its interest in Indra Sistemas, S.A. (note 10).

In 2016, the associate companies in which the list price at the end of the year was below the book value were: Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros S.A., Euskaltel, S.A., Parques Reunidos Servicios Centrales, S.A. and Indra Sistemas, S.A. In these cases, in order to calculate the use value, the discounted cash flow method has been used, then deducting the value of the net debt and minority interests. The hypotheses used were as follows:

	Bolsas y Mercados Españoles, 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
Equity ratio	8.5%	9.0%	9.5%
Cost of debt after taxes	n.s.	3.3%	3.4%
Estimated use value (Euros/share)	33.44	10.50	16.54

On 31 December 2016, Alba partially reverted the decrease of its interest in Indra Sistemas, S.A. (note 10).

In 2017, Alba conducted the following sensitivity analysis:

	Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Weighted average cost of capital (WACC)				
2017 discount rate	8.9%	7.2%	9.0%	8.2%
Discount rate that equals the book value	8.9%	7.2%	10.8%	9.0%
Perpetual growth rate				
2017 growth rate	1.5%	1.5%	1.8%	2.0%
Growth rate that equals the book value	1.5%	1.5%	-0.8%	1.0%
EBITDA margin used for terminal value				
2017 EBITDA margin	66.2%	48.0%	12.0%	30.0%
EBITDA margin that equals the book value	66.2%	48.0%	9.6%	26.7%
Changes in sales during the projection period and the terminal value, to equal the book value	-	-	-19.4%	-10.5%
Changes in the EBITDA margin during the projection period and the terminal value, to equal the book value	-	-	-1.7%	-3.3%

In 2016, Alba conducted the following sensitivity analysis:

	Bolsas y Mercados Españoles, 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 discount rate	8.5%	7.3%	7.8%
Discount rate that equals the book value	9.0%	7.4%	8.0%
Perpetual growth rate			
2016 growth rate	1.5%	1.5%	2.0%
Growth rate that equals the book value	0.9%	1.2%	1.8%
EBITDA margin used for terminal value			
2016 EBITDA margin	70.0%	50.0%	34.3%
EBITDA margin that equals the book value	64.2%	48.2%	33.2%
Changes in sales during the projection period and the terminal value, to equal the book value	-6.5%	-2.9%	-4.9%
Changes in the EBITDA margin during the projection period and the terminal value, to equal the book value	-4.4%	-0.7%	-0.5%

In 2017, a variation of +0.5% and -0.5% in the hypotheses used when calculating the use value would have the following effect on this value:

Fluctuation	Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Weighted average cost of capital (WACC)				
+ 0.5%	-5.3%	-16.1%	-8.2%	-11.4%
– 0.5%	6.1%	19.2%	9.4%	13.4%
Perpetual growth rate				
+ 0.5%	4.8%	15.8%	7.0%	11.1%
– 0.5%	-4.2%	-13.3%	-6.1%	-9.4%
EBITDA margin used for terminal value				
+ 0.5%	0.5%	2.5%	5.2%	2.6%
– 0.5%	-0.5%	-2.5%	-5.2%	-2.6%

In 2016, a variation of +0.5% and 0.5% in the hypotheses used when calculating the use value would have had the following effect on this value:

Fluctuation	Bolsas y Mercados Españoles, 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 terminal value			
+ 0.5%	0.5%	1.4%	2.5%
– 0.5%	-0.5%	-1.4%	-2.5%

f) Financial instruments at fair value with changes to profits and losses (note 11)

Investments held via venture capital companies, where significant influence can be considered present, are included in this item.

They are valued at their fair value and changes to this are recorded in the profit and loss account.

In the case of these investments in unlisted companies where there is no two way market, the fair value is determined using the method of analysis of comparable multiples or the cash flow discount method, which is the most ideal method for each investment.

g) Non-current assets kept for sale (notes 6 and 11)

In this item, those assets for which there is an offer of sale or where sale is highly probably are included. Non-current assets held for sale are recorded at the lower end of their accounting value and fair value, less sale costs.

h) Calculating fair value (notes 6, 11 and 20)

Alba values the financial instruments and the non-financial assets, such as property investments, at their fair value on the closure date of the financial statements. Likewise, the fair values of the financial assets valued at the amortised cost are broken down in note 20. The fair value is the price that would be received for selling an asset or that would paid by transferring a liability in an orderly transaction between players on the market on the transaction date. The fair value is based on the presumption that the transaction for selling the asset or for transferring the liability took place:

- In the core market of the asset or liability, or
- In the absence of a core market, the most favourable market for the transactions involving these assets or liabilities.

The core market or the most favourable market must be a market that is accessible to Alba.

The fair value of an asset or a liability is calculated using the hypotheses that the players on the market would use

at the time of making an offer for this asset or liability, assuming that these market players act in their own economic interests.

Calculating the fair value of a non-financial asset takes into consideration the capacity of the market players to generate economic gain resulting from the improved and greater use of this asset or by its sale to another market player who could make better and greater use of this asset.

Alba uses appropriate valuation techniques given the circumstances and has sufficient information available to calculate the fair value, maximising the use of relevant observable variables and minimising the use of non-observable variables.

All the assets and liabilities, for the individuals performing these calculations or breakdowns of the fair value in the financial statements, are categorised within the hierarchy of fair value that is described below, based on the lower level variable needed to calculate fair value as a whole:

- Level 1- (Non-adjusted) share prices on two way markets for identical assets or liabilities.
- Level 2 - Valuation techniques so that the low level variable used, which is significant for the calculation, is directly or indirectly observable.
- Level 3 - Valuation techniques so that the low level variable used, which is significant for the calculation, is not observable.

In the case of assets and liabilities that are recorded on the financial statements on a recurring basis, Alba determines if there have been transfers between the various hierarchy levels as a result of a review of their categorisation (based on the low level variable, which is significant for calculating fair value as a whole) at the end of each financial year.

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

In order to value significant assets and liabilities, such as property investments, financial assets available for sale and contingent consideration, internal and external valuators are used.

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

For the purposes of the breakdowns needed for the fair value, the Group has identified the various classes of assets and liabilities based on their nature, characteristics, risks and levels of fair value hierarchy, as explained above.

i) Loans and receivables (notes 12 and 13)

The Group values the financial assets included in this category (other financial assets and clients and other receivables) initially based on their fair value, which is the price of the transaction. Transactions expiring within less than one year and which have no contractual interest rate, as well as for receivable dividends and disbursements required on equity instruments, which should be collected in the short term, are valued at their nominal value, given that the effect of not updating cash flows is not significant.

These financial assets are then valued at the amortised cost, and the interest incurred is recorded in the profit and loss account, using the effective interest method. At least once per year, and provided there is objective evidence that a loan or receivable has been impaired, Alba performs the impairment test. Based on these analyses, Alba performs, where applicable, the corresponding valuation-based corrections.

Losses due to value impairment in these financial assets are the difference between the book value and the current value of future cash flows which are estimated to be generated, less the effective interest rate.

Valuation-based impairment corrections, as well as their reversal, will be recognised as expense or income, respectively, in the profit and loss account. The impairment reversal will be limited to the book value of the credit that would be recognised on the date of reversal, if the value impairment had not been registered.

j) Cash and cash equivalents (note 14)

In this section of the balance sheet, cash in hand, demand deposits and other short term, high liquidity investments which can be quickly realised and which have no risk of changes in value are recorded.

k) Financial liabilities (note 19)

Financial liabilities basically include debts with credit institutions that are initially accounted for based on the cash received, net of the costs incurred in the transaction. They are then valued at their amortised cost, using the effective interest rate.

l) Treasury shares (note 15)

Treasury shares are registered, deducting equity. No profits are recognised for the purchase, sale, issuance, amortisation or settlement of Alba's own equity instruments.

m) Provisions (note 17)

Provisions are recorded for current obligations arising as a result of a past event whose liquidation is probable and which involve an outflow of resources and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is significant, the amount of the provision is deducted, using a before tax rate. When the deduction is applied, the increase in the provision resulting from the passing of time is recorded as a financial expense.

n) Corporation tax (note 22)

Corporation tax outlays are calculated using the sum of the current tax which is reached by applying the corresponding type of encumbrance to the tax base for the financial year, less existing allowances and deductions, and the variations which occurred during the financial year to the deferred tax assets and liabilities recorded. This is recognised in the profit and loss account, except when these transactions are directly recorded in the equity, in which case the corresponding tax is also recorded in the equity, and in business consolidations in which they are recorded and charged against or credited to goodwill.

o) Alternative pension plan systems

Alba offers three plans, two of which are defined benefit plans and one of which is a defined contribution plan. These plans are outsourced to an insurance company and therefore require contributions which must be made to a separately managed fund.

The Group records the contributions to be made to defined contribution plans to the extent that the employees provide their services. The amount of the contributions incurred is registered as an employee compensation expense. In the event that the sums paid exceed the expense incurred, only the corresponding assets are recorded, to the extent that these can be applied to reductions of future payments or to the extent that they prompt a cash refund.

If the contributions are not expected to be fully paid before the twelve months following the end of the financial year in which the services corresponding to the employees were provided, these contributions are discounted, using the market yields corresponding to the issuances of high quality corporate bonds and obligations.

The cost distribution method used for valuing the obligation resulting from retirement commitments is the method known as "Projected Unit Credit". This method makes it possible to finance loans to the extent that they are generated, based on the years of service of the employee at the Company, and the commitment is fully funded at the time they end their active working life and the employee reaches retirement age.

Profits and losses and the return yielded by the assets in the plan (excluding net interest), are immediately recognised in the corresponding financial statement with a debt or credit balance for the retained earnings in equity accounts in the period in which these earnings were incurred. Recalculations are not reclassified in the income statement for previous financial years.

The cost of past services is recognised in the consolidated profit and loss account on the earliest date between:

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

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

LThe discount rate of the obligations and the assets allocated to payment of the commitments was determined considering the yield of the corporate debt, with high credit quality and with an expiry which is similar to that of the evaluated commitments, also taking German public debt as the reference point.

The main hypotheses used in 2017 and 2016 for valuing these commitments were:

Mortality and survival tables	PERM/F 2000 NP
Technical interest rate agreed in the policies	2.50% - 3.70%
CPI growth	1.00%
Salary growth	1.00%
Changes in the Social Security base	1.50%
Discount rate of obligations and assets allocated to payment of the commitments	2.00%
Retirement age	65

Changes to the obligations involved in defined benefit plans and to the fair value of the assets associated with the benefit in 2017 and 2016 are detailed below:

		Cost of commitments recognised in the income statement					
	01/01	Cost of the services	(Expenses)/ Net interest income	Subtotal included in income	Obligations satisfied (paid)	Earnings/ (Actuarial losses)	31/12
2017							
Defined benefit plan obligations	(23.0)	(1.3)	(0.5)	(1.8)	-	-	(24.8)
Fair value of the assets associated with the benefit	23.0	0.5	1.0	1.5	-	0.3	24.8
(Obligations)/ Defined benefit plan rights, net	-						-
2016							
Defined benefit plan obligations	(21.5)	(1.2)	(0.6)	(1.8)	-	0.3	(23.0)
Fair value of the assets associated with the benefit	21.6	0.1	0.6	0.7	-	0.7	23.0
(Obligations)/ Defined benefit plan rights, net	0.1						-

The contribution expected to be made in 2018 to defined benefit plans is 1.3 million euros.

Sensitivity analysis:

	Discount rate		Future pay rises	
Sensitivity level	**+0.50%**	**-0.50%**	**+0.50%**	**-0.50%**
2017				
Impact on the (Obligations)/Defined benefit plan rights, net	-9.44%	10.92%	3.67%	-3.52%
2016				
Impact on the (Obligations)/Defined benefit plan rights, net	-9.77%	11.33%	4.00%	-3.82%

Contributions associated with both systems are recognised in the Profit and Loss Account attached and are broken down in note 25.a.

p) Transactions with payments based on equity instruments (note 27)

Alba classifies its share options plan as cash settlement. Until settlement, the liabilities are valued based on their fair value, calculated as the difference between the fair value of the option at the end of the financial year and at the time the plan starts, allocating any valuation change to the consolidated Profit and Loss Account. Staff costs are determined based on the fair value of the liability and are recorded to the extent that the staff provided services in the three year period.

q) Recognition of income and expenses

Income and expenses are allocated according to the real flow of goods and services which they represent, regardless of the time when the monetary or financial flow resulting from these goods and services occurs, and always keeping the economic value of the transaction in mind.

5. BUSINESS CONSOLIDATION

On 9 March 2017, Alba, via Deyá Capital IV, SCR, S.A., acquired 40.30% of Energyco II, S.A., headquartered in Portugal, and whose main activity is the sale of propane gas piped to the end customer. The main factor motivating the business consolidation was its acquisition for venture capital activities. The business acquired has generated, for Alba, ordinary income and negative consolidated results during the period between the date of acquisition and the end of the financial year. These sums were 15.9 million euros and (0.6) million euros respectively.

Though the company was acquired on 1 January 2017, the Group's ordinary income and the negative consolidated result for the financial year ending on 31 December 2017 were 21.6 million euros and (0.8) million euros respectively.

Details of the compensation handed over, of the fair value of the assets acquired and the goodwill are as follows:

Cash paid	13.4
Total compensation handed over	13.4
Non-controlling interest	(12.2)
Variations in the fair value of net assets	20.4
Goodwill	5.2

The sums recognised as significant classes on the date of acquisition of the assets, liabilities and contingent liabilities are as follows:

	Fair Value
Intangible assets	25.1
Other tangible fixed assets	41.7
Cash and cash equivalents	2.7
Debtors and remaining assets	7.8
Total assets	**77.3**
Debts with financial institutions	40.7
Liabilities from temporary differences	12.6
Remaining liabilities	3.6
Total liabilities	**56.9**
Total Equity	20.4
Non-controlling interest	(12.2)
Cash paid for the acquisition	(13.4)

The intangible assets are backed by licences, franchising rights and rights of way with a useful life of 60 years. Other tangible fixed assets are backed by deposits and the distribution network (13.7 million euros), with a useful life of 60 years.

On 3 March 2017, Alba, via Deya Capital IV, SCR, S.A., acquired 28.07% of the Satlink Group, S.L., headquartered in Spain, and whose main activity is researching technological solutions for the fishing sector. The main factor motivating the business consolidation was its acquisition for venture capital activities. The business acquired has generated, for the Group, ordinary income and consolidated income during the period between the date of acquisition and the end of the financial year. These sums were 31.8 million euros and 0.2 million euros respectively.

Though the company was acquired on 1 January 2017, the Group's ordinary income and the consolidated income for the financial year ending on 31 December 2017 were 49.2 million euros and 3.1 million euros respectively.

Details of the compensation handed over, of the fair value of the assets acquired and the goodwill are as follows:

Cash paid	12.1
Total compensation handed over	12.1
Non-controlling interest	(18.2)
Variations in the fair value of net assets	25.3
Goodwill	5.0

The sums recognised as significant classes on the date of acquisition of the assets, liabilities and contingent liabilities are as follows:

	Fair Value
Intangible assets	46.0
Other tangible fixed assets	0.9
Cash and cash equivalents	14.8
Debtors and remaining assets	19.8
Total assets	**81.5**
Debts with financial institutions	33.6
Liabilities from temporary differences	12.9
Remaining liabilities	9.7
Total liabilities	**56.2**
Total Equity	25.3
Non-controlling interest	(18.2)
Cash paid for the acquisition	(12.1)

The intangible assets are backed by industrial designs, IT applications, trademark and the client portfolio (46.0 million euros) with a useful life of between 3 and 15 years.

6. PROPERTY INVESTMENTS

In this section, leased properties are recorded. In 2017, the contract with the aforementioned property investment valuation-appraisal company, C.B. Richard Ellis, S.A., expired and tenders were invited for the assignment. Savills Consultores Inmobiliarios, S.A., specialists in valuing this kind of investment, were selected. The valuation was performed according to the Property Appraisal and Valuation Standards and Observations Guide published by the Royal Institution of Chartered Surveyors in the United Kingdom, and is based on the Discounted Cash Flow and Comparison method.

The geographical distribution of the valuation is as follows:

	2017	2016
Madrid	319.8	347.3
Barcelona	16.7	23.5
Palma de Mallorca	-	0.8
Subtotal	**336.5**	**371.6**
Transfer	-	(22.5)
Total	**336.5**	**349.1**

The movements in this chapter were as follows:

Balance at 1-1-16	**352.2**
Increases	3.8
Decreases	(0.2)
Transfers	(22.5)
Variation in fair value	15.8
Balance at 31-12-16	**349.1**
Increases	3.0
Decreases	(16.5)
Variation in fair value	0.9
Balance at 31-12-17	**336.5**

In 2017, the reductions corresponded to the sale of various buildings in Madrid and a premises in Mallorca, with profits of 2.8 million euros and increases resulting from improvements to the buildings.

In 2016, the increases included improvements to the buildings, reductions to the sale of a piece of land in Mérida (Badajoz) with no income and transfers involving the reclassification of a building in Madrid to the section in the attached Balance sheet entitled "Non-current assets held for sale".

The most significant data related to the rentable area on 31 December were as follows:

	2017	2016
Above ground surface area (square meters)	85,781	97,795
Rented space (square meters)	74,102	79,976
Occupancy %	86.4%	81.8%

Costs related to the free surface area are not significant for the purposes of the breakdown.

Increases in rent in the fixed term of the lease, calculated until expiry of the agreement, at 31 December 2017 and 2016 were as follows:

	2017	2016
Up to one year	14.6	15.3
Between 1 and 5 years	19.3	19.2
More than 5 years	2.3	3.4
Total	36.2	37.9

Insurance policies are formalised to cover the risks to which these goods are subject.

7. PROPERTY, PLANT AND EQUIPMENT

The movements in this chapter of the Balance sheet attached were as follows:

	Property	Other tangible assets	Total
Cost			
Balance at 1-1-16	**19.5**	**2.2**	**21.7**
Increases	0.1	0.1	0.2
Balance at 31-12-16	**19.6**	**2.3**	**21.9**
Increases	-	0.5	0.5
Decreases	-	(1.4)	(1.4)
Business consolidation	-	42.6	42.6
Balance at 31-12-17	**19.6**	**44.0**	**63.6**
Accumulated Amortisation			
Balance at 1-1-16	**(11.6)**	**(1.9)**	**(13.5)**
Increases	(0.8)	(0.1)	(0.9)
Balance at 31-12-16	**(12.4)**	**(2.0)**	**(14.4)**
Increases	(0.8)	(2.5)	(3.3)
Decreases	-	1.4	1.4
Balance at 31-12-17	**(13.2)**	**(3.1)**	**(16.3)**
Provisions			
Balance at 1-1-16	**(0.5)**	**-**	**(0.5)**
Balance at 31-12-16	**(0.5)**	**-**	**(0.5)**
Decreases	0.1	-	0.1
Balance at 31-12-17	**(0.4)**	**-**	**(0.4)**
Net tangible fixed assets at 31-12-16	6.8	0.2	7.0
Net tangible fixed assets at 31-12-17	**6.0**	**40.9**	**46.9**

Insurance policies are formalised to cover the risks to which the various elements of the tangible fixed assets are subject.

8. GOODWILL (NOTE 5)

The inclusion of goodwill from the 2017 financial year corresponds to the following business consolidations:

UGE Energyco Group	5.2
UGE Satlink Group	5.0
Total	**10.2**

The goodwill assigned to the Group's cash-generating units (UGE).

The goodwill is assigned to the UGE in order to substantiate the impairment losses. It is assigned to those UGE which are expected to benefit from the business consolidation in which the goodwill arose.

The nature of the assets included to determine the book value of a UGE are: Tangible Fixed Assets, Goodwill, Other Intangible Assets and Working Capital.

When analysing the impairment of the UGEs, the basis used for the recoverable value of the UGE was its fair value, due to the type of business and the acquisitions performed in the 2017 financial year, which was estimated based on the market multiples, according to the most recent transactions observed (level 3). The multiple used is between 6 and 7 times EBITDA.

During the 2017 financial year, impairment losses in the value of the goodwill were not recognised.

As regards acquisitions in the 2017 financial year, the Group does not consider that the occurrence of the sensitivity hypotheses is likely.

9. OTHER INTANGIBLE ASSETS (NOTE 5)

The composition of the accounts included in the Intangible assets during the 2017 financial year is as follows:

	In millions of euros	Estimated useful life
Industrial designs	12.4	10
IT applications	5.0	3
Trademarks	3.1	10
Client portfolio	22.6	10
Others	23.9	60
Total	**67.0**	

From the date of business consolidation up to 31 December 2017, the amortisation allocation rose to 4.1 million euros.

There are no other intangible assets affected by ownership restrictions, nor is there collateral for these transactions.

There are no fully amortised intangible assets.

The other intangible assets were subject to value impairment tests, as explained in note 4.d. There were no impairment losses or impairment reversals in the 2017 financial year.

10. INVESTMENTS IN ASSOCIATES

The changes in this chapter in the 2017 financial year were as follows:

Company	Consolidated value at 01-01-17	Results of associates	Dividends accrued
Acerinox, S.A.	608.7	44.4	(23.6)
ACS, Actividades de Construcción y Servicios, S.A.	390.9	-	-
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	318.1	18.5	(18.2)
CIE Automotive, S.A.	-	-	(3.6)
Ebro Foods, S.A.	271.9	24.5	(9.3)
Euskaltel, S.A.	166.3	2.0	(6.0)
Indra Sistemas, S.A.	193.3	14.5	-
Parques Reunidos Servicios Centrales, S.A.	133.4	1.5	(3.3)
Viscofan, S.A.	238.8	13.5	(7.7)
Total	**2,321.4**	**118.9**	**(71.7)**

	Acquisitions/ (Sales)	Reversal/ (Impairment)	Variations in consolidated equity of the associates	Consolidated value at 31-12-17	Market value at 31-12-17
	-	-	(55.2)	574.3	623.6
	(390.9)	-	-	-	-
	-	(13.9)	0.3	304.8	267.8
	303.2	-	-	299.6	312.3
	62.1	-	(14.8)	334.4	360.5
	24.8	(20.9)	(0.1)	166.1	133.6
	-	5.3	0.6	213.7	212.0
	112.1	-	(2.0)	241.7	239.9
	7.6	-	(3.7)	248.5	290.3
	118.9	**(29.5)**	**(74.9)**	**2,383.1**	**2,440.0**

The changes in this chapter in the 2016 financial year were as follows:

Company	Consolidated value at 1-1-16	Results of associates	Dividends accrued
Acerinox, S.A.	610.9	15.3	(20.9)
ACS, Actividades de Construcción y Servicios, S.A.	604.0	79.0	(35.8)
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	283.9	19.1	(19.2)
Clínica Baviera, S.A.	27.9	1.6	(2.0)
Ebro Foods, S.A.	260.6	17.0	(8.3)
Euskaltel, S.A.	149.5	6.6	(2.5)
Indra Sistemas, S.A.	161.1	7.9	-
Parques Reunidos Servicios Centrales, S.A.	-	6.6	-
Viscofan, S.A.	138.1	11.9	(6.2)
Total	**2,236.0**	**165.0**	**(94.9)**

	Acquisitions/ (Sales)	Transfer to "Non-current assets held for sale"	Reversal/ (Impairment)	Variations in the consolidated equity of the associates	Consolidated value at 31-12-16	Market value at 31-12-16
	(2.2)	-	-	5.6	608.7	659.7
	(205.9)	-	-	(50.4)	390.9	710.4
	35.3	-	-	(1.0)	318.1	282.3
	-	(31.1)	3.6	-	-	31.1
	-	-	-	2.6	271.9	306.5
	12.7	-	-	-	166.3	140.6
	-	-	24.3	-	193.3	193.3
	126.8	-	-	-	133.4	129.7
	93.4	-	-	1.6	238.8	240.6
	60.1	**(31.1)**	**27.9**	**(41.6)**	**2,321.4**	**2,694.2**

In 2017 and 2016, the variations in the consolidated equity of Acerinox, S.A. and Ebro Foods, S.A. were mainly due to conversion differences and, in the case of ACS, Actividades de Construcción y Servicios, S.A., to adjustments of the conversion results, changes in the value of the financial assets available for sale and variations in the treasury stock. Variations among the remaining associates were due to valuation adjustments of the financial assets available for sale, hedging transactions and conversion differences.

The 2017 income recorded in the "Income from the sale and income from financial and other assets" of the consolidated Profit and Loss Account from 2017 corresponds, almost in full, to the sale of 7.52% of ACS, Actividades de Construcción y Servicios, S.A., for 743.4 million euros and a profit of 352.7 million euros.

The 2016 income recorded in the "Income from the sale and income from financial and other assets" of the consolidated Profit and Loss Account from 2016 corresponds, almost in full, to the sale of 4.17% of ACS, Actividades de Construcción y Servicios, S.A., for 374.4 million euros and a profit of 168.5 million euros.

The relevant information concerning the companies included in this chapter is as follows:

	Assets		Liabilities				
	Current	Non-current	Current	Non-current	Turnover	Consolidated results attributed to the parent company	Other overall performance
Acerinox, S.A.							
2017	2,256.4	2,147.6	1,284.3	1,149.4	4,626.9	234.1	(289.5)
2016	2,097.5	2,357.5	1,095.2	1,191.2	3,968.1	80.3	103.2
ACS, Actividades de Construcción y Servicios, S.A.							
2017	-	-	-	-	-	-	-
2016	20,733.8	12,639.5	20,457.0	7,934.3	31,975.2	751.0	72.0
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.							
2017	22,509.5	173.7	22,232.6	20.1	320.8	153.3	0.8
2016	22,905.9	175.6	22,637.1	20.4	320.4	160.3	0.2
CIE Automotive, S.A.							
2017	1,558.7	2,921.2	1,813.3	1,329.6	3,724.5	215.4	(108.6)
2016	1,344.4	2,732,.3	1,444.2	1,369.2	2,879.0	162.4	48.8
Ebro Foods, S.A.							
2017	1,293.3	2,367.4	771.4	767.3	2,507.0	220.6	(137.4)
2016	1,235.0	2,410.7	664.7	874.7	2,459.2	169.7	31.2
Euskaltel, S.A.							
2017	136.2	2,768.3	246.5	1,694.4	609.3	49.6	-
2016	221.1	2,109.1	210.1	1,378.0	561.4	62.1	-
Indra Sistemas, S.A.							
2017	2,208.2	1,658.4	1,973.7	1,243.9	3,011.1	126.9	(4.6)
2016	2,108.5	1,223.6	1,607.7	1,346.4	2,709.3	69.9	(6.0)
Parques Reunidos Servicios Centrales, S.A. (closed financial year at 30/09/2017)							
2017	187.1	1,907.0	171.0	814.3	579.3	11.3	(11.3)
2016	169.0	1,990.2	159.3	867.6	578.6	3.9	(0.9)
Viscofan, S.A.							
2017	445.1	515.7	113.6	119.6	778.1	122.1	(33.4)
2016	453.5	477.5	118.9	104.0	730.8	125,.1	16.3

Notices of shareholding:

Notifications were issued concerning the securing, modification and disposal of interests in the share capital of the companies, according to standards in force at all times.

In the 2017 financial year, the following notifications were issued to:

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., to the effect that a stake of................1.49% had been bought

CIE Automotive, S.A., to the effect that a stake of ....10.00% had been bought

Ebro Foods, S.A., to the effect that a stake of .... 1.99% had been bought

Euskaltel, S.A., to the effect that a stake of .... 1.65% had been bought

Parques Reunidos Servicios Centrales, S.A., to the effect that a stake of....................... 9.48% had been bought

Viscofán, S.A., to the effect that a stake of ....0.30% had been bought

ACS, Actividades de Construcción y Servicios, S.A., to the effect that a stake of ....7.52% had been sold

Clínica Baviera, S.A., to the effect that a stake of .... 20.00% had been sold

In the 2016 financial year, the following notifications were issued to:

ACS, Actividades de Construcción y Servicios, S.A., to the effect that a stake of .... 4.17% had been sold

Euskaltel, S.A., to the effect that a stake of ....1.0% had been bought

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., to the effect that a stake of................1.49% had been bought

Viscofán, S.A., to the effect that a stake of ....4.16% had been bought

Parques Reunidos Servicios Centrales, S.A., to the effect that a stake of ....10.53% had been bought

11. FINANCIAL INSTRUMENTS AT FAIR VALUE WITH CHANGES TO PROFITS AND LOSSES

Interests such as this at 31 December 2017 and 2016 were as follows:

	%	
Unlisted companies in the long term	**2017**	2016
Alvinesa, S.A.	16.83	-
C. E. Extremadura, S.A.	1.01	1.01
EnCampus Residencias de Estudiantes, S.A.	-	32.75
Flex E.D., S.A.	-	19.75
Grupo Empresarial Panasa, S.L.	-	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	7.50
Siresa Campus Noroeste, S.A.	-	17.44
Siresa Campus SII, S.A.	-	17.44

In millions of euros	**2017**	2016
Dividends collected	5.6	15.2

In 2017, the interest in Grupo Empresarial Panasa, S.L was transferred to the "Non-current assets kept for sale" item (note 31).

In 2016, Ros Roca Environment, S.A. merged with Terberg RosRoca Group Ltd., thus diluting the interest.

The movements in 2017 and 2016 were as follows:

Balance at 1-1-2016	**285.9**
Changes in fair value	39.3
Balance at 31-12-2016	**325.2**
Additions	12.6
Disposals	(101.1)
Transfer	(88.4)
Changes in fair value	6.2
Balance at 31-12-2017	**154.5**

In 2017, the incoming items correspond to the acquisition of the interest in Alvinesa, S.A. and the outgoing items correspond to sales of the interest in Flex E.D., S.A., with a profit of 7.1 million euros, and in EnCampus Residencias de Estudiantes, S.A. and in Siresa Campus, with profits of 13.8 million euros. In 2016, there were no incoming nor outgoing items.

The cash flow discount method was used to calculate the fair value of the investments. The hypotheses used were as follows:

	TRRG Holding Limited	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.
2017							
Perpetual growth rate	2.0%	2.0%	-	-	-	-	2.0%
Discount rate	9.3%	9.6%	-	-	-	-	10.8%
2016							
Perpetual growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Discount rate	8.8%	9.1%	8.0%	9.2%	9.1%	7.0%	10.0%

Sensitivity analysis

A variation of +0.5% and -0.5% in the hypotheses used when calculating the fair value would have the following effect on this value:

	TRRG Holding Limited	Mecalux, S.A.	InStore Media Group, S.A.	Siresa Campus, S.A.	Grupo Empresarial Panasa, S.L.	Flex E.D., S.A.	EnCampus Residencias de Estudiantes, S.A.
2017							
Discount rate							
+ 0.5%	-9.7%	-5.5%	-5.2%	-	-	-	-
– 0.5%	11.1%	6.2%	5.9%	-	-	-	-
Perpetual growth rate							
+ 0.5%	7.6%	5.1%	3.8%	-	-	-	-
– 0.5%	-6.6%	-4.5%	-3.4%	-	-	-	-
2016							
Discount rate							
+ 0.5%	-11.1%	-5.6%	-5.3%	-10.2%	-10.5%	-7.1%	-11.2%
– 0.5%	12.9%	6.4%	6.0%	12.1%	12.1%	8.1%	13.7%
Perpetual growth rate							
+ 0.5%	9.0%	5.4%	4.0%	9.6%	8.6%	6.2%	11.3%
– 0.5%	-7.8%	-4.7%	-3.5%	-8.1%	-7.5%	-5.4%	-9.2%

The fair value estimated would increase or decrease according to the value of the EBITDA and sales, which are other non-observable variables used in the calculation.

12. OTHER NON-CURRENT FINANCIAL ASSETS AND LIABILITIES

The composition of these items at 31 December 2017 and 2016 was as follows:

	2017	2016
Other non-current financial assets		
Loans to third parties	64.8	130.4
Guarantees deposited with public bodies	2.2	2.5
Balance at 31 December	**67.0**	**132,9**
Other non-current financial liabilities		
Other financial liabilities	3.8	-
Guarantees received from clients	2.6	2.7
Balance at 31 December	**6.4**	**2.7**

Loans to third parties were, for the most part, comprised of the value of the debt, pending collection, from Bergé Group. In July 2016, a syndicated loan contract was signed between various companies in the Bergé Group and a syndicate of organisations, including Corporación Financiera Alba, S.A.

This debt can be divided into two sections. Section A is amortised in six-monthly payments between December 2016 and June 2022 and accrues Euribor market interest +265 pb and Section B is subject to 5 year Bullet amortisation accruing Euribor market interest +125 pb for the first 3 years, +225 pb in the fourth year and +325 pb in the fifth year. The plan is to collect on the debt using a cash sweep and using early redemptions which will be mandatory, if liquidity events occur. The sums used to pay the debt resulting from the aforementioned liquidity events will be distributed in a discounted auction among the lenders involved. In 2017, Alba collected 64.1 million euros as part of these loans. The outstanding debt on 31 December, in millions of euros, was as follows:

	2017	2016
Tranche A	25.8	43.5
Tranche B	41.3	98.6

13. CLIENTS AND OTHER RECEIVABLES

The composition of this item at 31 December 2017 and 2016 was as follows:

	2017	2016
Withholdings and payments on accounts to the Corporation Tax Account	168.3	126.0
Dividends accrued pending collection	6.1	12.3
Clients	22.8	-
Miscellaneous debtors	2.6	1.3
Prepaid expenses	1.3	0.1
Balance at 31 December	**201.1**	**139.7**

At 31 December 2017, the provision included in the clients section rose to 0.5 million euros.

14. OTHER CURRENT FINANCIAL ASSETS, CASH AND CASH EQUIVALENTS

The financial assets are comprised of short term cash placements and are arranged as follows:

Promissory notes from companies	145.9
Fixed term deposits	300.0
Ownership interests in listed companies	150.3
Other financial assets	5.9
Accrued interest	0.4
Total	**602.5**

All promissory notes are from listed Spanish companies. Interests in listed companies constitute short term investments that are recorded at their fair value and classified as financial assets held for negotiations. 2.6 million euros in dividends have been collected on these investments.

Cash and cash equivalents at 31 December 2017 and 2016 can be broken down as follows:

	2017	2016
Cash in hand and at banks	287.8	307.9
High liquidity short term deposits and investments	22.2	162.0
Balance at 31 December	**310.0**	**469.9**

Short term deposits and investments can be quickly realised and do not pose a risk of a change in value. The sums in this item accrue a variable rate of interest based on the interbank market interest rate.

15. EQUITY

At 31 December 2017 and 2016, the share capital was comprised of 58,300,000 shares, all of the same class, represented by book entries. The nominal value of each of the shares is 1 euro, and the shares are fully subscribed and paid up, and have all been listed on the Stock Exchange (Stock Exchange Interconnection System).

The Annual General Meeting of Corporación Financiera Alba, S.A.'s shareholders, in its meeting of 8 June 2016, agreed to delegate the following powers to the Board of Directors:

- Granting one or more increases in the share capital, up to a total maximum of 50% of the share capital, using cash contributions within a maximum of five years, including the pre-emptive right, without this power having been used to date.

- Granting one or more increases in the share capital, up to a total maximum of 20% of the share capital, using cash contributions within a maximum of five years. The Board is authorised to eliminate the pre-emptive right, but has not exercised this power to date.

Corporación Financiera Alba, S.A. is part of the Banca March Group. Banca March, S.A. is controlled by Mr Juan, Mr Carlos, Mrs Gloria and Mrs Leonor March Delgado, who jointly control 100% of its share capital, without any of these individuals exercising control individually either on the basis of their equity stake or on the basis of any kind of agreement.

Banca March, S.A. and its shareholders, on the date of closure of the financial year, jointly controlled (Concerted Action) 65.182% of Corporación Financiera Alba, S.A. Other interests above 3% of which the CNMV (Comisión Nacional del Mercado de Valores) was informed, at 31 December, included those of Mr Juan March de la Lastra, with 5.895% and Mr Juan March Juan, with 3.726%.

There were no transactions involving Alba's equity in 2017 or 2016. The data is as follows:

	No. of shares	Percentage of share capital	Average purchase price €/share	Millions of €
At 31 December 2017 and 2016	59,898	0.10%	40.29	2.4

Basic earnings per share can be calculated by dividing the income from the financial year attributable to ordinary shareholders in the parent company by the average number of shares in circulation during the same financial year.

Diluted earnings per share can be calculated by dividing the income from the financial year attributable to ordinary shareholders in the parent company by the average number of shares in circulation during this financial year, plus the average number of ordinary shares which would be issued if all the financial instruments that can be transformed into potentially ordinary shares were converted into ordinary shares. Given that there is no financial instrument of this kind, basic earnings per share are the same as diluted earnings per share.

	2017	2016
Profits attributable to ordinary shareholders of the parent company		
Continuing operations	474.1	407.8
Discontinued operations	-	-
Profits attributable to ordinary shareholders of the parent company for basic earnings	474.1	407.8
Interest of the holders of convertible financial instruments into ordinary shares	-	-
Profits attributable to ordinary shareholders of the parent company adjusted for the effect of dilution	474.1	407.8
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 effect of dilution (*)	58,240,102	58,240,102

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

There has been no transaction involving ordinary shares or potentially ordinary shares between the closure date and the date on which these consolidated annual accounts were prepared.

16. CAPITAL MANAGEMENT POLICY

Alba manages its capital with a view to ensuring its subsidiary companies have sufficient economic resources for performing their activities. In addition to managing the capital needed to cover the risks assumed as part of its activity in a rational and objective manner, capital is managed in such a way as to maximise shareholder return via an adequate balance between capital and debt.

Alba's leverage ratio at the close of the 2017 and 2016 financial years was as follows:

	2017	2016
Debts with credit institutions	195.3	136.6
Cash and cash equivalents	(310.0)	(469.9)
Total net debt / (net cash)	**(114.7)**	**(333.3)**
Equity	3,962.0	3,620.3
Equity - net debt (+ net cash)	4,076.7	3,953.6

In the 2017 and 2016 financial years, there was no net financial debt, as a result, there is no leverage ratio.

17. PROVISIONS

The movements in this item in the 2017 and 2016 financial years were as follows:

	2017	2016
Balance at 1 January	**0.7**	**0.1**
Allocations	0.4	0.7
Uses	-	(0.1)
Balance at 31 December	**1.1**	**0.7**

18. SUPPLIERS AND OTHER PAYABLES

The composition of this item on 31 December 2017 and 2016 was as follows:

	2017	2016
Trade payables	12.6	2.7
Accrued wages and salaries	2.5	2.8
Other accounts payable to public authorities (note 22)	9.4	0.7
Balance at 31 December	**24.5**	**6.2**

Information concerning the average provider payment period in Spain is as follows:

	2017	2016
Days		
Average payment period to suppliers	42	33
Ratio of paid transactions	45	33
Ratio of transactions pending payment	40	34
Thousands of euros		
Total payments made	48.8	10.0
Total payments outstanding	14.0	1.7

19. BANK BORROWINGS

Current and non-current:

Current debts with credit institutions mature on an annual basis and their breakdown, based on maturity, is as follows:

	At 31/12/2017		At 31/12/2016	
Bank	Maturity	Balance available	Maturity	Balance available
Short term debt				
BBVA	2018	9.2	2016	9.1
Syndicated loan (BPI, BBVA and Bankinter)	2018	5.1		-
BBVA and Santander	2018	0.2		-
		14.5		**9.1**
Long term debt				
BBVA	2019 to 2025	118.3	2018 to 2025	127.5
Syndicated loan (BPI, BBVA and Bankinter)	2019 to 2024	34.9		-
BBVA and Santander	2019	0.1		-
Syndicated loan (Bankinter, BBVA, Caixa and Sabadell)	2019 to 2023	27.5		-
		180.8		**127.5**

On 17 June 2015, a loan agreement was signed, for 150 million euros, with BBVA at 1.5% interest, maturing on 17 July 2025. Both the principal and interest amortisation are paid on a six-monthly basis. The rates of remaining bank debts are between 2.5% and 3.0%.

The reconciliation of the balances of debts with credit institutions with the flow from financing activities on the Cash Flow Statement is as follows:

	Debts with credit institutions
Balance at 1/1/2016	**145.6**
Cash flows from financing activities	(9.0)
Balance at 1/1/2017	**136.6**
Business consolidation	74.3
Cash flows from financing activities	(15.6)
Balance at 31/12/2017	**195.3**

20. VALUATION AT FAIR VALUE

The quantitative breakdown of the assets and liabilities and their hierarchy of values at fair value on 31 December 2017 and 2016, valued on this date, are shown in the following tables:

	Valuation at Fair Value		
	Total	Listed price in active markets (Level 1)	Inputs significant non-observable (Level 3)
2017			
Assets valued at fair value			
Property investments (Note 6)	336.5	-	336.5
Financial instruments at fair value with changes to profits and losses (Notes 14 and 11)	304.8	150.3	154.5
Assets whose fair value is disclosed			
Investments in associates (Note 10)	2,383.1	2,383.1	-
Other financial assets (Note 12)	67.0	-	67.0
Non-current assets held for sale (Note 11)	88.4	-	88.4
Trade and other receivables (Note 13)	201.1	-	201.1
Other financial assets (Note 14)	452.2	-	452.2
Liabilities whose fair value is disclosed			
Debts with credit institutions (Note 19)	195.3	-	195.3

	Valuation at Fair Value		
	Total	Listed price in active markets (Level 1)	Inputs significant non-observable (Level 3)
2016			
Assets valued at fair value			
Property investments (Note 6)	349.1	-	349.1
Financial instruments at fair value with changes to profits and losses (Note 11)	325.2	-	325.2
Assets whose fair value is disclosed			
Investments in associates (Note 10)	2,694.3	2,694.3	-
Other financial assets (Note 12)	132.9	-	132.9
Non-current assets held for sale (Notes 6 and 11)	53.5	31.0	22.5
Trade and other receivables (Note 13)	139.7	-	139.7
Liabilities whose fair value is disclosed			
Debts with credit institutions (Note 19)	136.6	-	136.6

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

1.- Types of risks confronted by the Group

Risk is inherent to any business endeavour and is defined as uncertainty concerning the occurrence of an event or action that could adversely affect the Company's ability to maximise its value for stakeholders and to achieve its goals; it also refers both to the possibility that threats materialise, and the risk that opportunities are not taken.

Corporación Financiera Alba is involved in two main activities:

(i) interests in the capital of listed and unlisted companies, and

(ii) investment in buildings leased as office spaces.

As a result of its activities, the markets and sectors in which it is active and its environment, the Company is exposed to the following categories of risks:

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

  The Company also faces risks related to the corporate governance of the Company, the reputation and liability of the Company, investment and disinvestment strategies and market dynamics.

- Operational risks involving potential direct or indirect economic losses related to external events: uncertainty in the Company's own business operations; or internal events: failures or inadequacies in the processes, systems or resources of the Company.

  This includes risks related, mainly, to income, investments and disinvestments and their monitoring, the acquisition of goods and services, tangible assets, human resources, information technologies and natural disasters, terrorism and other criminal acts.

- Financial risks resulting, broadly speaking, from any financing operation which the Company must make in order to perform its activities, as well as the reliability of financial information issued by the Company.

  This includes liquidity and credit risks, market, tax, accounting and reporting risks.

- Regulatory compliance risks resulting from a potential failure to comply with laws, regulations, internal standards and codes of conduct, as well as greater exposure to these risks.

  This includes legal risks, regulatory risks and risks involving codes of ethics and conduct.

2.- Integrated Risk Management System

Aware of the importance and advantages of adequately and efficiently managing its risks, Corporación Financiera Alba has defined an Integrated Risk Management System mainly focussed on:

- Enabling the identification and proactive and efficient assessment of Company risks, as well as monitoring and continually tracking these risks.
- Integrating, coordinating and directing the various efforts which, in terms of risk management, the company is performing.
- Achieving reasonable risk acceptance and reinforcing the responsibility of employees of the Company.
- Ensuring the control systems are aligned with the real risks of the Company.
- Facilitating and streamlining the application of corrective measures.

The Integrated Risk Management System unites three key components:

(i) The continued Risk Management process, understood as those activities performed by all individuals in the Company under the supervision of the Audit Committee that are focussed on identifying those potential risk events that could affect it, managing the risks identified and ensuring reasonable security in achieving the company's targets.

(ii) An organisational focus, with clearly defined and communicated roles and responsibilities. Full risk management affects all staff of the Company, as a result, it is vital to establish an organisational focus on risk management that is suited to the organisational structure and the Company's corporate culture.

Though the Integrated Risk Management System affects and involves all staff of the Company, the main participants are as follows: risk managers, the Risk Control and Management Department, the Audit and Compliance Committee and the Board of Directors.

(iii) A tracking model, which identifies and provides the exceptional information needed so that all those involved in the risk management process can make informed decisions concerning the risks.

2.1. The Continued Risk Management Process

By way of a summary, the continued risk management process involves performing the following activities:

- Identifying and assessing the risks that could affect the Company.

  Determining the main strategic, operational, financial and regulatory compliance risks affecting the company's strategy and goals, assessing the probability of occurrence and its potential impact and prioritising risks based on these factors.

- Setting the level of risk that is considered acceptable.

  By defining key risk indicators (KRIs) for each critical risk and establishing tolerance levels for these risks.

- Identifying checks.

  Specifying existing checks (or checks to be implemented) in the company to mitigate the aforementioned risks.

- Identifying the processes in which these risks and controls should occur.

  Determining the existing relationship between the company's key risks –and its checks– and the company's processes, identifying and analysing those processes that are critical for managing risks.

- Assessing checks.

  Assessing the effectiveness of the checks in mitigating the risks identified.

- Design and implementation of action plans, by way of a response to the risks.

  Determining action plans to be carried out to lower the residual risk to the acceptable level of risk, bearing in mind the costs and benefits of these efforts. As a direct result of this reduction of the level of risk, a reassessment and prioritisation of the risks will be necessary and appropriate, as part of a continued risk management process.

In this regard, the Corporación Financiera Alba has prepared the company's Risk Map, which shows, based on their impact and probability, the key risks in the categories listed above. In order for this map to effectively become a management tool that allows the company to make informed decisions, the map is reviewed and updated periodically to adjust it to the Company's current circumstances.

Likewise, the Company has prepared Risk Indexes for the most critical risks, identifying the key risk indicators with their corresponding tolerance levels, the checks associated and, where applicable, the action plans to be implemented. These Indexes allow the Company to periodically assess and monitor its risks and to determine the most appropriate response to these risks.

2.2. Organisational Model of roles and responsibilities

Though the Integrated Risk Management System affects and involves all staff of the Company, the main players are as follows:

(i) Risk managers.

These managers are responsible for monitoring the risks they have been assigned and for informing the Risk Control and Management Department of any relevant information concerning the risks.

(ii) The Risk Control and Management Department.

The Risk Control and Management Department is expressly responsible for the following duties:

- Ensuring the smooth running of the risk control and management systems and, specifically, that all the important risks affecting the company are identified, managed and appropriately quantified.

- Actively participating in preparing the risk strategy and important decisions concerning its management.

- Ensuring that the risk control and management systems appropriately mitigate risks, as part of the policy identified by the Board of Directors.

(iii) Audit and Compliance Committee.

Supervises, according to the stipulations of the Regulation of the Company's Board of Directors, among other matters, the efficiency of the company's internal checks and the risk management systems.

Likewise, it will discuss significant weaknesses in the internal check system which, where applicable, are detected during the audit with the accounts Auditor.

(iv) Board of Directors.

As indicated above, the Board of Directors has reserved the right to determine the risk control and management policy, including for tax risks, and to supervise the internal reporting and internal control systems. With regards to the risk management processes, it is noteworthy that, in addition to the aforementioned Risk Control and Management Department, Corporación Financiera Alba has Regulatory Compliance processes which are performed by the various operational and support departments, as well as an Internal Audit Service (SAI), which is defined as an advisory and control body in the service of the Audit and Compliance Committee, that is independent within the organisation as regards its actions, aimed at assessing the various areas and functional activities of the Company.

The analysis and proposal of recommendations for improving the risk management processes is among the duties entrusted to the Internal Audit Service. The Internal Audit Service also performs independent assessments of the efficiency and effectiveness of internal checks, although this is always in coordination with the Risk Control and Management Department, in order to avoid duplicating tasks and/or areas without adequate coverage.

Specifically, the Integrated Risk Management System established by Corporación Financiera Alba is a management, communication, tracking and support mechanism for all activities related to risk control and management. It is vital for responding to individual risks and risks that are specific to each activity, while it provides the framework needed for coordinated management by the Company.

2.3 Tracking and Reporting Model

The last part of the Integrated Risk Management System is a tracking and reporting model that can provide relevant information, in time and form, to all players involved in the risk control and management process, both in ascending and descending order.

This tracking model is cross-sectional as it allows the System to behave dynamically and, above all, to anticipate risks, rendering risk management and control, within the limits set by the Company, possible.

22. TAX POSITION

Corporación Financiera Alba, S.A., alongside Alba Patrimonio Inmobiliario, S.A.U., Alba Europe, S.à.r.l., Deyá Capital, SCR, S.A.U., Deyá Capital IV, SCR, S.A.U., Artá Capital, SGEIC, S.A.U. and Artá Partners, S.A. are taxed under the Tax Scheme for Corporate Groups. The remaining subsidiaries of the Group file their tax statements according to applicable tax standards in each country.

The main components of the capital gains tax from the financial years ending 31 December 2017 and 2016 are as follows:

Consolidated income account	**2017**	2016
Capital gains tax from the financial year		
Capital gains tax burden from the financial year	(0.4)	(0.1)
Capital gains tax adjustments from previous financial years	-	-
Deferred tax		
Related to the beginning and reversal of temporary differences	(0.8)	5.5
Capital gains tax burden/(income) recorded in the income account	**(1.2)**	**5.4**
Consolidated comprehensive income statement	-	-
Deferred tax for items directly charged or credited to the equity during the financial year	-	-

Below the reconciliation between the tax burden and the product of the accounting gain, multiplied by the tax rate applicable to Alba for the financial years ending on 31 December 2017 and 2016 is presented:

	2017	2016
Accounting income before tax from ordinary activities	476.0	414.0
Gains/(losses) before tax from discontinued activities	-	-
Accounting income before tax	476.0	414.0
Consolidation differences	76.0	-
Permanent differences (article 21 of the Corporate Tax Law)	(552.0)	(414.3)
Fluctuation in assets and liabilities as a result of deferred tax and difference in tax rates	(0.8)	5.5
Tax expense/(income) reflected in the consolidated income account	(1.2)	5.4
Capital gains tax attributable to discontinued activities	-	-

The most significant consolidation differences correspond to the associates' interest in the income from the financial year, the dividends collected from the associates and the fair value of the unlisted companies and property investments.

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

	31/12/17	Incoming items/ (Outgoing items)	Business consolidation	31/12/16	Incoming items/ (Outgoing items)	1/1/16
Deferred tax asset						
Other expenses and Retirement Plan	1.8	(0.1)	1.1	0.8	(0.1)	0.9
Total deferred tax assets	**1.8**			**0.8**		**0.9**
Deferred tax liabilities						
Capital gains from real estate investments	29.3	(3.0)	-	32.3	5.4	26.9
Other deferred tax liabilities	23.6	(1.9)	25.5	-	-	-
Total deferred tax liabilities	**52.9**			**32.3**		**26.9**

The profits for companies taxable under the Tax Scheme for Corporate Groups that opted for reinvestment, and whose period of permanence is in force, are as follows:

	Profits selected for re-investment (article 42 Corporate Tax Law)	Sales figure	Re-investment year	Expiry, period of permanence
2013 Financial Year	133	269	2014	2019
2011 Financial Year	287	535	2011, 2012 and 2013	2018

On 31 December 2017 and 2016, there were Negative Tax Bases of 4.8 million euros that were not recorded in the attached balance sheet.

The 2017 financial year and the four previous financial years are open for inspection, and it is estimated that the additional taxes that may result from this tax inspection will not be significant.

The details of the amount included in note 18 "Other debts with Public Authorities" in the "Providers and other payables" section is as follows:

	2017	2016
IRC (Capital Gains Tax)	4.2	-
Corporation tax	3.8	-
Personal Income Tax	1.0	0.5
VAT and other items	0.4	0.2
Total	9.4	0.7

The tax rate of the countries where the Group operates is 25%.

23. WORKFORCE

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

	2017			2016		
	Men	Women	Total	Men	Women	Total
Executive Board Members	5	-	5	5	-	5
Directors	10	-	10	4	-	4
Heads of department	12	-	12	12	-	12
Administration and others	124	82	206	20	18	38
Total	**151**	**82**	**233**	**41**	**18**	**59**

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

	2017			2016		
	Men	Women	Total	Men	Women	Total
Executive Board Members	5	-	5	5	-	5
Directors	11	-	11	5	-	5
Heads of department	12	-	12	12	-	12
Administration and others	126	82	208	20	19	39
Total	**154**	**82**	**236**	**42**	**19**	**61**

In 2017 and 2016, there was no-one employed with disabilities of 33% or more.

24. SEGMENT BASED INFORMATION

Below information concerning the proceeds, income, assets and liabilities related to the business segments for the financial years ending on 31 December 2017 and 2016 is presented.

The main level of segmented information concerning the Group is organised into:

- Rent from property: management, rent and trading property investments held by the Group.
- Investments in securities: one of the Group's business segments, which is defined as activities involving interests wielding significant influence over listed companies and securing capital gains by investing and then selling.
- Private equity investments: one of the Group's business segments, which is defined as activities involving interests in investment funds or vehicles managed by the Group's management teams and securing capital gains by investing and then selling.

To ensure the segment-based information is comparative, the information from the 2016 financial year has been modified due to the approach adopted in 2017, in which venture capital investments are separated from transferable security investments.

There are no transactions between the various segments.

CONSOLIDATED FINANCIAL STATEMENTS

Segment based information 2017 financial year

In millions of euros	Rent from property	Investments in securities	Private equity investments	Total Group
Direct income and expenses in the segment				
Sales and income	16.4	-	48.1	64.5
Cost	-	-	(19.5)	(19.5)
Profit from sales	2.9	375.2	-	378.1
Interest in profits of associates	-	118.9	-	118.9
Increase/(Decrease) in fair value and others	0.9	-	11.8	12.7
Amortisation	-	-	(7.5)	(7.5)
Impairment	-	(29.5)	-	(29.5)
Other expenses	-	-	(2.0)	(2.0)
Other direct operating costs in the segment	(5.4)	-	(15.4)	(20.8)
Profits from the segment	**14.8**	**464.6**	**15.5**	**494.9**
Income and expenses not assigned to segments				
Staff costs				(15.2)
Other operating costs				(6.3)
Amortisation				(0.9)
Other profits				0.6
Net financial income				2.9
Profits/(losses) before tax and minority interests				**476.0**
Corporation tax				1.2
Profits before minority interests				**477.2**
Minority interests				(3.1)
Net profit for the year				**474.1**
Assets and Liabilities				
Assets in the segment	338.7	2,383.1	385.9	3,107.7
Unallocated assets				1,168.6
Total Assets				**4,276.3**
Liabilities in the segment	31.9	-	166.6	198.5
Unallocated liabilities				81.7
Total Liabilities				**280.2**

Segment based information 2016 financial year

In millions of euros	Rent from property	Investments in securities	Private equity investments	Total Group
Direct income and expenses in the segment				
Rental and other income	18.6	-	-	18.6
Profit from sales	-	168.6	-	168.6
Interest in profits of associates	-	165.0	-	165.0
Increase/(Decrease) in fair value and others	15.8	-	54.5	70.3
Impairment	-	27.9	-	27.9
Other direct operating costs in the segment	(5.0)	-	-	(5.0)
Profits from the segment	**29.4**	**361.5**	**54.5**	**445.4**
Income and expenses not assigned to segments				
Impairment				(16.7)
Staff costs				(11.9)
Other operating costs				(6.2)
Amortisation				(0.9)
Other profits				0.1
Net financial income				4.3
Profits/(losses) before tax and minority interests				**414.1**
Corporation tax				(5.4)
Profits/(losses) before minority interests				**408.6**
Minority interests				(0.9)
Net profit for the year				**407.8**
Assets and Liabilities				
Assets in the segment	374.1	2,352.4	325.2	3,051.7
Unallocated assets				747.8
Total Assets				**3,799.5**
Liabilities in the segment	29.6	-	-	29.6
Unallocated liabilities				148.9
Total Liabilities				**178.5**

During the 2017 financial year, Alba operated within the country, with the exception of UGE Grupo Energyco, which operated in Portugal, with 15.9 million euros in sales (note 5). In 2016, all its activities were conducted within the country.

Unassigned proceeds and costs correspond to business support costs and other costs which cannot be considered as income from any of the three businesses.

Unassigned assets and liabilities correspond mainly to other current financial assets and cash and cash equivalents.

25. TOTAL INCOME AND EXPENSES

Below, the information for the various sections included in this chapter corresponding to the 2017 and 2016 financial years is shown.

a) Staff costs

	2017	2016
Wages and salaries	17.0	10.3
Social security paid by the company	1.2	0.7
Alternative pension plan systems	1.2	0.7
Other social expenses	0.1	0.2
Balance at 31 December	**19.5**	**11.9**

b) Financial income

	2017	2016
Interest, dividends and other	7.3	7.0
Balance at 31 December	**7.3**	**7.0**

c) Variation in the fair value of financial instruments

At the end of the 2017 and 2016 financial years, this corresponded to the fluctuation in the fair value of financial investments at fair value with changes to profits and losses.

26. RELATED PARTIES

In 2017, the following transactions were performed:

Description of the transaction	Amount	Related party
With the company's significant shareholders		
Services	0.8	Banca March
Dividend	11.7	Banca March
With other related parties		
Dividends and other gains distributed	71.7	Acerinox, Ebro, Clínica Baviera, BME, Viscofan, Euskaltel, CIE Automotive, Mecalux e InStore Media
Intermediate insurance premiums	1.7	March JLT
Insurance premiums	0.5	March Vida
Operational lease agreements	0.3	Various
Partnership agreements	0.3	Juan March Foundation

In 2016, the following transactions were performed:

Description of the transaction	Amount	Related party
With the company's significant shareholders		
Services	0.6	Banca March
Dividend	11.7	Acción Concertada Grupo Banca March
With other related parties		
Dividends and other gains distributed	110.1	ACS, Acerinox, Ebro, Clínica Baviera, BME, Viscofan, Euskaltel, Panasa, Siresa, Mecalux, Flex e InStore Media
Intermediate insurance premiums	1.6	March JLT
Insurance premiums	0.6	March Vida
Operational lease agreements	0.3	Various
Partnership agreements	0.3	Juan March Foundation

27. SHARE OPTIONS PLAN

On 11 June 2014, Alba's General Shareholders' Meeting approved an options system for the acquisition of shares in the Company by Executive Board Members and Directors of the Company. The plan lasted three years. The features of the system were as follows:

a) The Company gave options to beneficiaries entitling them to acquire, three years after approval of the Plan, shares in Corporación Financiera Alba S.A.

b) The Executive Board Members and Directors of Corporación Financiera Alba, S.A. joined this options system.

c) The maximum shares to be handed over by virtue of this Plan will be 635,000.

d) The options were non-transferable, with the exception of cases where the beneficiary dies.

e) The price to exercise each option was equal to the closing price of the shares of Corporación Financiera Alba, S.A. on the final day of the plan, less the difference between the final net asset value and the initial net asset value of the aforementioned shares. However, if the beneficiary so decides, they may also eliminate the exercise of the option rights using a cash payment, made by the Company to the beneficiary, of the difference between the final net asset value and the initial net asset value of the shares of Corporación Financiera Alba, S.A., multiplied by the number of shares held, up to a maximum of 20 euros per share. The beneficiaries accepted the cash payment, so the Company estimated the corresponding financial liability each time the accounts were closed.

f) Handover of the options was free.

At 31 December 2017, this plan was fully liquidated. At 31 December 2016, the liability recorded in the accounts was 1.1 million euros.

28. COMPENSATION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The company and its subsidiaries recorded the following compensation, earned by the members of the Board of Directors which, on 31 December 2017, was comprised of 14 members, and the Senior Management of Corporación Financiera Alba, S.A. (in thousands of euros):

	No. of people	Salaries and other items	Alba Board	Alternative pension and insurance plans
2017				
External proprietary board members	3	-	376	-
External independent board members	7	-	533	-
Executive board members	5	4,218	393	222
Senior Management	5	2,633	-	441
2016				
External proprietary board members	3	-	376	15
External independent board members	7	-	470	-
Executive board members	5	1,514	370	(707)
Senior Management	4	1,467	-	340

In 2017 and 2016 there were no advance payments or loans granted to the members of the Board of Directors or to Senior Management.

The compensation earned in 2017 and 2016 by each member of the Board of Directors was as follows (in thousands of euros):

2017 Financial year	Fixed Compensation	Variable	Alba Group Boards	Total compensation	Retirement plan contribution/ (repayment)
De Ampuero y Osma, José Domingo	-	-	76	76	-
Carné Casas, Ramón	433	-	65	498	-
Del Caño Palop, José Ramón	270	284	65	618	131
Garmendia Mendizábal, Cristina	-	-	86	86	-
Girón Dávila, Mª Eugenia	-	-	79	79	-
González Fernández, Carlos Alfonso	-	-	91	91	-
March de la Lastra, Juan	228	1,021	88	1,336	44
March Delgado, Carlos	-	-	143	143	-
March Delgado, Juan	-	-	153	153	-
March Juan, Juan	84	284	88	455	47
Martínez-Conde Gutiérrez-Barquín, Santos	595	1,021	88	1,703	-
Moranchel Fernández, Regino	-	-	38	38	-
Nieto de la Cierva, José	-	-	80	80	-
Pickholz, Claudia	-	-	88	88	-
Pradera Jáuregui, Antón	-	-	76	76	-
Total Board	**1,610**	**2,608**	**1,302**	**5,520**	**222**

2016 Financial year	Fixed Compensation	Alba Group Boards	Total compensation	Retirement plan contribution/ (repayment)	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 Fernández, 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 Jáuregui, Antón	-	65	65	-	-
Total Board	**1,514**	**1,216**	**2,730**	**(707)**	**15**

In 2017 and 2016, there was no remuneration paid to natural persons representing Alba in the management bodies on which Alba is a legal person manager, nor was anything paid for directors' civil liability insurance premiums.

In each of the following years, 2017, 2016 and 2015, Alba's General Shareholders' Meeting approved a variable compensation plan referenced to the net asset value of the shares for Executive Board Members and staff of the Company which the Board of Directors will determine, in order to connect them more directly to the process of creating value for shareholders of the company. The basic features of the system are as follows:

Approval	19/6/17	8/6/16	10/6/15
Maturity	18/6/20	7/6/19	10/6/18
Maximum units to be handed over	270,000	222,000	221,664
Initial net asset value	72.00	65.43	67.92
Maximum difference between the initial and final net asset value	30%	30%	30%

The Company will assign units to the beneficiaries that will entitle them to collect, upon maturity of the units, compensation equal to the product of these units based on the difference between the "initial" and "final" net asset values of the shares of Corporación Financiera Alba S.A. This calculation will be performed by deducting treasury stock and without taking taxes resulting from the theoretical settlement into account.

The Directors of Alba, according to the provisions of articles 227, 228, 229 and 231 of the Capital Companies Act ("LSC"), in the version provided in Law 31/2014 of 3 December, modifying the LSC with a view to improved corporate governance, informed Alba that, during the financial years closed on 31 December 2017 and 2016, they had no conflict of interest with Alba and that, according to the information of which they are aware and which they have been able to obtain with the utmost due diligence, nor have individuals with whom they are associated had any conflict of interest with Alba.

29. AUDITOR'S COMPENSATION

The company KPMG Auditores, S.L., the auditor of the Group's annual accounts, earned 62,000 euros in 2017, of which 50,000 were for audit services and 12,000 were for a limited review of the six-monthly consolidated financial statements and the procedures report agreed concerning the description of the SCIIF. On the other hand, other organisations affiliated with KPMG International, in the 2017 financial year, invoiced the Group for 5 thousand euros for auditing services and 81 thousand euros for other services.

On the other hand, in 2017, Pricewaterhousecoopers Auditores, S.L. invoiced the Group for 704 thousand euros, 81 thousand of which were for auditing services and the remainder of which was for other services.

The fees accrued by Ernst & Young Auditores, S.L. in 2016 were 163 thousand euros, 83 thousand of which was for internal audit consulting, risk management and criminal prevention, 14 thousand of which was for other tasks performed and the remainder of which was for the audit services for the Individual and Consolidated Annual Accounts.

30. CASH FLOW STATEMENTS

These were prepared according to the stipulations of the International Accounting Standard 7.

This statement can be divided into three types:

- Net cash flows from operating activities: this includes cash movements at an operational level for all businesses managed by the Group.

- Net cash flows from investment activities: this includes flows related to investments in long term assets and the acquisition and disposal of capital instruments issued by another organisation.

- Net cash flows from financing activities: this includes flows used to purchase treasury stock, incoming cash as a result of the use of external sources of finance, outgoing cash as a result of the settlement of external sources of finance and dividend distributions.

31. EVENTS AFTER CLOSING

After 31 December 2017, the following important events occurred:

- On 22 February, Alba announced an agreement to indirectly invest 500 million euros in Rioja Bidco Shareholdings, a company which will acquire, provided certain conditions are met, an interest of 20.072% from Repsol, which is currently held in the share capital of Gas Natural. Once the transaction is complete, Alba will have an approximate indirect interest of 25.7% in Rioja Bidco which, in turn, will have an indirect interest of 5.1% in the share capital of Gas Natural.

- Alba has sold its interest (via Deyá Capital) of 26.5% in Panasa for 88.4 million euros. As a result of this sale, which was announced in November 2017, Alba obtained, since the initial investment made in February 2011, a return on investment of 3.3 times and an IRR of 20% annually.

- Furthermore Alba, via Deyá Capital, has purchased an interest of 3.7% in MonBake for 9.4 million euros. MonBake is a new group resulting from the acquisition, by funds managed by Ardian, of Panasa and Bellsolá, two of the main Spanish companies in the bread and deep-frozen pastries sector. This reinvestment is part of the agreements reached with Ardian in the sale of Panasa, discussed above.

32. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial 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.

DIRECTORS' REPORT

DIRECTORS' REPORT

1. CHANGES TO THE BUSINESS AND CIRCUMSTANCES OF THE COMPANY

The Consolidated Annual Accounts at 31 December 2017 display a faithful reflection of equity and the financial position, the income from its activities, changes to the equity and cash flow which occurred in the Group in the financial year ending on that date and were prepared by Directors of the Company.

During the 2017 financial year, the activities of the Alba Group included:

- Management of a collection of controlling and influential interests in a series of companies active in a variety of sectors of the economy.
- The development of and stakeholding in companies.
- Operation of buildings, either by way of leasing or sale.

The Group's consolidated income, net of taxes, reached 474.1 million euros in 2017, 16.3% higher than the previous financial year. This increase is due, for the most part, to capital gains from the sale of interests in ACS which was made in the relevant period.

The Net Asset Value (NAV) was 4,049.5 million euros on 31 December 2017, equivalent to 69.53 euros per share. Alba's share price on that same date, 47.72 euros, represents a discount of 30.5% compared with the NAV per share. NAV, both in absolute terms and per share, increased by 1.5% compared with the same date in the previous year.

The 2017 financial year was the first financial year the profits of Gascan and Satlink were fully consolidated in Alba's Accounting Statements. This does not affect the way in which the NAV is calculated for previous periods. All comments made in this document concerning Alba's cash position refer exclusively to that of Alba, excluding the consolidated net debt of Gascan and Satlink.

During the year, Alba invested 547.8 million euros and sold assets for a total sum of 943.2 million euros, increasing its net cash position to 761.7 million euros on 31 December 2017.

In October, Alba distributed a gross dividend of 0.50 euros per share to its

shareholders, charged against the 2017 profits, representing a disbursement of 29.1 million euros. The total amount distributed, in dividends, during the 2017 financial year, was 58.2 million euros.

2. THE MOST SIGNIFICANT TRANSACTIONS

The investments made by Alba in 2017 were as follows:

- Purchase of 10.00% of CIE Automotive for 303.2 million euros.
- Purchase of 9.48% of Parques Reunidos for 112.0 million euros, increasing the interest in this Company to 20.01%.
- Purchase of 1.99% of Ebro Foods for 62.2 million euros, increasing the interest in this Company to 12.00%.
- Purchase of 1.65% of Euskaltel for 24.8 million euros, increasing the interest in this Company to 11.00%.
- Purchase of 0.30% of Viscofan for 7.6 million euros, increasing the interest in this Company to 11.32%.
- Investment, via Deyá Capital, of 38.1 million euros in the purchase of: 40.30% in Gascan (distribution of propane gas piped in Portugal), 16.83% of Álvinesa (management of wine by-products and their transformation into alcohol and other added value products) and 28.07% in Satlink (technological solutions for the fishing sector). These were the first investments made by the second fund managed by Artá Capital.

On the other hand, the year's disinvestments were marked by the sale of shares in ACS made in the first half of the year:

- Sale of 7.52% of ACS for 743.4 million euros, securing capital gains of 352.7 million euros and an IRR of 11.5% per year over more than 19 years.
- Sale, by Deyá Capital, of its 19.75% interest in Flex for 59.3 million euros, securing a return of 3.3 times the initial investment, an IRR of 22.3% over 6 years and capital gains of 7.1 million euros during the financial year. Likewise, interests in the EnCampus Residencias de Estudiantes group were sold for 62.7 million euros, securing a return of 2.8 times the initial investment, an IRR of

30.0% over 5 years and capital gains, during the financial year, of 13.8 million euros.

- At the beginning of August, Alba sold its entire 20% interest in Clínica Baviera for a net sum of 32.7 million euros, as part of the takeover bid launched by Aier Eye.

- Likewise, four buildings in Madrid were sold for a total sum of 45.1 million euros and with an IRR, for each asset, of between 4% and 15% per year over roughly 25 years.

3. EXPECTED DEVELOPMENT OF THE COMPANY

Alba's foremost objective is to ensures the companies in which it has holdings achieve maximum profitability, improving their competitiveness and increasing their human, financial and technological potential. Furthermore, the Company's financial structure, its size and flexibility will make it possible to take advantage of investment opportunities that may arise.

Development of the main companies in which Alba has holdings:

- Acerinox's sales increased by 16.6% in 2017, to 4,627 million euros, due to the increase in the price of stainless steel in all markets during the financial year. Steel production increased by 1.8% compared with 2016, to 2.5 million tonnes, which represents the second best annual steel production record since the company was created in 1970. Additionally, the company achieved an annual cold rolling production record of 1.7 million tonnes, up by 1.3% compared with the previous financial year. EBITDA was 489 million euros, up by 48.6% compared with 2016, and the highest since 2007. Net profits reached 234 million euros, almost tripling the

profits recorded the previous year. Net financial debt on 31 December 2017 fell by 1.8% compared with the same date in 2016, to 609 million euros.

- Ebro Foods achieved sales of 2,507 million euros in the 2017 financial year, 1.9% higher than in the previous financial year. The sales were supported by the strong performance of the Rice division (+4.8%), which offset the drop in income in the Pasta division (-1.4%). EBITDA increased to 359 million euros, 4.3% more than in 2016, thanks to the favourable prices of raw materials, low advertising spend and the consolidation of Vegetalia. Net income increased by 30.0% to 221 million euros, spurred by the tax reform in the United States and the corresponding liability adequacy test for deferred taxes at the new rate of taxation. Net financial debt at the end of the financial year was 517 million euros, 16.7% higher than in December 2016, due to the investments and acquisitions made.

- The net consolidated income of Bolsas y Mercados in 2017 was slightly lower than that of the previous year (-1.2%, up to 320 million euros). The increase in income in the Clearing and Market Data & VAS segments (the latter was spurred by the overall consolidation of Infobolsa) was almost equal to decreases in the Settlement, Fixed Income, Derivatives and Equities segments. The turnover in Equities, the Company's main division, remained almost level during the financial year (-0.3%). For its part, EBITDA and the annual net profits fell by 2.9% and 4.3% respectively, to 210 million euros and 153 million euros. The company maintained a net cash position of 292 million euros on 31 December 2017, 22.9% higher than at the close of the previous financial year.

- Viscofan's sales increased by 6.5% in 2017, to 778 million euros. This growth can be explained by the higher volumes sold in the Packaging business and the addition of Vector (acquired in 2016). For its part, EBITDA rose by 3.5% to 211 million euros. In comparable terms, income and EBITDA during the financial year rose by 3.4% and 2.9% respectively. Net income reached 122 million euros, 2.4% less than in 2016, due to the impact of the negative exchange rate differences on net financial income and higher amortisation levels due to the investments made. Net bank debt increased by 32 million euros in the financial year, to 41 million euros on 31

December 2017, due to the increase in the dividend, the acceleration of investment projects and the acquisition of Supralon.

- Indra sales increased to 3,011 million euros in 2017, 11.1% higher than those in the previous financial year, due to the integration of Tecnocom in the second quarter. Disregarding the addition of Tecnocom, sales increased by 1.7%. In terms of segments, the 23.1% growth in income from TI (+6%, excluding Tecnocom) is noteworthy, thanks to the increase in all its verticals, while Transport and Defence income fell by 3.3%. Geographically, Spain increased by 19.2% (+1%, excluding Tecnocom), the Asia, Middle East and Africa division increased by 29.6% thanks to the electoral services business, America remained flat (-5% excluding Tecnocom) and only sales in Europe decreased, due to the weakness of the Transport and Defence segment. EBIT and net profits from the financial year were 196 million euros and 127 million euros respectively, 21.1% and 81.5% higher than those recorded in 2016. Net financial debt increased to 588 million euros on 31 December 2017, 12.5% more than on the same date in the previous financial year.

- The profits of Parques Reunidos, detailed below, refer to the October 2016 to September 2017 fiscal year. The income of Parques Reunidos fell by 0.8%, to 579 million euros, hobbled mainly by adverse weather conditions, especially in the USA. Recurrent EBITDA fell by 7.5% to 174 million euros, due to developments in the business in the USA, affected by the aforementioned weather conditions, and the weak recovery of Marineland (France). Recurrent net profits were 51 million euros, 15.9% lower than in the previous financial year, due to the higher tax burden. Net debt fell to 516 million euros, from 540 million euros in September 2016, despite the fact that the Company distributed a cash dividend, in July, of 20 million euros (first dividend distributed since the IPO).

- Euskaltel acquired Telecable de Asturias in July, as a result, annual profits include five months of full consolidation of this company. The Group's revenues rose to 622 million euros, 8.6% higher than in the previous financial year. Income increased by 11.6% in the Residential segment (+0.4%, including Telecable in the entire financial year) and 2.4% in the Companies segment (-5.1%, including

Telecable in the entire financial year). EBITDA increased to 307 million euros, up by 9.4% compared with 2016 (-1.3%, including Telecable in the entire financial year). Net profits fell by 20.2% to 50 million euros, mainly due to the increase in amortisation as a result of the acquisition of Telecable and extraordinary, non-recurring provisions and expenses. The purchase of Telecable also explains the increase in net financial debt to 1,606 million euros on 31 December 2017, 383 million euros more than on the same date in 2016.

- The turnover of CIE Automotive in 2017 rose to 3,725 million euros, 29.4% higher than in the previous financial year, and the highest in the history of the company. Sales in the Automotive sector grew by 27.1% (16.1% organic and constant change) to 2,881 million euros, while those of Dominion increased by 37.7% (7.2% organic and constant change) to 843 million euros. EBITDA and net income from the financial year also displayed robust growth and reached 530 million euros and 215 million euros respectively, 30.2% and 32.7% higher than those recorded in 2016. Net financial debt on 31 December 2017 was 855 million euros, 4.8% higher than in 2016, mainly due to the investments made, which constitutes a ratio of 1.6x net financial debt on EBITDA.

4. INVESTMENT PORTFOLIO

The composition of Alba's portfolio on 31 December 2017 was as follows:

Listed companies (Associated)	% interest	Book value Millions of €
Acerinox	18.96	574.3
BME	12.06	304.8
CIE Automotive	10.00	299.6
Ebro Foods	12.00	334.4
Euskaltel	11.00	166.1
Indra	10.52	213.7
Parques Reunidos	20.01	241.7
Viscofan	11.32	248.5
Total book value		**2,383.1**
Total market value		**2,440.0**
Unrealised gains		**56.9**

	% interest	Book value Millions of €
Unlisted companies [(1)]		268.4
Carried at fair value		
Alvinesa	16.83	
in-Store Media	18.89	
Mecalux [(2)]	24.38	
Panasa	26.50	
TRRG Holding Limited	7.50	
Fully consolidated		
Gascan (Energyco Group)	40.30	
Satlink	28.07	

	Book value Millions of €
Buildings	**353.0**

(1) Via Deyá Capital.
(2) Includes a direct interest, held by Alba, of 8.78%.

5. NET ASSET VALUE (NAV)

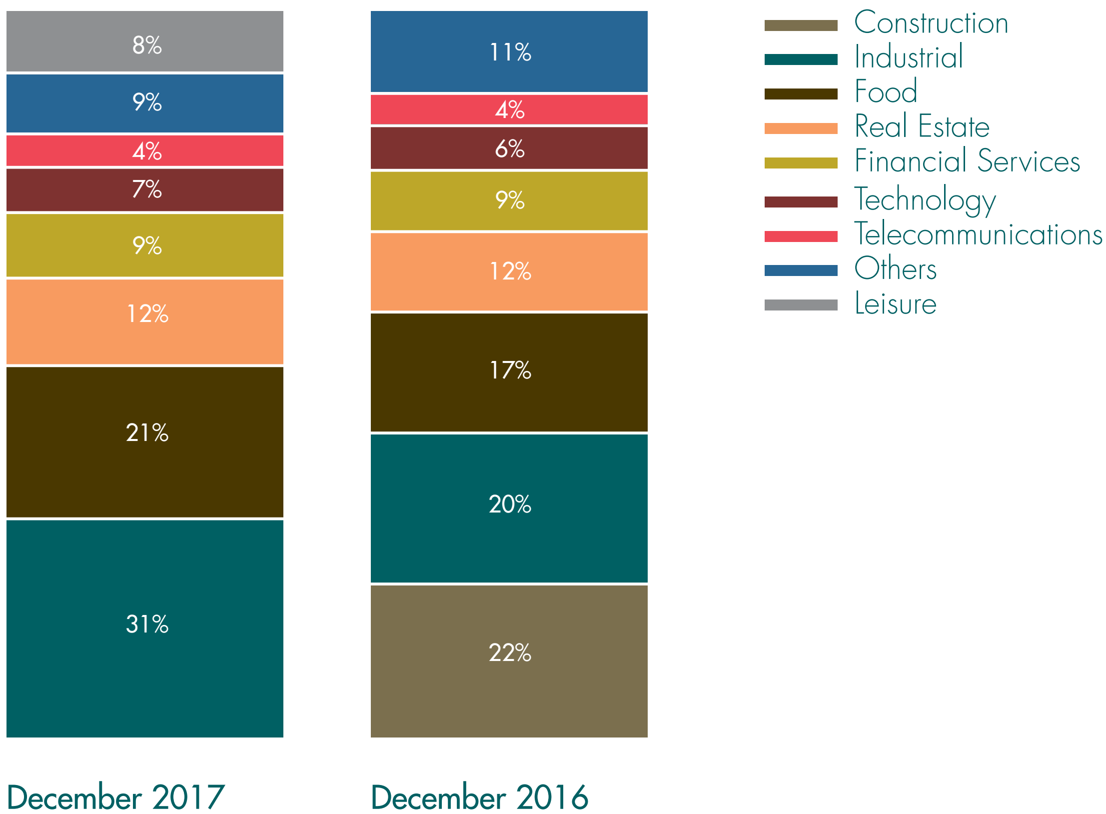
The most representative measure of a company like Alba is Net Asset Value (NAV). Calculated according to criteria habitually used on the market, on 31 December 2017, Alba's NAV before tax was 4,049.5 million euros or 69.53 euros per share, having deducted the treasury stock, which constitutes an increase of 1.5% compared with figures at the end of 2016.

Millions of Euros	**31/12/17**	31/12/16
Listed securities (note 10 of the Report)	2,440.0	2,694.4
Unlisted securities (1)	268.4	325.2
Buildings	353.0	387.0
Remaining assets and liabilities (2)	988.3	583.3
Net asset value (NAV)	**4,049.6**	**3,989.9**
Millions of shares (deducted from treasury stock)	58.24	58.24
NAV / share	**69.53 €**	**68.51 €**

(1) On 31/12/2017 The investment in Gascan and Satlink was included
(2) On 31/12/2017 The assets and liabilities of Gascan and Satlink were not included

Net asset value includes, by way of listed securities, investments in companies that are associated with the list value on 31 December 2017 and, by way of unlisted securities, includes financial investments at fair value with profit or loss changes, plus the investment in Gascan and Satlink, organisations over which there is control, at fair value on 31 December 2017; buildings, which includes property investments and the buildings included in the tangible fixed assets, at fair value on 31 December 2017 and the remaining assets and liabilities, which include all those assets and liabilities on the consolidated balance sheet, other than those detailed above, for the value at which they are included on the consolidated balance sheet.

6. SECTORIAL DISTRIBUTION OF THE GROSS ASSET VALUE (GAV) [1]



(1) Market prices of listed companies (closing prices on 31 December 2017) and consolidated accounting cost of unlisted companies and buildings (according to the valuation performed, in both cases, on 31 December 2017).

7. CONSOLIDATED RESULTS

The consolidated income, net of taxes, reached 474.1 million Euros in 2017, 16.3% higher than the same period in the previous year. This increase is due, for the most part, to capital gains from the sale of interests remaining in ACS which was made in the relevant period. Asset income and net financial income were 361.7 million compared with 238.6 million euros in the previous financial year.

Income from investment in the profits of other affiliated companies was 118.9 million euros in 2017, compared with 165.0 million euros in the same period of the previous year (-27.9%). It is worth remembering that, in 2017, this item did not yet include ACS' consolidated results.

Earnings per share in the period were 8.14 euros, compared with 7.00 euros in the same period of the previous year.

CONSOLIDATED INCOME STATEMENT (1)

Millions of euros	**31/12/17**	31/12/16
Interest in profits of associated companies	118.9	165.0
Turnover	64.5	18.7
From rent and other items	16.5	18.7
Of other fully consolidated companies	48.0	-
Variation in the fair value of property investments	0.9	15.8
Asset income and net financial income	361.7	238.6
Sum	**546.0**	**438.1**
Operating costs	(61.7)	(23.2)
Of Alba	(26.8)	(23.2)
Of other fully consolidated companies	(34.9)	-
Amortisation	(8.4)	(0.9)
Of Alba	(0.9)	(0.9)
Of other fully consolidated companies	(7.5)	-
Corporation tax	1.2	(5.4)
Minority	(3.0)	(0.9)
Sum	**(71.9)**	**(30.4)**
Net Profit	**474.1**	**407.8**
Earnings per share (€)	**8.14**	**7.00**

(1) The income of Gascan and Satlink was fully consolidated in the consolidated income statement.

CONSOLIDATED BALANCE SHEET (1)

ASSETS

Millions of euros	**31/12/17**	31/12/16
Intangible assets	77.2	-
Goodwill	10.2	-
Other intangible assets	67.0	-
Property investments	336.5	349.1
Tangible fixed assets	47.0	7.0
Investments in associates	2,383.1	2,321.4
Financial instruments at fair value with changes to profits and losses	154.5	325.2
Other financial investments and other assets	66.9	132.9
Non-current assets	**3,065.2**	**3,135.6**
Non-current assets held for sale	88.4	53.5
Inventory	7.3	-
Tax receivables	168.3	126.0
Other financial assets	602.5	-
Cash and cash equivalent	310.0	469.9
Debtors and remaining assets	32.9	13.7
Current assets	**1,209.4**	**663.1**
Total Assets	**4,274.6**	**3,798.7**

(1) The assets and liabilities of Gascan and Satlink were fully consolidated in the consolidated balance sheet.

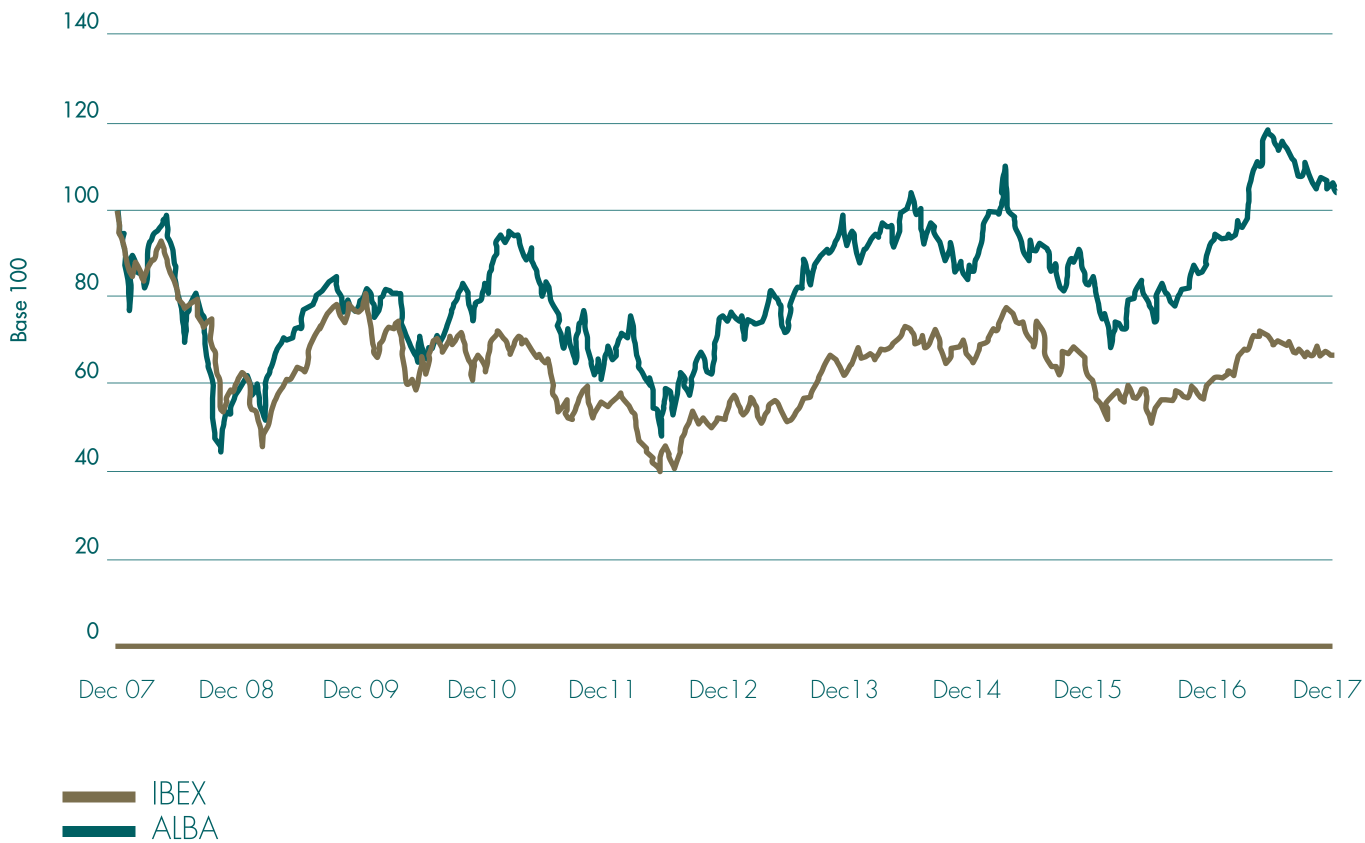
EQUITY AND LIABILITIES

Millions of euros	**31/12/17**	31/12/16
Share capital	58.3	58.3
Reserves and treasury stock	3,429.6	3,154.2
Profits from the financial year	474.1	407.8
Minority interest	34.1	0.7
Equity	**3,996.1**	**3,621.0**
Other non-current liabilities	7.5	3.4
Net deferred taxes	51.1	31.5
Long term debts with credit institutions	180.8	127.5
Non-current liabilities	**239.4**	**162.4**
Short term debts with credit institutions	14.5	9.1
Short term creditors	24.6	6.2
Current liabilities	**39.1**	**15.3**
Total Equity and Liabilities	**4,274.6**	**3,798.7**

(1) The assets and liabilities of Gascan and Satlink were fully consolidated in the consolidated balance sheet.

8. SHARE PRICE PERFORMANCE

In 2017, the price of Alba's shares increased by 12.7%, rising from 42.85 euros to 48.29 euros, while, in the same period, the IBEX 35 was revalued by 7.9% to 10,093 points.



9. EVENTS AFTER CLOSING

- On 22 February, Alba announced an agreement to indirectly invest 500 million euros in Rioja Bidco Shareholdings, a company which will acquire, provided certain conditions are met, an interest of 20.072% from Repsol, which is currently held in the share capital of Gas Natural. Once the transaction is complete, Alba will have an approximate indirect interest of 25.7% in Rioja Bidco which, in turn, will have an indirect interest of 5.1% in the share capital of Gas Natural.

- Alba has sold its interest (via Deyá Capital) of 26.5% in Panasa for 88.4 million euros. As a result of this sale, which was announced in November 2017, Alba obtained, since the initial investment made in February 2011, a return on investment of 3.3 times and an IRR of 20% annually.

- Furthermore Alba, via Deyá Capital, has purchased an interest of 3.7% in MonBake for 9.4 million euros. MonBake is a new group resulting from the acquisition, by funds managed by Ardian, of Panasa and Bellsolá, two of the main Spanish companies in the bread and deep-frozen pastries sector. This reinvestment is part of the agreements reached with Ardian in the sale of Panasa, discussed above.

10. ACQUISITIONS AND SALES OF TREASURY SHARES

There were no transactions involving Alba's equity in 2017 or 2016. The data is as follows:

	No. of shares	Percentage of share capital	Average purchase price €/share	Millions of €
On 31 December 2017 and 2016	59,898	0.10%	40.29	2.4

11. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group's specific activities mean that direct investments in this area are not necessary.

12. AVERAGE PAYMENT PERIOD TO SUPPLIERS

Information concerning the average payment period to suppliers is as follows:

Days	**2017**	2016
Average payment period to suppliers	42	33
Ratio of paid transactions	45	33
Ratio of transactions pending payment	40	34

Millions of euros	**2017**	2016
Total payments made	48.8	10.0
Total payments pending	14.0	1.7

13. RISK CONTROL AND MANAGEMENT POLICY

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

1.- Types of risks confronted by the Group

Risk is inherent to any business endeavour and is defined as uncertainty concerning the occurrence of an event or action that could adversely affect the Company's ability to maximise its value for stakeholders and to achieve its goals; it also refers both to the possibility that threats materialise, and the risk that opportunities are not taken.

Corporación Financiera Alba is involved in two main activities:

(i) interests in the capital of listed and unlisted companies, and

(ii) investment in buildings leased as office spaces.

As a result of its activities, the markets and sectors in which it is active and its environment, the Company is exposed to the following categories of risks:

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

  The Company also faces risks related to the corporate governance of the Company, the reputation and liability of the Company, investment and disinvestment strategies and market dynamics.

- Operational risks involving potential direct or indirect economic losses related to external events: uncertainty in the Company's own business operations; or internal events: failures or inadequacies in the processes, systems or resources of the Company.

  This includes risks related, mainly, to income, investments and disinvestments and their monitoring, the acquisition of goods and services, tangible assets, human resources, information technologies and natural disasters, terrorism and other criminal acts.

- Financial risks resulting, broadly speaking, from any financing operation which the Company must make in order to perform its activities, as well as the reliability of financial information issued by the Company.

  This includes liquidity and credit risks, market, tax, accounting and reporting risks.

- Regulatory compliance risks resulting from a potential failure to comply with laws, regulations, internal standards and codes of conduct, as well as greater exposure to these risks.

- This includes legal risks, regulatory risks and risks involving codes of ethics and conduct.

2.- Integrated Risk Management System

Aware of the importance and advantages of adequately and efficiently managing its risks, Corporación Financiera Alba has defined an Integrated Risk Management System mainly focussed on:

- Enabling the identification and proactive and efficient assessment of Company risks, as well as monitoring and continually tracking these risks.

- Integrating, coordinating and directing the various efforts which, in terms of risk management, the company is performing.

- Achieving reasonable risk acceptance and reinforcing the responsibility of employees of the Company.

- Ensuring the control systems are aligned with the real risks of the Company.

- Facilitating and streamlining the application of corrective measures.

The Integrated Risk Management System unites three key components:

(i) Continued Risk Management process, understood as those activities performed by all individuals in the Company under the supervision of the Audit and Compliance Committee that are focussed on identifying those potential risk events that could affect it, managing the risks identified and ensuring reasonable security in achieving the company's targets.

(ii) An organisational focus, with clearly defined and communicated roles and responsibilities. Full risk management affects all staff of the Company, as a result, it is vital to establish an organisational focus on risk management that is suited to the organisational structure and the Company's corporate culture.

Though the Integrated Risk Management System affects and involves all staff of the Company, the main participants are as follows: risk managers, the Risk Control and Management Department, the Audit and Compliance Committee and the Board of Directors.

(iii) A tracking model, which identifies and provides the exceptional information needed so that all those involved in the risk management process can make informed decisions concerning the risks.

2.1. The Continued Risk Management Process

By way of a summary, the continued risk management process involves performing the following activities:

- Identifying and assessing the risks that could affect the Company.

  Determining the main strategic, operational, financial and regulatory compliance risks affecting the company's strategy and goals, assessing the probability of occurrence and its potential impact and prioritising risks based on these factors.

- Setting the level of risk that is considered acceptable.

  By defining key risk indicators (KRIs) for each critical risk and establishing tolerance levels for these risks.

- Identifying checks.

  Specifying existing checks (or checks to be implemented) in the company to mitigate the aforementioned risks.

- Identifying the processes in which these risks and controls should occur.

Determining the existing relationship between the company's key risks –and its checks– and the company's processes, identifying and analysing those processes that are critical for managing risks.

- Assessing checks.

  Assessing the effectiveness of the checks in mitigating the risks identified.

- Design and implementation of action plans, by way of a response to the risks.

  Determining action plans to be carried out to lower the residual risk to the acceptable level of risk, bearing in mind the costs and benefits of these efforts. As a direct result of this reduction of the level of risk, a reassessment and prioritisation of the risks will be necessary and appropriate, as part of a continued risk management process.

In this regard, Corporación Financiera Alba has prepared the company's Risk Map, which shows, based on their impact and probability, the key risks in the categories listed above. In order for this map to effectively become a management tool that allows the company to make informed decisions, the map is reviewed and updated periodically to adjust it to the Company's current circumstances.

Likewise, the Company has prepared Risk Indexes for the most critical risks, identifying the key risk indicators with their corresponding tolerance levels, the checks associated and, where applicable, the action plans to be implemented. These Indexes allow the Company to periodically assess and monitor its risks and to determine the most appropriate response to these risks.

2.2. Organisational Model of roles and responsibilities

Though the Integrated Risk Management System affects and involves all staff of the Company, the main players are as follows:

(i) Risk managers.

These managers are responsible for monitoring the risks they have been assigned and for informing the Risk Control and Management Department of any relevant information concerning the risks.

(ii) The Risk Control and Management Department.

The Risk Control and Management Department is expressly responsible for the following duties:

- Ensuring the smooth running of the risk control and management systems and, specifically, that all the important risks affecting the company are identified, managed and appropriately quantified.

- Actively participating in preparing the risk strategy and important decisions concerning its management.

- Ensuring that the risk control and management systems appropriately mitigate risks, as part of the policy identified by the Board of Directors.

(iii) Audit and Compliance Committee.

Supervises, according to the stipulations of the Regulation of the Company's Board of Directors, among other matters, the efficiency of the company's internal checks and the risk management systems.

Likewise, it will discuss significant weaknesses in the internal check system which, where applicable, are detected during the audit with the accounts Auditor.

(iv) Board of Directors.

As indicated above, the Board of Directors has reserved the right to determine the risk control and management policy, including for tax risks, and to supervise the internal reporting and internal control systems. With regards to the risk management processes, it is noteworthy that, in addition to the aforementioned Risk Control and Management Department, Corporación Financiera Alba has Regulatory Compliance processes which are performed by the various operational and support departments, as well as an Internal Audit Service (SAI), which is defined as an advisory and control body in the service of the Audit and Compliance Committee, that is independent within the organisation as regards its actions, aimed at assessing the various areas and functional activities of the Company.

The analysis and proposal of recommendations for improving the risk management processes is among the duties entrusted to the Internal Audit Service. The Internal Audit Service also performs independent assessments of the

efficiency and effectiveness of internal checks, although this is always in coordination with the Risk Control and Management Department, in order to avoid duplicating tasks and/or areas without adequate coverage.

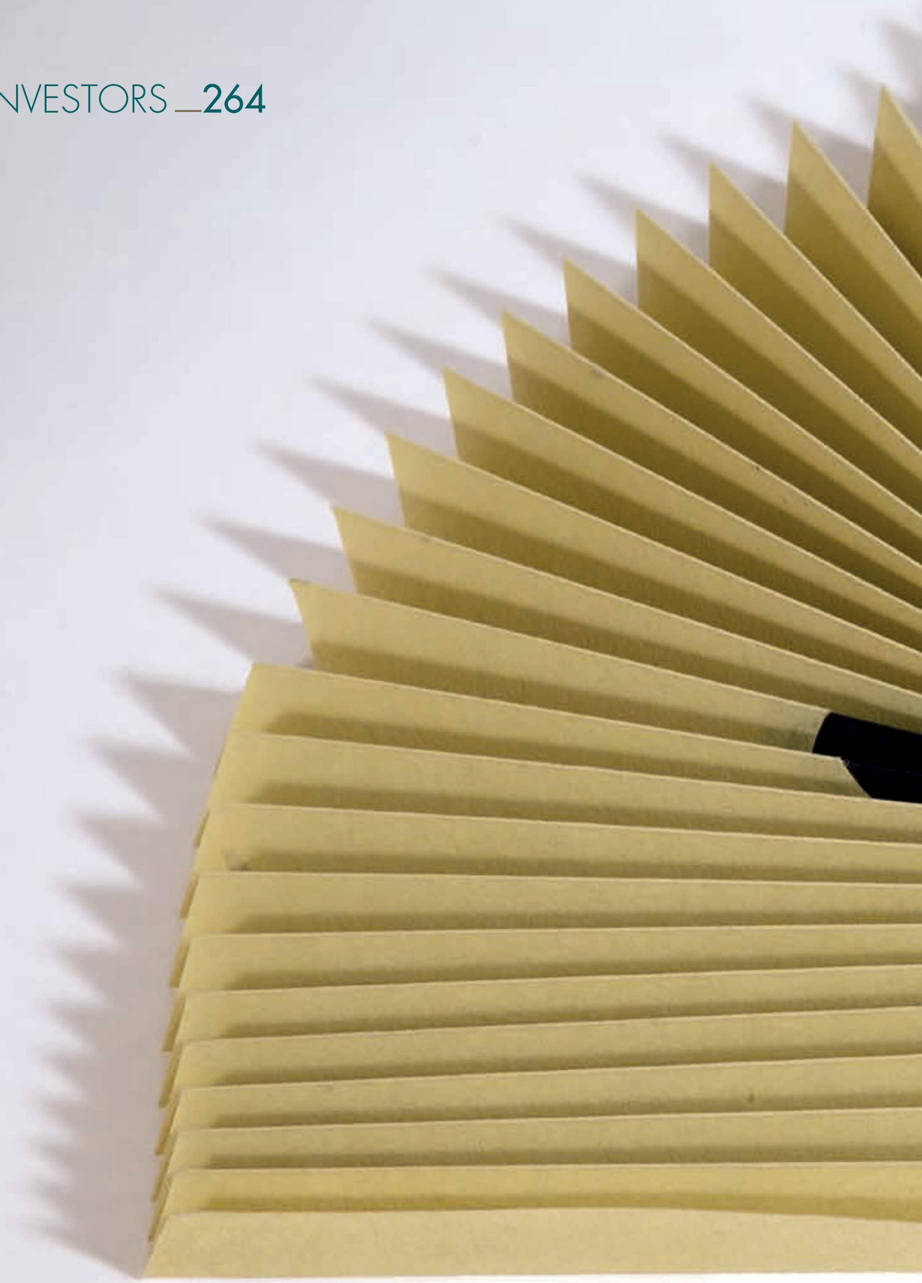
2.3 Tracking and Reporting Model

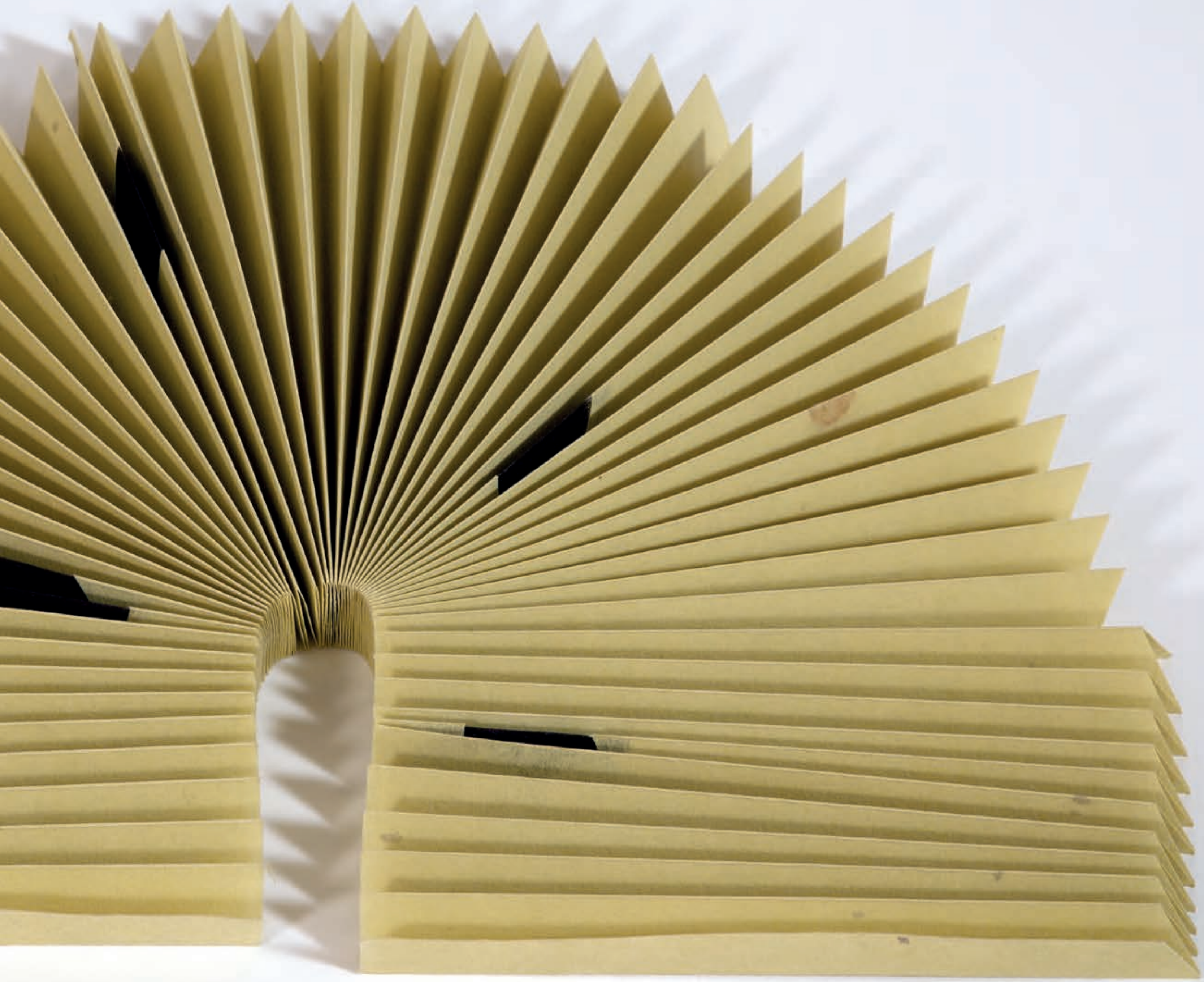
The last part of the Integrated Risk Management System is a tracking and reporting model that can provide relevant information, in time and form, to all players involved in the risk control and management process, both in ascending and descending order.

This tracking model is cross-sectional as it allows the System to behave dynamically and, above all, to anticipate risks, rendering risk management and control, within the limits set by the Company, possible.

Specifically, the Integrated Risk Management System established by Corporación Financiera Alba is a management, communication, tracking and support mechanism for all activities related to risk control and management. It is vital for responding to individual risks and risks that are specific to each activity, while it provides the framework needed for coordinated management by the Company.

SUSTAINABILITY REPORT





SUSTAINABILITY REPORT

1. LETTER FROM THE CHAIRMEN OF THE BOARD

Another year has passed and we are pleased to have the opportunity once again to provide you with information on the performance and management of the Alba Group for the year 2017 in environmental, social and good governance aspects, as well as to express, again, through our different corporate policies, our commitment to society.

This commitment is reflected in this 2017 Sustainability Report, which Corporación Financiera Alba, as a listed company, presents, although it has no formal obligation to do so, maintaining its philosophy of transparency and good corporate governance practices.

This document contains information on the most relevant aspects for each of our stakeholders, highlighting in each of them the most significant advances made in 2017. In this way, we are responding to the concerns of our shareholders, who are increasingly calling for investments to place special value on the responsible and sustainable economic development of companies in the long term, and at the same time to implement procedures to achieve the United Nations' Sustainable Development Goals (SDGs).

This Report provides information on the management of non-financial risks, as well as the procedures implemented for regulatory compliance and good corporate governance, both at Corporación Financiera Alba and in investee companies. We highlight the management of the human team as a fundamental part of the company, without which it would not be possible to operate, as well as our commitment to climate change, managed internally with good practices in sustainability, and externally through the measures proposed in the investee companies

The investments of Corporación Financiera Alba in the long term represent a commitment to growth and sustainability of companies, and therefore, of society.

The scope of this Report is limited to Corporación Financiera Alba and does not include investee companies. However, it is our objective to inform about how we influence investee companies, promoting the implementation and development of sustainability and corporate governance best practices, in line with our philosophy of active participation, which is key when it comes to making business decisions, deciding on projects and making investments that generate wealth.

2. A RESPONSIBLE BUSINESS MODEL

2.1. Company profile

Corporación Financiera Alba, SA is part, together with Banca March and Fundación Juan March, of Grupo March, one of the main private Spanish family-owned businesses and financial groups.

The company focuses its business model on investing in different sectors and managing its investment portfolio. In addition, it makes real estate investments in office buildings located in central areas, mainly in Madrid, which are directly managed, from the commercial, administrative and technical point of view, by Alba.

2.2. Responsible business

With its vision placed on the stability of its long-term investments, Corporación Financiera Alba is committed to active participation –through appropriate levels of shareholding– in the companies in which it invests. The objective is to contribute to their good corporate governance and to maximise the financial and non-financial benefits of each of the entities in which it invests.

To this end, the Investment Policy of Corporación Financiera Alba determines the guidelines of ethical excellence and regulatory compliance that must be analysed before any investment can occur, so that any company that does not meet these requirements will not be eligible for investment. The key objective of this policy is to create long-term value for its shareholders through the investments made and the effective participation in the companies in which it invests.

One of the general principles that guide the actions of Corporación Financiera Alba is the need to have a high level of knowledge of the investments, both in the initial analysis and in the continuous monitoring of the company in which it invests, the sector in which it operates and the markets in which it operates.

The Investment Policy, approved by the Board of Directors in 2015, was amended in 2017 to expressly introduce into it, within the principle of active participation in investee companies, that they meet the highest standards of transparency, corporate governance and, in general, Corporate Social Responsibility.

Corporación Financiera Alba's commitment to national and local economic development continues, with investment in companies located in Spain, but always with an international focus. Due to the need for adequate risk diversification, the modification of the Investment Policy approved during the year expressly included the possibility of making investments at an international level in developed countries, always maintaining the high standards of reliability, stability and legal certainty required of the investee companies.

The credibility and reputation of Corporación Financiera Alba is understood from its long-term commitment and from its adherence to the principles of Good Corporate Governance and ethical behaviour promoted in and from the company, such as not investing in controversial sectors. In its investee companies, the Group promotes advanced policies on Good Governance, environmental, labour, social and tax issues and on avoiding conflicts of interest between investee companies.

The principle of prudence is essential in the business and has implications both for the composition of Corporación Financiera Alba's portfolio –hence the need to diversify investment to reduce volatility– and for the level of indebtedness, with liquidity of its assets allowing the company to quickly execute investment decisions and maintain a level of coverage to cover financial risks.

This is the portfolio of shares held by Alba at 31 December 2017:

Listed / Not Listed	Company	Equity Share at 31 December 2017
Listed	Parques Reunidos	20.0%
Listed	Acerinox	19.0%
Listed	BME	12.1%
Listed	Ebro Foods	12.0%
Listed	Viscofan	11.3%
Listed	Euskaltel	11.0%
Listed	Indra	10.5%
Listed	CIE Automotive	10.0%
Not Listed	Gascan	40.3%
Not Listed	Satlink	28.1%
Not Listed	Panasa	26.5%
Not Listed	Mecalux	24.4%
Not Listed	in-Store Media	18.9%
Not Listed	Alvinesa	16.8%
Not Listed	TRRG Holding	7.5%

Table 1: Equity Share in Listed and Unlisted Companies at 31 December 2017

The breakdown of assets at 31 December 2017 by investment type is as follows:

Assets	Percentage at 31 December 2017
Listed companies	60%
Treasury and other assets and liabilities	25%
Real estate assets	8%
Unlisted companies	7%

Table 2: Breakdown by asset types at 31 December 2017

Corporación Financiera Alba's investments according to sector of activity at 31 December 2017 are as follows:

Investment Sectors	Percentage at 31 December 2017
Industrial	31%
Food	21%
Real Estate	12%
Financial Services	9%
Leisure	8%
Technology	7%
Telecommunications	4%
Miscellaneous	9%

Table 3: Percentage of investment in different sectors of activity at 31 December 2017

2.3. Aligned with International Sustainability Standards

In 2015, the Board of Directors approved the Corporate Social Responsibility Policy with the aim of promoting a corporate culture aligned with international sustainability standards. As investment is its core business, the company's main social responsibility is to ensure the utmost diligence and integrity throughout the investment process.

The Corporate Social Responsibility Policy is based on three principles that apply to its investments: long-term vision, responsible management –selecting those assets over which it has the greatest capacity for influence and transformation– and mitigation of non-financial risks, including social, environmental and Good Governance.

PRINCIPLES APPLIED IN INVESTMENTS

LONG-TERM VISION

RESPONSIBILITY IN MANAGEMENT

MITIGATION OF NON-FINANCIAL RISKS

The Audit and Compliance Committee is responsible for supervising compliance with the Corporate Social Responsibility Policy.

Corporación Financiera Alba, through its participation in the Boards of Directors of the companies in which it invests, promotes their compliance with international standards in environmental, labour, social and Good Governance matters.

Accordingly, the 17 Sustainable Development Goals (SDGs) approved by the United Nations General Assembly in September 2015 and set out in its Agenda 2030 stand out as one of the main global trends. These goals encourage all countries to intensify their efforts to: end poverty, reach zero hunger, ensure quality education, etc. The United Nations recognises the important role that private sector companies play in achieving these goals.

Corporación Financiera Alba promotes the identification of the different SDGs in which the investees have an impact through their activities and the definition of policies and strategies to contribute to their achievement.

The Identification of the SDGs in the Listed Companies Corporación Financiera Alba invests in is as follows:

	SDG																
Company	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Parques Reunidos											●				●		●
Acerinox						●	●	●		●		●	●			●	●
BME								●	●				●			●	●
Ebro Foods	●	●	●					●		●		●	●		●	●	●
Viscofan	●	●	●	●	●			●	●	●	●	●			●	●	
Euskaltel				●	●			●	●		●	●	●			●	●
Indra			●	●		●	●	●	●		●		●	●	●	●	●
CIE Automotive				●	●	●	●	●	●		●	●	●			●	●

Table 4: Identification of SDG's in Listed Investee Companies

With each of the goals being:

SDG1	Eradication of poverty
SDG2	Fight against hunger
SDG3	Health and well-being
SDG4	Quality education
SDG5	Gender equality
SDG6	Clean water and sanitation
SDG7	Renewable energy
SDG8	Decent employment and economic growth
SDG9	Industry, innovation and infrastructure
SDG10	Reducing inequality
SDG11	Sustainable cities and communities
SDG12	Responsible production and consumption
SDG13	Fight against climate change
SDG14	Underwater life
SDG15	Life of terrestrial ecosystems
SDG16	Peace, justice and strong institutions
SDG17	Partnerships to achieve goals

Table 5: 17 SDGs identified by the United Nations in 2015

This alignment of the investee companies with the international sustainability frameworks allows Corporación Financiera Alba to establish the degree to which all of its investee companies have implemented these good practices. This is reflected in the table shown below:

	No. of companies	SR Online	Sustainability Report	The United Nations (UN) Global Compact	GRI (Global Reporting Initiative)	Carbon Disclosure Project	DJSI (Dow Jones Sustainability Indices)
IBEX	2	100%	100%	100%	100%	50%	50%
Remainder of listed companies	7	100%	100%	86%	86%	43%	0%
IBEX + Listed companies	9	100%	100%	89%	89%	44%	11%
All companies	16	69%	56%	50%	50%	25%	6%

Table 6: Percentage of implementation of good CSR (Corporate Social Responsibility) practices in Alba Investee Companies. December 2017

Given that larger companies that have more resources and greater commitments to their investors have more possibilities to invest in sustainability, the table shows that there is a greater commitment to Corporate Social Responsibility and sustainability in companies listed on the IBEX and on the continuous market, compared to unlisted companies.

2.4. Sustainability Challenges in Alba Investee Companies

Alba is aware that its sustainability depends on the management of the extra-financial aspects of its investee companies. These extra-financial aspects are divided into three categories: Good Governance, social and environmental, and each of them is defined below.

Good Governance:

- **Integrity:** Integrity is related to the transparency and honesty of a company. Taking regulatory compliance into account and communicating information honestly and transparently has become one of the most important aspects of managing a company, not only to avoid possible penalties, but also to avoid reputational damage.

- **Cybersecurity:** The company's ability to protect its clients' critical information and protect it from possible cyber attacks is becoming an increasingly relevant factor in responsible management.

- **Business Sustainability:** The sustainability of the business is a consequence of the responsible management of the same. Acting consciously, taking into account the different risks and opportunities that arise from proper business management.

- **Responsible Innovation:** Innovation is necessary to transition to a more responsible business, both for stakeholders and for the development of a sustainable planet. This innovation must respond efficiently to human needs.

Social:

- **Human rights in the supply chain:** Relocation of the supply chain can lead to the violation of fundamental rights, which can lead not only to sanctions for companies, but also to a loss of confidence on the part of customers, and can lead to undesirable business situations.

- **Local Community:** The performance of the activity has environmental and social impacts in the places where it is carried out. Good management of these impacts allows companies to gain the trust of the people who make up the community and their representatives, which will create a lasting and stable relationship that will benefit not only the business, but also the community itself.

- **Animal Welfare:** In the companies whose activities are related to the sale or handling of animals, this aspect is very important. The fair treatment of animals, in addition to having great visibility and impact, is a great risk that can lead the business to unpleasant situations.

Environmental:

- **Greenhouse Gas Emissions:** Greenhouse gas emissions contribute to climate change. That is why its measurement and consequent reduction is of utmost importance to avoid global warming. Not only is it important for the company, but, increasingly, lobby groups and civil society are monitoring it more closely, in some cases even exposing companies to sanctions and a decline in their reputation.

- **Emissions in the Supply Chain:** The methods to calculate the carbon footprint are becoming increasingly sophisticated, and today it is possible to calculate the emissions in the production chain of a product, which is sometimes greater than that produced by the product itself. Life cycle analysis not only reduces these emissions, but also saves the company costs by taking advantage of technological advances that improve their efficiency.

- **Climate Change:** Climate change is a risk to health, to the environment and, therefore, to society, which makes it a relevant factor for the sustainability of a company. Businesses will have to introduce innovation parameters to adjust to the measures promoted by institutional bodies and the demands of society, to create a sustainable planet.

- **Biodiversity:** This encompasses the diversity of species, plants, animals, fungi and micro-organisms that live in a given space, the ecosystems of which these species are part and the landscapes or regions where the ecosystems are located. It is therefore another factor relevant to specific industries, which may be exposed to legal litigation and reputational damage to the company.

- **Water:** Water scarcity is becoming more and more important on our planet. Its use is being gradually regulated and controlled, generating legal risks for companies that do not respect the standards set by the Public Administrations. Controlling the water footprint is of vital importance, especially for companies whose business is closely related to water use or whose headquarters are located in areas classified as water-stressed.

- **Waste Management:** Given the high degree of consumerism that has developed over the years, the treatment of waste for its reintroduction into the economy is a matter of vital importance. Companies can improve their competitiveness in efficient waste management by including the circular economy as part of their strategy, reducing not only their environmental footprint, but also their production costs.

Now those aspects have been defined, the following table shows which aspects are material to Alba's listed investee companies. In order to carry out a more exhaustive assessment, for each aspect we have been considered whether the company has policies that reflect the importance of the subject within the company's *core business* (policy) and whether the company has implemented initiatives that promote knowledge, execution and regulation of these policies (procedure).

Aspects of Good Governance	Integrity		Cybersecurity		Responsible innovation	
	Policy	Procedure	Policy	Procedure	Policy	Procedure
Acerinox	●	●				
BME	●	●	●	●	●	●
CIE Automotive	●	●			●	●
Ebro Foods	●	●				
Euskaltel	●	●	●	●	●	●
Indra	●	●	●	●	●	●
Parques Reunidos	●	●				
Viscofan	●	●			●	●

Table 7: Challenges of Good Governance in Investee Listed Companies.

Social aspects	Supply chain HR		Local community		Animal well-being	
	Policy	Procedure	Policy	Procedure	Policy	Procedure
Acerinox	●	●	●	●		
BME	●	●	●	●		
CIE Automotive	●	●	●			
Ebro Foods	●	●	●	●		
Euskaltel	●	●	●	●		
Indra	●	●	●	●		
Parques Reunidos	●	●	●	●	●	●
Viscofan			●	●		

Table 8: Social challenges in Listed Investee Companies

Environmental aspects		Acerinox	BME	CIE Automotive	Ebro Foods	Euskaltel	Indra	Parques Reunidos	Viscofan
Greenhouse gas emissions	Policy	●	●	●	●	●	●		●
	Proced.	●	●	●	●	●	●		●
Supply chain emissions	Policy	●	●			●	●		
	Proced.	●	●			●	●		
Biodiversity	Policy							●	
	Proced.							●	
Water	Policy	●		●	●	●	●	●	●
	Proced.	●		●	●	●	●	●	●
Waste management	Policy	●	●	●	●	●	●		
	Proced.	●	●	●	●	●	●		
Climate change	Policy	●	●	●	●	●	●	●	
	Proced.	●	●	●	●	●	●	●	
Business sustainability		●	●	●	●	●	●	●	●

Table 9: Environmental challenges in Listed Investee Companies

2.5. Materiality and Dialogue with Stakeholders

For Corporación Financiera Alba, it is a priority to attend to the needs of its stakeholders. For this reason, we have identified the material aspects to which we intend to pay special attention and contribute to the development of a stable and competent business.

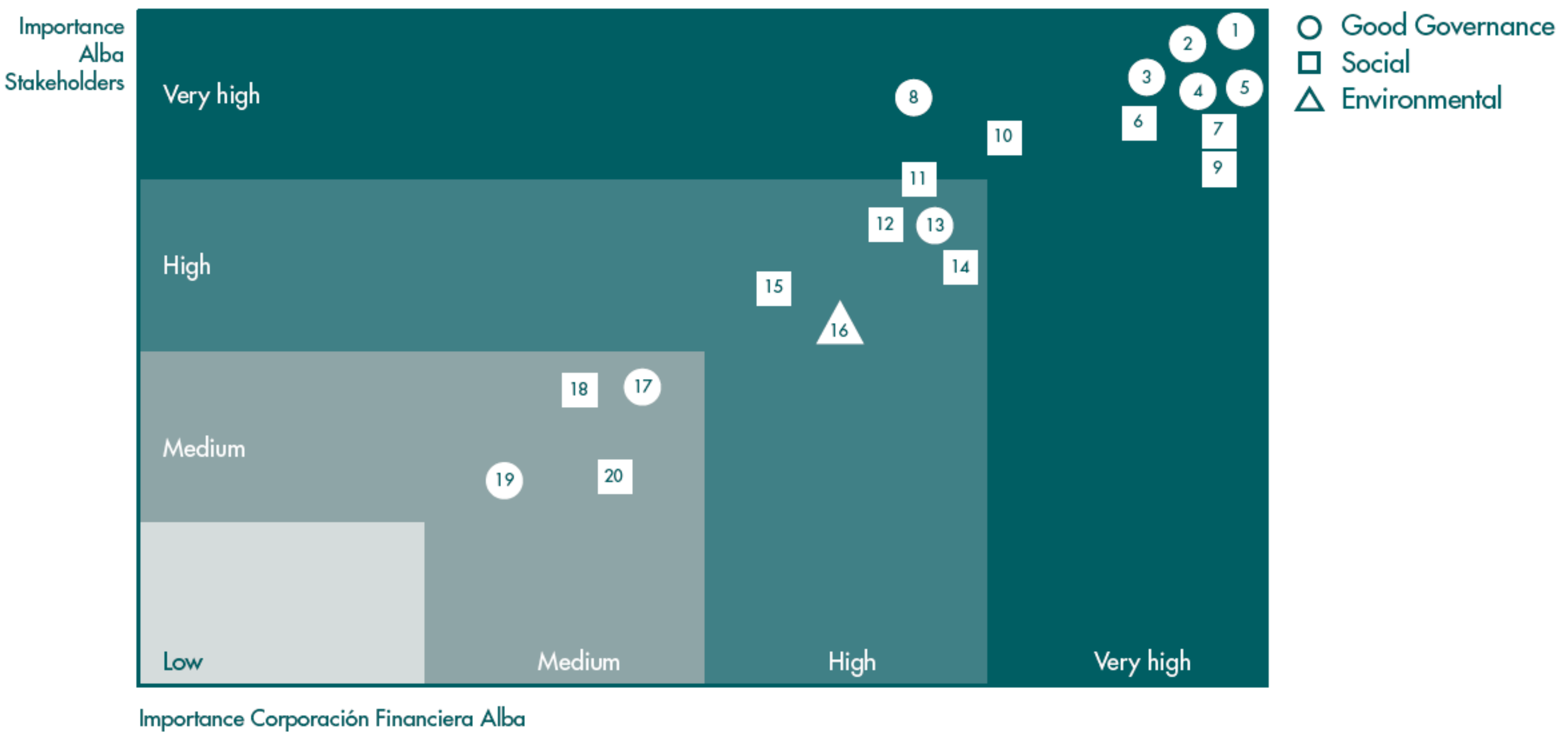
In the first place, the Stakeholders and the commitments that Corporación Financiera Alba has with each of them were determined, which are reflected in the following table.

Alba stakeholders	Corporación Financiera Alba's Commitment towards the stakeholder	Dialogue channels
Shareholders and Investors	Encourage and develop the mechanisms for building relationships and maintaining dialogue Encourage the exercise of shareholders' rights through informed participation and transparent communication Ensure accountability through relevant, reliable and rigorous information Seek Financial Profit Provide information on environmental, social and good governance objectives	Corporación Alba website Channel enabled for shareholders Email: alba@corporacionalba.es Post Electronic forum for shareholders General Shareholders' Meetings Annual report Sustainability report Meetings with the Investor Relations Department. Participation in forums of the different sectors related to investee companies
Employees	Ensure a healthy working environment in which equal opportunities are respected Encourage healthy work-life balance Maintain a permanent and transparent dialogue Promote professional development and ensure the necessary training for the development of their functions	Intranet for employees Channel enabled for employees
Clients	Fair consideration of all their interests Excellence in performance of the business activity to offer the best possible service Extension of the Corporación Financiera Alba values to its clients	Corporación Alba website Email: alba@corporacionalba.es Post Annual Report Sustainability Report
Suppliers	Apply corporate responsibility criteria in management and promote responsible practices in supplier companies Maintain a permanent channel of dialogue	Corporación Alba website Post Email: (contractresponsible) @corporacionalba.es
Regulators	Carry out fiscally responsible activities Regulatory compliance	Direct communication or through the appropriate institutional channels for each case CNMV (Comisión Nacional del Mercado de Valores -"National Securities Market Commission"-) Website
Society	Contribute to sustainable development, promoting integration and social well-being in the territory in which it has a presence Respect and promote human rights universally recognised in the Global Compact Respect the natural environment through measures that prevent pollution and through sustainable use of resources and correct waste management	Corporación Alba website Post Email: alba@corporacionalba.es Participation in Social and Environmental Forums Adherence to the UN Global Compact

Table 10: Stakeholders. Corporación Financiera Alba

Once the stakeholders were identified, the most relevant topics for each group were specified in a second step. To this end, the commitments that Corporación Financiera Alba maintains with its stakeholders are taken into consideration, as well as the topics in the *GRI Standard* methodology and the aspects indicated in Royal Decree-Law 18/2017.

The company's materiality matrix was then drawn up internally, which includes the assessment of the most relevant issues identified, both for Corporación Financiera Alba and for the stakeholders.



Graph 1: Materiality matrix. Corporación Financiera Alba: 2017

	Identification of relevant aspects	Scope (Good Governance, Social, Environmental)
1	Regulatory compliance	Good Governance
2	Ethics and good governance	Good Governance
3	Corruption prevention	Good Governance
4	Financial stability	Good Governance
5	Mechanisms for the control and management of financial risks	Good Governance
6	Creation and stability of employment	Social
7	Talent attraction and retention	Social
8	Mechanisms for the control and management of non-financial risks	Good Governance
9	Health and safety at work	Social
10	Transparency in communication	Social
11	Channels for dialogue with stakeholders	Social
12	Diversity	Social
13	ESG aspects in strategy/incentives	Good Governance
14	Equal opportunities	Social
15	Contribution to the development of local societies	Social
16	Environmental footprint (internal and indirect impact)	Environmental
17	Socially responsible financing	Good Governance
18	Financial education	Social
19	Sustainable supply chain	Good Governance
20	Social action not linked to the business	Social

Table 11: Material aspects identified by scope and level of impact.

3. COMMITTED TO SHAREHOLDERS AND INVESTORS

Within the commitment to improve day to day transparency and communication with investors and shareholders, some initiatives stand out:

- The company enables the Electronic Shareholders Forum, as a specific communication channel with this interest group. It does so on the day of the announcement of the General Shareholders' Meeting and it remains active until it concludes. Through this forum, shareholders can request information or any clarification regarding the matters that will be discussed at the Meeting, as well as making proposals and communicating with each other.

- In addition, the company produces periodic publications such as the Annual Report, the Sustainability Report, etc. The investor can access updated information of interest, at all times, on the company website.

- The Investor Relations Department deals with inquiries from investors, analysts or *proxy advisors* and also holds meetings, providing information so that they can make their investment decisions. In 2017, 20 consultations were carried out and 40 meetings were held.

- The entity participates in stock exchange forums where investors that are involved in the activity of the company are present.

In short, Corporación Financiera Alba has intensified the periodic information relating to society, taking advantage of the different means of interaction provided by both traditional communication methods and new technologies. The purpose is to provide the appropriate means for greater participation and dialogue with stakeholders, shareholders and investors, as befits a listed company that is fully aware of the importance of information and transparency.

The Communication Department is in constant contact with national and international media, who follow the company's information, to keep them informed of its status and activity, providing them the best possible information about it.

The Management Committee and the Board of Directors periodically review the application of and compliance with the Company's Communication Policy.

3.1. Corporate Governance and Diversity

The Company's governing bodies are the General Shareholders Meeting and the Board of Directors. The latter is the highest decision-making body within the company and its activity is governed by the Regulations of the Board of Directors and by the Corporate Governance Policy.

The Board devotes a significant part of its activity to the approval of the company's business strategy and the organisation required for its implementation.

The Regulations of the Board of Directors establish the rules of organisation and operation of this governing body, in accordance with the laws, by-laws and the Company's Code of Ethics and Conduct, and ensure that the Board performs its duties in accordance with criteria of honesty, respect for all stakeholders and observance of the principles of social responsibility.

For its part, the Corporate Governance Policy aims to set the guidelines to comply with current regulations and with all the recommendations regarding corporate governance in relation to shareholders, the Board of Directors and its Committees. Likewise, this Policy follows the principle of transparency of information and provides for the effective promotion of its disclosure.

The entity currently complies with all the Good Governance recommendations included in the CNMV Code. And for the second time, this effort to seek excellence and promote best practices in the field of Corporate Governance and Corporate Social Responsibility has been recognised internationally, with Corporación Financiera Alba being chosen as 2017 Corporate *Governance Company of the Year for Spain in the Global Banking Finance Awards*, awarded by the British publication The European.

No new directors were appointed in 2017, and at year's end the Board was composed of fourteen members, with fifteen being the maximum number allowed under the Regulations of the Board of Directors. Three directors are proprietary directors, six are external independent directors (three men and three women), and the remaining five are executive directors.

Of the total number of directors, 21.5% are women. Alba aims to raise this percentage to 30% by 2020.

The Board has the following Committees:

- **The Audit and Compliance Committee,** whose main activity focuses on supervising the areas of risk identification and internal control systems; review and approval of financial information; and those related to the external audit of the annual accounts and compliance with the legal system and regulations.

- **The Appointments and Remuneration Committee,** whose duties include the establishment of the remuneration policy for directors and all those directly dependent on the Board: general managers, etc. Likewise, it has competence in the selection of Directors.

- **The Operations Committee,** which is entrusted with the functions of informing or deciding, as the case may be, on the investment activity.

- **The Investment Monitoring Committee,** constituted in 2017, and which tracks the evolution of investments and their environment, and verifies that they conform to the principles and objectives of the Investment Policy.

a. Candidate Director Selection Policy

Corporación Financiera Alba has approved, since 2015, a Selection Policy for Candidate Directors, which follows the recommendations of the Code of Good Governance of Listed Companies.

The Board of Directors will carry out a prior analysis of the Company's needs and will be advised by the Appointments and Remuneration Committee, which will issue a report on the qualifications, training and skills that the person who joins the Board must have. The candidate must be a professional of integrity, with a professional conduct and trajectory in accordance with the principles of the Code of Ethics and Conduct, and with the vision and values of the group.

This policy also ensures that appointments to the Board of Directors promote diversity in terms of knowledge and experience, providing pluralistic points of view, and that the selection process does not lead to gender discrimination.

3.2. Alba Ethics and Values

The main values on which Corporación Financiera Alba bases its activity and which it transmits to all the entities with which it is related in its business activity are the following:

These values inspire the principles and standards of the company's Code of Ethics and Conduct. Compliance with these principles obliges both employees and all members of the management bodies to follow these principles in order to maintain the confidence of other stakeholders.

VALUES

- Respecting Human Rights and Commitment to the UN Global Compact
- Behaviour that is Ethical and in Compliance with the law
- Fair Treatment and Respects for Others
- Respectful Treatment of the Environment
- Prudence in Business, without Taking Risks and Prudence in Relations with Customers and Suppliers
- Commitment to the Corporación Financiera Alba business project
- Loyalty to the Company
- Creation of Value for the Shareholder
- Professionalism: Expertise and Best Business Practices in the Sector

Employees undertake to comply with this Code, and upon joining the company they adhere to it with a signed declaration of knowledge and acceptance, which they submit to the company's control body.

The company reiterates the validity of the Code of Ethics and Conduct for the people affected by it on an annual basis. This reminder outlines the general rules of conduct to be followed and the functions of the Monitoring Committee and explains the procedure for monitoring compliance with the Code. In addition, the confidentiality of the process is reported to the Chairman of the Audit Committee and the Secretary of the Board, so that the person concerned can submit complaints about illegal or unlawful actions to both the Chairman of the Audit Committee and the Secretary of the Board, the identity of the complainant being considered confidential.

Employees have access to the text of the Code of Ethics and Conduct both on the Corporación Financiera Alba intranet and website.

These rules are properly monitored by the Code of Ethics and Conduct Monitoring Committee, which is made up of the Secretary of the Board, the Financial and Administrative Director, the Investment Director and the Head of the Legal Department.

The Report of the Audit and Compliance Committee, which is published annually on the website when the General Shareholders' Meeting is called, includes information on the complaints and the measures adopted, if any, so that stakeholders can control its effectiveness.

No complaints were received in 2017. No proposal for improving the Code of Ethics has been received either. During this last year, the Ethics and Conduct Code Monitoring Committee has met six times and is currently working on the revision and updating of the Code, and it is expected that in 2018 it will be approved by the Board.

The contracts signed with the company's suppliers and customers also include a clause on compliance with the Corporación Financiera Alba Code of Ethics and Conduct and how to report any behaviour contrary to it.

In addition to these ethical rules, directors, executives or any other person of the company whose activity is related to the securities market must comply with the Internal Regulations of Conduct of the Securities Market, whose objective is to prevent any person, by virtue of their position, from committing market abuse.

3.3. Management and Control of Non-Financial Risks

The Risk Management Policy foresees both non-financial risks and financial risks.

Non-financial risks are defined as those strategic risks relating to the corporate governance of the company and its reputation, as well as risks relating to regulatory compliance arising from a potential breach of laws and regulations.

The scope of the non-financial risks affects Corporación Financiera Alba and its subsidiaries. Both the risks related to corporate governance and those related to compliance are included in the company's risk map. They are organised according to the three lines of defence model proposed by the Institute of Internal Auditors.

3.4. Regulatory Compliance

Due to the legislative environment, which is increasingly complex and regulated, companies are more exposed to the risk of regulatory non-compliance. The impact on the company is not only due to the imposition of sanctions, but above all to the economic and reputational damage that can affect its sustainability.

For this reason, in 2016, Corporación Financiera Alba launched a Regulatory Compliance Unit in order to coordinate, systematise and monitor activities and efforts in everything related to this matter. After identifying the main legislative and regulatory obligations, a Compliance Model was designed with activities and responsibilities for each of the main areas of the company's activity: Personnel Administration, Legal Advice, Internal Audit, Risk Management, Regulatory, Tax and Accounting Compliance, Real Estate, Private Equity Investment, CNMV Requirements and Information Systems

Every six months, this Regulatory Compliance Unit carries out a detailed analysis of the obligations of each area, obtaining results regarding the requirements and reaching conclusions. In 2017, the total requirements amounted to 105. In the first semester, 25 were not applicable and 80 were resolved favourably. In the second semester, 22 were not applicable and 83 were resolved favourably.

3.5. Crime and Fraud Prevention Policy

Corporación Financiera Alba promotes an internal corporate culture of ethical principles and responsible behaviour, together with the prevention of the commission of illegal and fraudulent acts, which are considered unacceptable, and has a Crime and Fraud Prevention Policy, approved by the Board of Directors in 2015.

The principles of action governing this Prevention Policy are aimed at establishing the internal rules and procedures for action and decision-making required to prevent any person from developing decision-making powers that are not subject to control, as well as implementing effective, continuous and upgradable control systems and promoting self-control in actions and decision-making.

To this end, the company has the Crime Prevention Model, which provides an effective management system for the prevention of crime and the fight against fraud. The objective of this is to monitor, anticipate and sanction any type of criminal and fraudulent acts and behaviours.

The aim is to exercise due control over directors, executives and employees integrated in the companies of the group, in order to control potential situations of commission of irregularities. Likewise, contracts with suppliers are subject to clauses by which they undertake to control situations of risk of committing crimes, infractions or serious irregularities, as well as to reject corruption and fraud, including, extortion, or bribery.

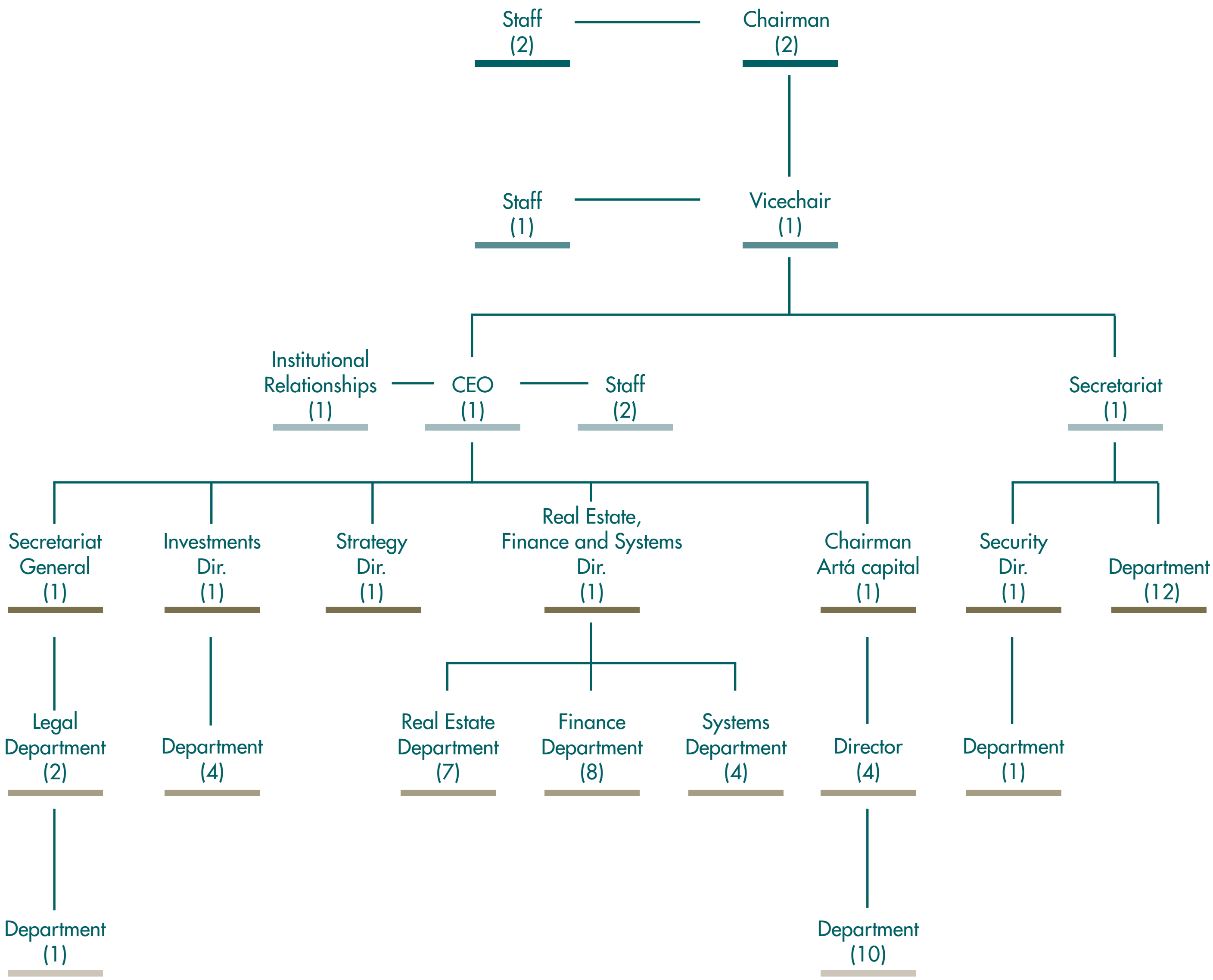
Internally, the Crime Prevention Model is followed up by issuing semi-annual reports, which are reported to the Audit and Compliance Committee and the Board, with the results of monitoring and compliance with the recommendations of previous reviews, if any had been issued.

In 2017, two training sessions were held on the prevention of crime and fraud. One of which was for Board Members and Executives, and the other for Area Managers. A total of twelve people participated, six Board Members and 9% of the total number of employees.

4. COMMITTED TO EMPLOYEES

The Board delegates the ordinary management of the company to the Chief Executive Officer (CEO). The CEO, together with the management team and the entire staff, carries out the strategy set by the Board.

The organisational structure, which includes the companies Corporación Financiera Alba, S.A., Alba Patrimonio Inmobiliario, S.A.U. and Artá Capital, SGEIC, SAU, is as follows:



Graph 2: Alba staff. 31 December 2017

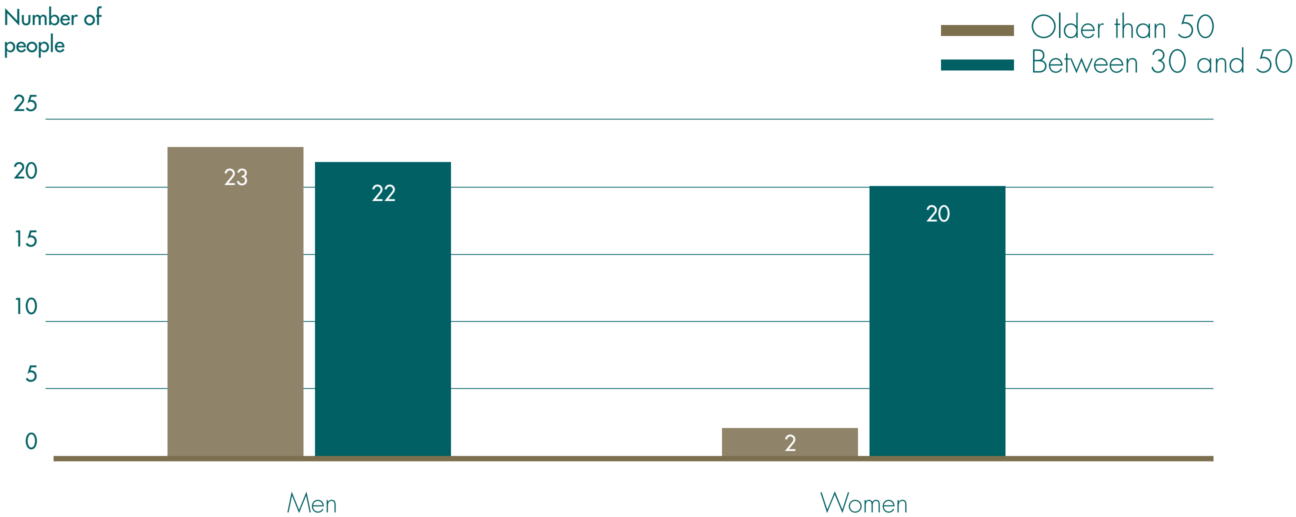
Corporación Financiera Alba and the other two companies mentioned above closed 2017 with 67 employees, 100% of whom were permanent employees.

In 2017, the number of employees of the company has increased by 11% and, of the total workforce, 33% are women.

Staff by gender	**2017**	2016	% Variation
Men	45	42	7
Women	22	19	15
Total	67	61	11

Table 12: Staff distribution by gender. December 2017

In addition, the recruitment of women increased by 15 percentage points, over and above the recruitment of men, which rose by 7 percentage points. Figure 3 shows the organisation's efforts to incorporate women between the ages of 30 and 50.



Graph 3: Staff distribution by age and gender. December 2017

Corporación Financiera Alba promotes all the necessary values –ethical behaviour, loyalty, respect, commitment, integrity, prudence, etc.– to form a full and competent human team that works to achieve the sustainability of the company.

Not only does the Code of Ethics and Conduct, which each of the employees is committed to fulfilling, contribute to this, but the company is clearly committed to a high degree of commitment through its care for its staff.

This attention to people is manifested in the professional development of employees in the company, which facilitates a healthy working environment, respects diversity, equal opportunities and work-life balance. The initiatives that are promoted in these areas take into account the needs of staff that are made known through the different channels of communication that the company puts at their disposal.

4.1. Employment stability

Employees' job security is achieved by offering decent and favourable employment conditions, adequate professional development, fixed hiring conditions for all of its employees and social benefits. In addition, the necessary measures are taken to promote safety and health at work.

The results of these labour measures are very positive and are reflected in good indicators such as staff turnover (only 7.5%) or the high average time spent in the company.

In 2017, one employee left the company due to retirement and six new employees joined the company, five of whom were filling newly created positions.

Corporación Financiera Alba applies, among other human resources policies, family reconciliation measures that facilitate the necessary work-life balance of its employees, in order to offer better working conditions and thus contribute to greater job stability. In 2017, the total number of employees taking maternity/paternity leave amounted to 4, representing 6% of the total number of employees.

	2017		
	Women	Men	Total
Total number of employees taking maternity /paternity leave	3	1	4
Total number of employees returning from maternity /paternity leave	3	1	4

Table 13: Employees on maternity/paternity leave. December 2017

4.2. Health and Safety

Corporación Financiera Alba has a preventive health and safety policy for its employees that guarantees compliance with current regulations. The company is aware that the establishment of preventive measures minimises risks.

In addition, the Code of Ethics and Conduct includes both the commitment of the company to ensure health and safety, and the obligation that employees have to know and comply with all rules that affect them in this area.

These rules are available to all employees in the "Manual on Health and Safety for Office Work", which everyone should be aware of and comply with.

Every year, the external company that coordinates the prevention of occupational risks carries out an audit of the offices and issues a report with recommendations on the different aspects –light, workplaces, files, etc– that are evaluated to propose improvement actions.

The annual reviews of the workforce are part of the preventive health policy. Alba covers all of its employees with health and accident insurance –as part of their compensation in kind–.

4.3. Professional development and talent retention

The professional development of the Corporación Financiera Alba team is essential to meet the needs of the investment market and to achieve excellence and professionalism in their work.

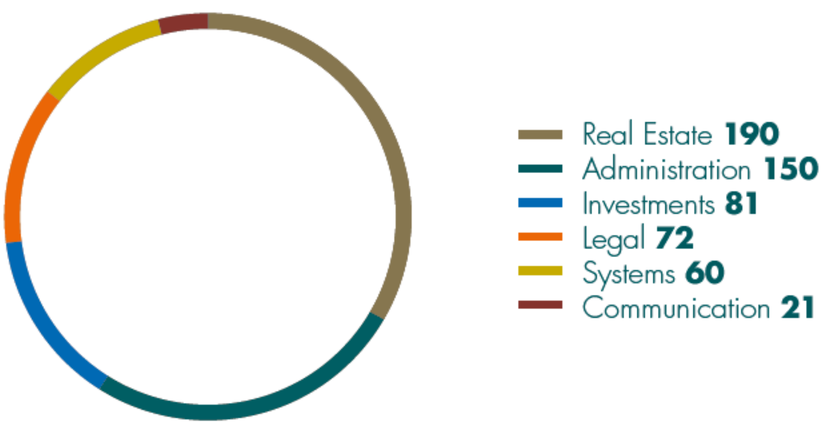
The management of the company's talent is carried out in a personalised manner, identifying the training needs of employees from their departments, thus achieving greater professional development.

The total number of training hours received by employees in 2017 was 574 hours. This decreased by 26% compared to 2016 due to the fact that in that year the training in the area of "Real Estate" increased more than usual, due to the need to update to the new developments in the sector. In 2017, training in the systems department was increased and access to the training requested by employees to carry out their responsibilities in the company was facilitated.

Areas	No. of hours 2017	No. of hours 2016	Difference
Real Estate	190	433	-56%
Administration	150	150	0%
Investments	81	75	8%
Law	72	70	3%
Systems	60	32	88%
Communication	21	20	5%
Total	**574**	**780**	**-26%**

Table 14: Comparison of training by area. December 2016-17

TRAINING BY DEPARTMENTS IN 2017



Graph 4: Training by departments in 2017

5. COMMITTED TO SOCIETY

Corporación Financiera Alba is committed to society, promoting integration and social well-being in the territory in which it is present.

It respects and promotes universally recognised human rights in its supply chain by involving suppliers through the contracts it signs with them.

Likewise, the commitment to society is manifested in the promotion of culture and art. It is worth mentioning its financial support to Fundación Juan March, whose purpose is to promote humanistic and scientific culture in Spain.

Alba also respects the natural environment through the prevention of pollution and the sustainable use of resources and proper waste management.

5.1. Environment

Although Corporación Financiera Alba's activity, by its very nature, does not have a significant impact on the environment, the company understands that this is a fundamental aspect that can lead to risks for the planet and therefore strives to minimise the possible environmental impacts of its activities and considers it a fundamental aspect to be taken into account.

For this reason, in 2017, Corporación Financiera Alba modified its Investment Policy to expressly introduce Corporate Social Responsibility as a criterion to be valued in the companies in which the group invests or is considering investing. The measurement of the carbon footprint, as well as being part of the Carbon Disclosure Project, is an aspect that was already taken into account when evaluating possible investments.

Corporación Financiera Alba takes into account a series of measures that focus on achieving this objective:

- Regulatory Compliance
- Internal Promotion of the Saving of Resources
- Adequate management of possible waste arising from performing its activity.

a. Fuels

Corporación Financiera Alba promotes good practices to minimise the number of kilometres travelled by its employees and, whenever circumstances permit, prioritises telephone meetings or video-conferencing to reduce the emission of greenhouse gases.

The company's internationalisation strategy, launched in 2017, entails the need to travel to other countries to examine possible partners and investments. This has meant an increase in the number of kilometres travelled by plane in 2017 with respect to 2016.

There are 5 vehicles in the company's fleet, 4 of which are state-of-the-art diesel vehicles and 1 is a hybrid vehicle (petrol-electric). The table shows the total litres consumed by the fleet in 2017, as well as the total kilometres travelled on business trips.

The use of air transport has led to the emission of a carbon footprint of 25.14 Tn CO_2.

	Unit	**2017**
Business fleet consumption broken down by fuel type	L	9,986
Petrol	L	7,739
Diesel	L	2,247
Kilometres travelled on business trips (plane and train)	Km	241,000
Total Km by plane	Km	200,000
Total Km by train	Km	41,000

Table 15: Fuel consumption and kilometres travelled on company trips.

b. Electrical Energy

Energy consumption in Corporación Financiera Alba buildings is very low and comes mainly from lighting systems, air conditioning systems and ICT equipment.

In accordance with the principle of minimising our impact on the environment, during the refurbishment of the Corporación Financiera Alba headquarters in 2017, low consumption LED lights were installed and old air conditioning units were replaced by others that reduce energy consumption.

This philosophy is followed in all buildings owned by the group. In 2017, 40% of the buildings were renovated in accordance with energy efficiency criteria. The total investment has amounted to €328,000, of which 28% corresponds to the installation of LED lights. This has resulted in a 19% reduction in CO_2 emissions.

	Unit	**2017**	2016
Electrical energy consumed (non-renewable source)	KwH	317,503	390,518
CO_2 emitted	Tn	111.1	136.6

Table 16: Electric energy consumption and CO_2 emitted. 2016-2017 comparison

c. Water

As in the case of energy, water consumption in Alba's buildings cannot be considered significant. The water used in the toilets is reused water, and with respect to bottled water, a system has been set up for the selective collection of bottles for subsequent recycling.

	Unit	**2017**	2016
Water consumption	m^3	11.29	8.74
Volume of water/Employee	m^3	0.17	0.14

Table 17: Cubic metres of water consumed. 2016-2017 comparison

d. Paper Consumption

Corporación Financiera Alba has established measures to promote an active commitment from its team to the environment through the implementation of practices such as the elimination of paper documents and their replacement by digital documents or double-sided printing. However, in 2017, due to the increase in the study of new investments and an increase in the number of employees, it has not been possible to reduce paper consumption with respect to 2016, with consumption of 30,000 kg, representing 391,700 pages, compared to 296,300 used in 2016. The company is aware of the need to review the measures to be adopted in order to reduce consumption and minimise environmental impact.

Another initiative that has been carried out has been to replace printed newspaper subscriptions with digital subscriptions, eliminating the former almost entirely. In addition, all the paper used for printing is certified with the FSC (Forest Stewardship Council) environmental seal.

Alba also carries out a differentiated treatment of other waste.

5.2. Social Impact

Once again this year Corporación Financiera Alba has contributed to social and artistic initiatives and to the promotion of financial education. Alba has participated in these activities both financially and by contributing its employees time and knowledge.

The entity maintains the financial contributions made to Fundación Juan March to organise exhibitions that contribute to the cultural and artistic education of society, as well as the financial support for FEDEA, Fundación de Estudios de Economía Aplicada (Foundation for Applied Economics Studies) and the Instituto de Estudios Económicos (Institute of Economic Studies). The total amount of its contribution to these institutions is €315,000.

a. Financial Education Initiatives

In 2017 Corporación Financiera Alba joined, together with Banca March, a new edition of the Programme ***Tus Finanzas, tu Futuro (Your Finances, your Future)***, promoted by the AEB (Asociación Española de la Banca, –"Spanish Association of Banking"–) and the Fundación Junior Achievement (Junior Achievement Foundation), in which fifty volunteers from the group participated as teachers in teaching financial education to young people between 13 and 15 years old, in different cities.

Corporación Financiera Alba also supported *the Financial Education initiative called 'vis a vis'*, an educational experience promoted by one of its investee companies, BME, which took place on 2 October 2017, Financial Education Day, in the cities where the four Spanish stock exchanges are located: Madrid, Barcelona, Bilbao and Valencia. Throughout the day, those interested had the opportunity to ask questions on matters related to investment in the Stock Exchange and other securities markets. Participants received an on-site response or instructions on where and how to find additional information.

BME, an investee company, has been a contributor to the Financial Education Plan promoted by the CNMV and the Bank of Spain since 2008, the objective of which is to increase the level of financial culture of the population regardless of their economic status and age. The Financial Education Day is an initiative within this Plan to permanently contribute to improving the transparency of the system and the protection of investors.

b. Participation in Forums

Corporación Financiera Alba is a founding member of the Asociación Emisores Españoles (Spanish Issuers Association), and in 2017 it participated in various working groups of the same, on the following issues: criminal liability of legal persons, market abuse, audit committees, corporate governance, ethical codes.

In addition, it is a member of the Board of Directors of FEDEA, Fundación de Estudios de Economía Aplicada, and the Board of the Instituto de Estudios Económicos.

Since 2015, it has been a signatory to the United Nations Global Compact, committing itself to reporting annually on the progress made in this report, in which it must report on compliance with the 10 principles of the Compact.

The employees also participate in forums in the different sectors related to the investee companies.

c. Other Social Initiatives

Corporación Financiera Alba encourages its employees and retirees to participate actively in different associations and NGOs to help the most disadvantaged, both economically through donations and with their direct and active involvement. Among other associations that it collaborates with are: Cáritas, Banco de Alimentos (Food Bank), Aldeas Infantiles (Children's Villages) and Asociación Hogares Infantiles de Nepal (Children's Association of Nepal).

In March 2017, employees of the Banca March Group companies participated in the ***IV charity race "On the Move Against Cancer"***, organised by the Asociación Española Contra el Cáncer (Spanish Association Against Cancer) in Madrid, which fifty people from the group's companies signed up to. Banca March subsidises the participation of its professionals.

6. ABOUT THIS REPORT

With this Sustainability Report, Corporación Financiera Alba continues with its policy of ensuring transparency in the management of its business. The information provided covers the period from 1 January to 31 December 2017.

It has been prepared in accordance with international standards, such as the ten principles of the UN Global Compact, to which the company submits an annual progress report as a signatory company and in compliance with each of the principles.

Likewise, indicators that refer to the GRI Standard methodology have been used.

7. GRI TABLE OF CONTENTS

Profile of the organisation

GRI Standards	Description	Reference in the Sustainability Report
102-1	Organisation Name	2.1 Company Profile
102-2	Activities, Brands, Products and Services	2.1 Company Profile to 2.3 Aligned with international Sustainability Standards
102-3	Location of Headquarters	C/ Castelló, 77-5º planta 28006 MADRID
102-4	Location of Operations	Operations are carried out nationally and internationally
102-5	Ownership and Legal Form	Public Limited Company
102-6	Markets Served: Geographical Breakdown of Where Services Are Offered	Operations are carried out nationally and internationally
102-7	Scale of the Organisation	4. Committed to Employees
102-8	Information about Employees	4. Committed to Employees
102-10	Significant Changes in the Organisation and its Supply Chain	Indicated in the Annual Report
102-11	Precautionary principle or approach	2.2 Responsible Business (Investment Policy)
102-12	External initiatives	5.2 Social Impact
102-13	Membership of Associations	5.2 Social Impact

Strategy and analysis

GRI Standards	Description	Reference in the Sustainability Report
102-14	Statement from senior decision maker of the organisation on the relevance of sustainability to the organisation and the strategy for addressing this issue.	Letter from The Chairmen of the Board
102-15	Impacts, Risks and Opportunities	2.2 Responsible Business and Graph 1: Materiality Matrix

Governance

GRI Standards	Description	Reference in the Sustainability Report
102-18	Governance Structure	3. Committed to Shareholders and investors
102-19	Process of Delegation of Authority of highest governance body	3. Committed to Shareholders and investors
102-22	Composition of highest governance body and its Committees	3. Committed to Shareholders and investors
102-23	Chairs of the highest governance body	Mr. Carlos March Delgado Mr. Juan March Delgado
102-24	Nominating and selecting the highest governance body	3.1.a Candidate Director Selection Policy
102-25	Conflicts of Interest	With regard to conflicts of interest, the members of the Board of Directors are governed by its specific regulations
102-26	Role of the highest governance body in setting Purpose, Values and Strategy	3.2 Alba Ethics and Values. The Board of Directors approves the Code of Ethics and Strategy of the entity
102-29	Identifying and managing Economic, Environmental and Social Impacts	Graph 1: Materiality matrix and Table 11. Material Aspects Identified by Scope and Level of Impact.
102-30	Effectiveness of Risk Management Processes	3.4 Regulatory Compliance
102-31	Review of Economic, Environmental and Social topics	Graph 1: Materiality Matrix and Table 11. Material Aspects Identified by Scope and Level of Impact
102-35	Remuneration Policies	3.1 Corporate Governance and Diversity. Appointments and Remuneration Committee. Director's Remuneration Policy approved in 2015 and amended in 2017

Stakeholders engagement

GRI Standards	Description	Reference in the Sustainability Report
102-40	List of Stakeholders	Table 10. Stakeholders.
102-41	Percentage of Employees Covered by Collective Agreements	100%
102-42	Identifying and selecting Stakeholders	Table 10. Stakeholders.
102-43	Approach to Stakeholders engagement	Table 10. Stakeholders
102-44	Key topics and Concerns raised	Graph 1: Materiality matrix and Table 11. Material Aspects Identified by Scope and Level of Impact.

Material aspects and coverage

GRI Standards	Description	Reference in the Sustainability Report
102-45	Entities Included in the Consolidated Financial Statements	17, includes Group companies, associates and subsidiaries
102-46	Defining Report Content and Topic Boundaries	Letter from the Chairmen of the Board, Graph 1: Materiality Matrix and 6. About this Report
102-47	List of Material Topics	Graph 1: Materiality Matrix and Table 11. Material Aspects Identified by Scope and Level of Impact.
102-49	Changes in reporting	6. About this Report
102-50	Reporting period	6. About this Report
102-51	Date of Last Report	2016
102-52	Report Drafting Cycle	Calendar Year
102-53	Contact point for questions regarding the Report	lff@alba-cfa.com
102-54	Claims of reporting in Accordance with GRI Standards	Specific GRI-related content has been used in the preparation of the report
102-55	GRI Content Index	7. GRI Table of Contents
102-56	External Assurance	Not applicable

Economic performance

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	2.2 Responsible Business
	103-2	The Management Approach and its components	2. A Responsible Business Model

Ethics and integrity in business

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	3.2 Alba Ethics and Values.
	103-2	The Management Approach and its components	3.2 Alba Ethics and Values
Anti-Corruption	205-2	Communication and Training about Anti-Corruption Policies and Procedures	3.5 Crime and Fraud Prevention Policy

Good governance

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	3. Committed to Shareholders and Investors
	103-2	The Management Approach and its components	3. Committed to Shareholders and Investors

Energy

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	5.1 Environment
	103-2	The Management Approach and its components	5.1 Environment
	302-1	Energy Consumption within the Organization	5.1.a Fuels and 5.1.b Electrical Energy
	302-4	Reduction of Energy Consumption	5.1.a Fuels and 5.1.b Electrical Energy

Water

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	5.1.c Water
	103-2	The Management Approach and its components	5.1.c Water
	303-3	Reused Water	5.1.c Water

Emissions

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	5.1.a Fuels and 5.1.b Electrical Energy
	103-2	The Management Approach and its components	5.1.a Fuels and 5.1.b Electrical Energy

Social action programmes

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	5.2 Social Impact
	103-2	The Management Approach and its components	5.2 Social Impact
	413-1	Operation with local community engagement	5.2 Social Impact

Quality of employment, stability and work/life balance

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	4.Committed to Employees
	103-2	The Management Approach and its components	4.Committed to Employees
	401-1	New Employee hires and employee turnover	4.Committed to Employees
	401-3	Parental Permission	Table 13: Employees on Maternity/ Paternity Leave

Occupational health and safety

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	4.2 Health and Safety
	103-2	The Management Approach and its components	4.2 Health and Safety

Diversity and equal opportunities

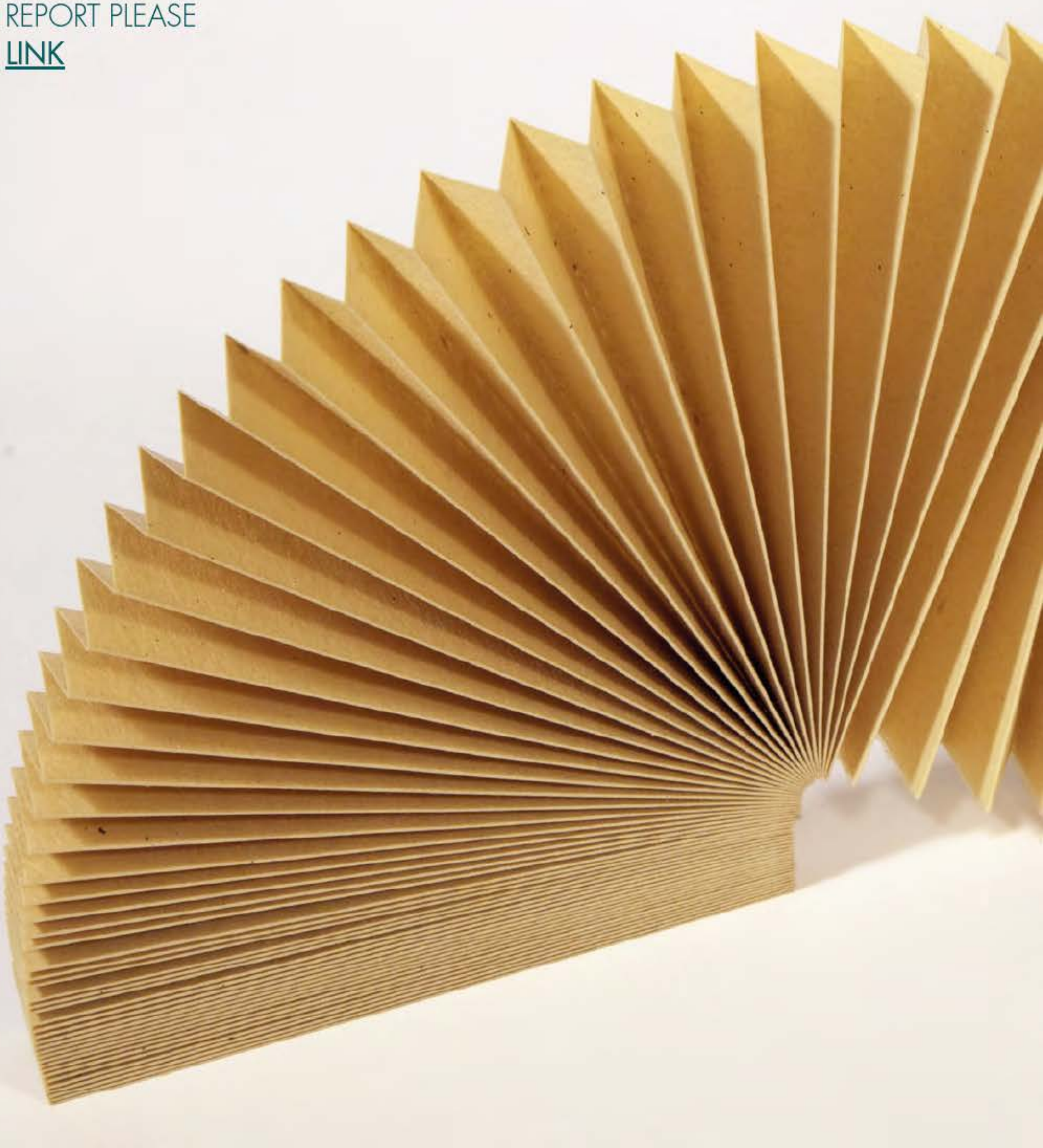
GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	3.1.a Candidate Director Selection Policy and 4.3 Professional Development and Talent Retention
	103-2	The Management Approach and its components	3.1.a Candidate Director Selection Policy and 4.3 Professional Development and Talent Retention
	405-1	Diversity of Governance Bodies	3.1.a Candidate Director Selection Policy

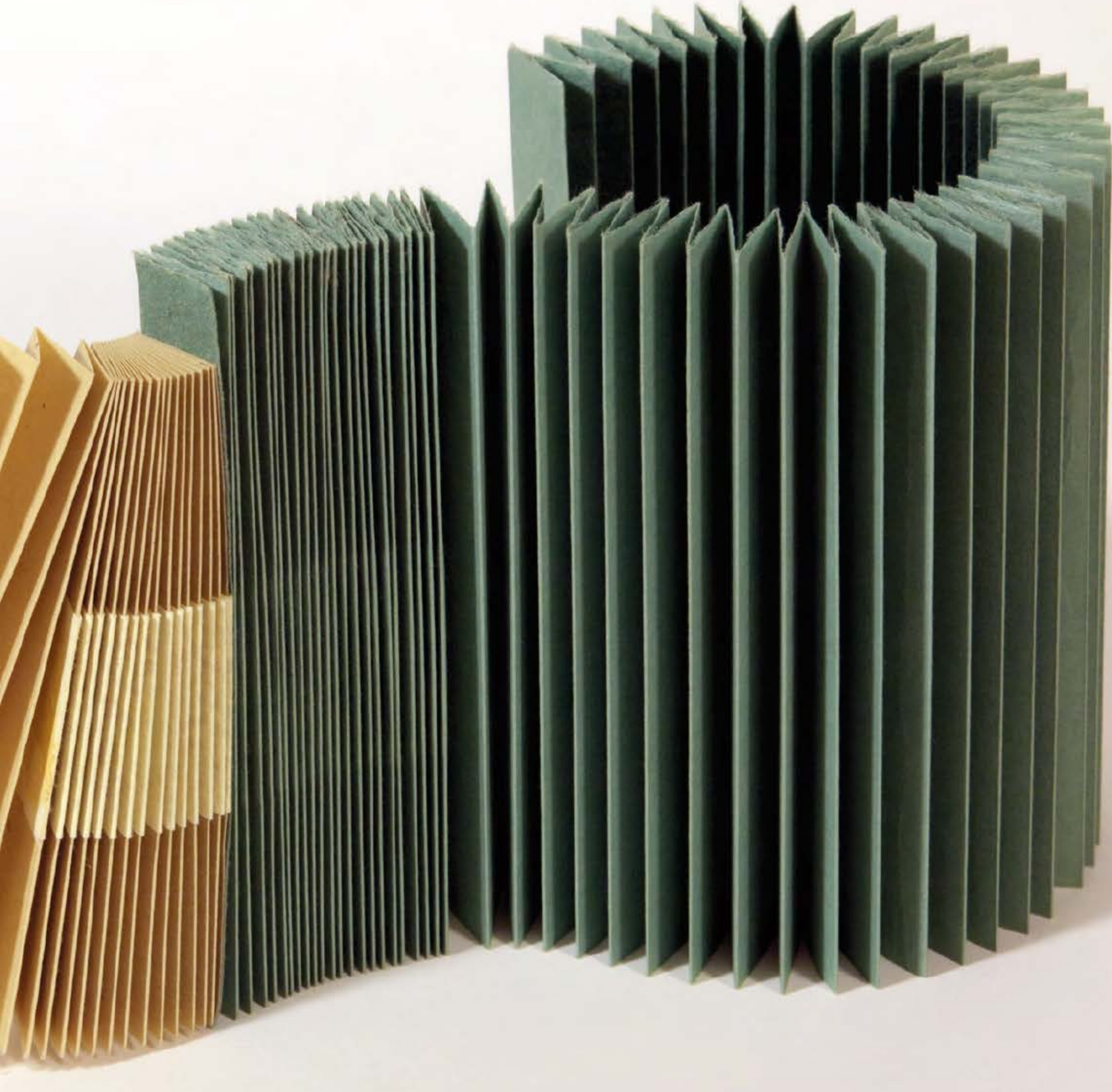
Training and development

GRI Standards	Content	Description	Reference in the Sustainability Report
Management Focus	103-1	Explanation of the Material Topic and its Boundary	4.3 Professional Development and Talent Retention
	103-2	The Management Approach and its components	4.3 Professional Development and Talent Retention
	404-1	Average Training Hours Per Year Per Employee	Table 14: Comparison of Training by Area and Graph 4: Training by Department in 2017 Average: 9 hours/year

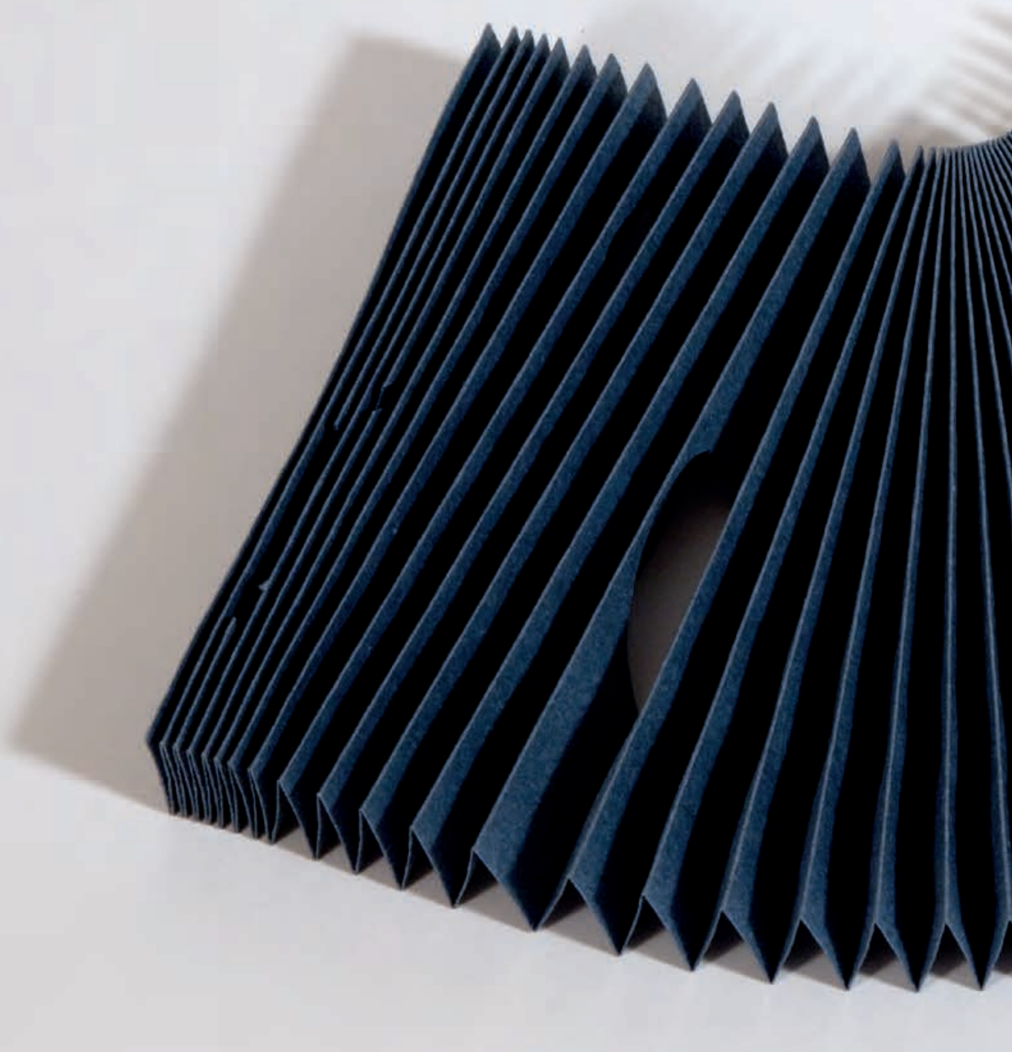
CORPORATE GOVERNANCE REPORT

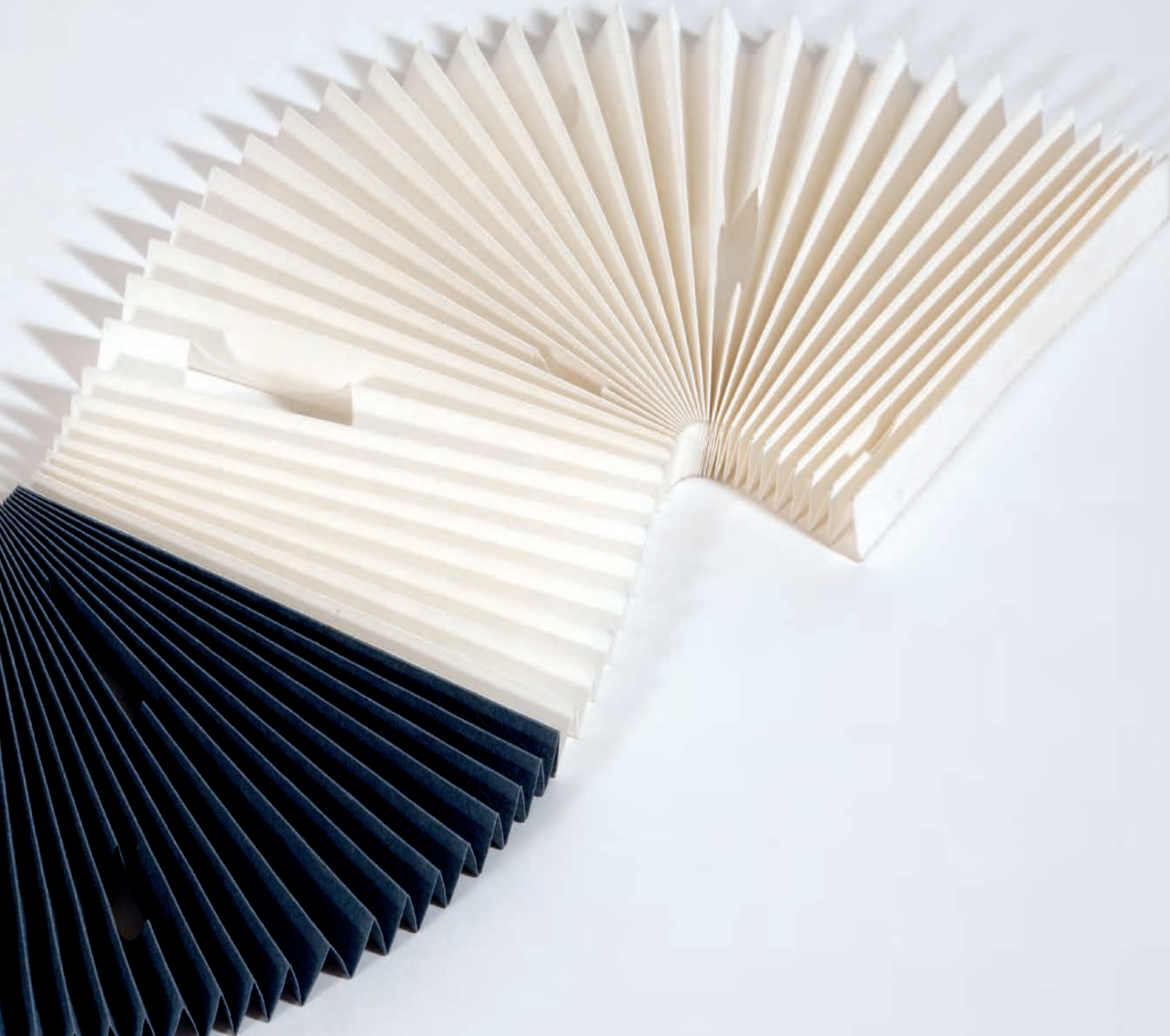
TO GO TO THE CORPORATE GOVERNANCE REPORT PLEASE CLICK ON THIS **LINK**





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. is prepared following the recommendations on good corporate governance of listed companies and, in particular, those included in the Code of Good Governance of Listed Companies, approved by the National Securities Market Commission on 18 February 2015, in line with what was already provided for in the Unified Document of Corporate Governance Recommendations, approved by the National Securities Market Commission on 22 May 2006, as well as the CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission]) Technical Guide 3/2017, on Audit Committees of Public Interest Entities.

The Audit Committee was created by the Board of Directors on 29 March 2000, following the recommendations of the so-called "Olivencia Code" (on Good Corporate Governance).

Subsequently, Law 44/2002, of 22 November, on Reform Measures of the Financial System ("Financial Law"), established the mandatory existence of this Committee in listed companies and certain requirements related to its composition, powers and standards of operation.

In compliance with the provisions of said Law, Corporación Financiera Alba, S.A. modified its Bylaws and its Board of Directors Regulations, setting the Committee's powers and the rules of its operation.

As a result of the approval of Law 12/2010, of 30 June, which amended the Laws on Account Auditing, the Securities and Corporations Markets, extending the powers of the Audit Committees, the Regulations of the Board of Directors were amended to adapt them to the legal provisions in relation to the Audit Committee, but, in addition, this modification was used to introduce into the Regulations of the Board of Directors the recommendations derived from the document of the National Securities Market Commission regarding "Internal control over financial information in listed companies" (June 2010).

Law 31/2014, of 3 December, which amended the Law on Capital Companies to improve Corporate Governance, introduced into the Law on Capital Companies ("LSC") Article

529 quaterdecies, relating to the Audit Committee, including provisions relating to its composition, organisation and functions, which were incorporated into the Regulations of the Board of Directors by means of the amendment agreed on 5 May 2015.

Meanwhile, Law 22/2015, of 20 July, on Account Auditing, modified, in its Final Provision 4, Article 529 quaterdecies of the Capital Companies Act, relating, as has been indicated, to Audit Committee, in aspects that mainly affect the composition of this Committee and its functions, and therefore, once it came into effect, the Regulations of the Board of Directors were amended once again, by resolution of 3 May 2016, to reflect these changes and, likewise, the name was changed to the Audit and Compliance Committee (the Board's resolution was reported to the General Shareholders' Meeting held on 8 June 2016, and it was registered in the Mercantile Registry on 15 July 2016).

Finally, following Recommendation number 19 of the Technical Guide of the CNMV 3/2017, on Audit Committees of Public Interest Entities, the Board of Directors, at its meeting held on 23 October, 2017 approved the Regulations of the Audit and Compliance Committee.

II. FUNCTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

In Article 3 of the Regulations of the Audit and Compliance Committee of Corporación Financiera Alba, S.A., as well as in the Regulations of the Board, in its Article 22, following the provisions of the Article 529 quaterdecies of the LSC,, the following functions are entrusted to the Audit and Compliance Committee, without prejudice to those others that may be assigned by the Board of Directors:

a) Inform the General Shareholders' Meeting about the issues that arise in relation to those matters under the authority of the Commission and, in particular, about the outcome of the audit, explaining how the audit has contributed to the integrity of the financial information and the role the Committee has played in this process.

b) Supervise the effectiveness of the company's internal control, internal audit and risk management systems, as well as discussing with the auditor any significant weaknesses in the internal control system detected in the course of the audit, all without impinging upon their independence. For this purpose, and where appropriate, they may submit recommendations or proposals to the Board of Directors and inform the same of corresponding deadline for their follow-up.

c) Supervise the process of preparing and presenting the mandatory financial information, and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity.

d) To submit to the Board of Directors proposals for the selection, appointment, re-appointment and replacement of the auditor, taking responsibility for the hiring process, in accordance with the provisions of Articles 16 Sections (2), (3) and (5), and (17.5) of Regulation (EU) No. 537/2014 of 16 April, and the terms and conditions of their recruitment and to obtain regular information from them on the audit plan and its implementation, while preserving their independence in the performance of their duties.

e) Establish the appropriate relations with the external auditor to receive information on those issues that may pose a threat to their independence, for examination by the Committee, and any others related to the process of carrying out the audit of accounts, and, where appropriate, the authorisation of services other than those prohibited, under the terms set out in Articles 5, Section 4, and 6.2.b) of Regulation (EU) No. 537/2014, of April 16, and as foreseen in Section 3 of Chapter IV of Title I of Law 22/2015, of 20 July, on the Auditing of Accounts, on the independence regime, as well as those other communications provided for in the account auditing legislation and in the auditing standards. In any case, they must receive the declaration of their independence in relation to the entity or entities directly or indirectly related to it on an annual basis from the external auditors, as well as detailed and individualised information on the additional services of any kind provided and the corresponding fees received from these entities by the external auditor or by the persons or entities related to him/her in accordance with the provisions of the regulations governing the account auditing activity.

f) To issue, prior to the issuance of the audit report, an annual report in which it expresses an opinion on the independence of the accounts auditor or audit firm. This report must, in any case, contain an assessment of the provision of each and every one of the additional services referred to in the previous paragraph, individually and as a whole, other than those under a statutory audit and in relation to the system of independence or the regulations governing the auditing of accounts.

g) To report, in advance, to the Board of Directors on all the matters provided for in

the Law, the Articles of Association and the Regulations of the Board of Directors and, in particular, on:

1º. The financial information that the Company must publish periodically,

2º. The creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens and

3º. Transactions with related parties.

h) Supervise compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy.

III. COMMITTEE MEMBERSHIP

The Audit and Compliance Committee is an internal body of the Board and, therefore, is composed of Directors of the Company. The members are appointed by the Board of Directors and, in accordance with the provisions of the Law on Capital Companies, following the amendment made by Law 22/2015, of 20 July, all the members of this Committee must be external or non-executive directors, the majority of whom must be independent directors and at least one of whom must be appointed on the basis of his or her knowledge of accounting and/or auditing matters. As a whole, the members of the Commission must have the relevant technical knowledge in relation to the sector of activity to which the Company belongs.

The Chairman of the Committee must be an independent Director and, in accordance with the provisions of the Law and the Company Bylaws, the Chairman must be replaced every four years and may be re-elected after a period of one year has elapsed since his removal.

The composition of the Audit and Compliance Committee of Corporación Financiera Alba complies with the new legal requirements, since it is made up of three Directors, two of them independent, and one proprietary, and the Chairman is independent.

The composition of this Committee, on 31 December 2017, was as follows: Mr Carlos González Fernández, as Chairman, and Ms Claudia Pickholz, and Mr José Nieto de la Cierva, as members. Mr González and Ms Pickholz have the status of independent Directors, appointed in 2015 and 2016, respectively, and Mr Nieto as a Proprietary Director, who has been a member of the Committee since 2011.

AUDIT AND COMPLIANCE COMMITTEE ACTIVITY REPORT

The information on the profile of all the Directors of Corporación Financiera Alba is available on the company's website, in accordance with the recommendations of the Code of Good Governance of Listed Companies and, therefore, about the members of the Audit and Compliance Committee. However, following the recommendations of the CNMV Technical Guide 3/2017, it can be noted that Mr González has extensive experience in the world of auditing, having worked in a large number of sectors and with a wide range of companies, as well as advising on business operations and strategic matters. Ms Pickholz has held management positions in large multinationals in various sectors, in particular with responsibilities in the areas of marketing and strategy, and that Mr Nieto has extensive experience in the financial sector, and has extensive knowledge of various business sectors as well as the group itself.

Given the shareholding structure of the Company, the presence of Mr Nieto, who is a proprietary Director, in the Audit and Compliance Committee is considered especially appropriate.

IV. OPERATION AND ACTIVITY

The internal functioning of the Audit and Compliance Committee is governed by the provisions of Article 47 of the Bylaws and by the provisions of Articles 29 to 34 of the Regulations of the Board and Articles 12 to 18 of the Regulations of the Audit Committee and Compliance, which regulate everything related to its meetings, calls, quorum, adoption of resolutions, minutes, relations with the Board, with the Company's Management, and with the auditor and the internal auditor, and the powers to request information on any aspect of the Company and to seek the advice of external professionals.

During 2017, the Audit and Compliance Committee held nine meetings, in which it worked, within the functions mentioned above, in the areas indicated below, and for which it had the necessary information and documentation at its disposal:

- Review of the periodic financial information to be submitted to the National Securities Market Commission.
- External auditing of the annual accounts.
- Risk identification and internal control system.
- Internal Audit.
- Compliance with the legal system and internal regulations.

The meetings of the Audit and Compliance Committee were attended, by invitation, by the external and internal auditors, the Chief Financial Officer and the Company's risk managers, to discuss the items on the agenda that were their responsibility. As for the external auditors of the company, they have been invited to participate in five meetings. Given that in 2017 there was a change of auditor, the outgoing auditors attended two meetings to report on their work in relation to the 2016 Financial Statements, and the incoming auditors attended three meetings, at one of which they were introduced. As for the internal auditors, in 2017 they were invited to participate in two sessions of the Audit and Compliance Committee.

a) Review of Periodic Financial Information

In relation to the periodic financial information, the Audit and Compliance Committee has analysed, prior to its presentation, the quarterly and half-yearly financial information sent to the National Securities Market Commission, and made are made public, as well as the complementary information leaflets that are published, in accordance with the requirements established by Royal Decree 1362/2007, of 19 October (modified by Royal Decree 875/2915, of 2 October), and by CNMV Circular 1/2008, of 30 January (modified by Circular 5/2015, of 28 October).

The aforementioned analysis is carried out by the Company's Chief Financial Officer, who is responsible for the preparation of the aforementioned information, in order to explain to the Commission the accounting process followed to prepare the aforementioned financial information, and the decisions and criteria adopted.

The Commission gave its approval to the aforementioned information, after the introduction of certain suggestions raised by it.

A meeting was also held to examine the Financial Statements prior to their preparation by the Board of Directors.

Finally, in accordance with the provisions of recommendation 43 of the CNMV 3/2017 Technical Guide, the Committee ensures that the financial information published on the company's website is up to date and in line with that prepared by the Board of Directors and made public.

b) External Audit of the Financial Statements and Relations with the External Auditors

As regards the External Audit, it is worth mentioning that the Auditors attended the meetings of the Committee at which they examined the financial information corresponding to the close of the 2016 financial year and the Financial Statements for said year. The external auditors reported extensively on the audit work carried out, the most important issues raised and the criteria followed. In particular, the Financial Statements were the subject of an unqualified report, without any significant risks being detected in the company, and the internal control of the company was considered adequate. The external auditors were assisted in the performance of their duties by the persons responsible within the Company. The planning of the audit work for 2017 was also explained.

In addition, and in accordance with the provisions of Article 529 quaterdecies of the Law on Capital Companies, the Audit and Compliance Committee received written confirmation from the auditors of their independence from the related entity or entities and issued a report expressing its opinion on the independence of the auditors.

Within this area, and in accordance with the provisions of Law 22/2015, of 20 July, on Account Auditing, and EU Regulation 537/2014, of 16 April, on specific requirements for the statutory audit of public interest entities, the auditor who had been providing the External Audit service in 2017 could no longer continue to provide it in 2016, as the auditor's replacement was imposed by the aforementioned regulation.

Therefore, and in order to act with foresight, so that one auditor could be replaced by another in a coordinated manner and in sufficient time for the new auditor to be able to perform its task with confidence, it was considered appropriate to begin the process of selecting the new auditing firm in good time, completing, for this purpose, all the formalities 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 approved by the company's General Meeting held in June 2016. The new auditor, for the indicated fiscal years, is KPMG Auditores, S.L.

c) Risk Identification and Internal Control System

With regard to the risk identification and internal control system, it should be noted that the Finance Department is in charge, within the Company, of the internal control of the same, which has a series of operating rules that establish the internal control criteria. These regulations refer, among other issues, to: Accounting and Reporting, Investments and Divestments, Short-Term Investments, Management of Properties and Accounts Receivable, Accounts Payable and Relations with the CNMV, Treasury Placements, Granting and Revocation of Powers of Attorney.

The Audit and Compliance Committee has powers in this area and evaluates whether the Company has the adequate organisation, personnel and processes to identify and control its main operational, financial and legal risks, and is authorised to investigate any aspect of the risk identification system and internal control that it considers appropriate.
In this regard, it is worth recalling that since 2004, the external auditors have carried out an in-depth examination of the Company's internal control system on several occasions, which has resulted in their opinion that the Company has a satisfactory internal control system in place, without prejudice to the fact that certain recommendations have been made in this regard and have been accepted.

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, resolved to establish a Risk Control and Management Unit as an advisory and control body at the service of the Audit Committee, independent of the business, and aimed at ensuring the establishment of adequate control and efficient and prudent risk management.
The Risk Control and Management Function Statute was approved by the Board of Directors on 26 October 2015 and, in addition, a Risk Management Methodology and Follow-up Model have been 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 the Company level, as well as their monitoring and follow-up; to integrate, coordinate and manage the different efforts made by the Company in the area of risk management; to enable responsible acceptance of risk and strengthen the responsibility of the Company's personnel; to ensure that the control systems are aligned with respect to the real risks of the Company; and to facilitate and speed up the application of corrective measures.

This Integrated Risk Management System has been implemented to mitigate the risks to which the Group is exposed, given the nature and degree of complexity of its operations and the environment in which it operates, and it consists of three key elements:

- The continuous process of risk management, understood as those activities carried out by all the people of the Company focused on identifying potential risk events that may affect them, managing the risks identified, and providing reasonable assurance on the achievement of the company's objectives. In this regard, the company's Risk Map has also been reviewed in order to confirm that it continues to represent the company's risk profile.

- An organisational approach with clearly defined roles and responsibilities, in such a way that, although comprehensive risk management 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.

- A monitoring model, which defines and provides the necessary and timely information so that all participants in the risk management process can make informed decisions regarding the same.

The Audit and Compliance Committee, as part of this Integrated Risk Management System, is responsible for supervising the effectiveness of the company's internal control, internal audit and risk management systems, assessing whether the Group has adequate organisation, personnel, policies and processes to identify and control its main risks and, in particular, operational, financial, non-financial and legal risks.

In relation to risk management processes, in addition to the Risk Control and Management Unit mentioned above, Corporación Financiera Alba has compliance processes, which are mentioned below, as well as the Internal Audit Service, to which reference has already been made.

In 2017, two Business Risk Monitoring Reports were prepared and presented (corresponding to the second half of 2016 and the full year and the first half of 2017, respectively), in accordance with the approved Risk Management Methodology and Monitoring Model. These Reports examine the aggregate risk situation and the individual analysis of the risks (the ten most critical risks, according to the Risk Map, last reviewed in October 2017). To assist in their preparation, meetings are held with those responsible for the risks, the defined controls and indicators are checked, and the assessment being monitored is reviewed and analysed. The conclusion of the reports was that the controls were effective (although some of them were not applicable in the periods mentioned) and that the indicators requiring some attention had led to appropriate explanations or clarifications being obtained, without any special action plans being necessary.

Finally, within this area, it is worth mentioning that the assessment of the risks (impact and probability) has also been reviewed and analysed with the different risk managers, in order to check whether it was still valid for the year, having concluded that the critical risk assessment adequately reflects the current situation of Alba and that, therefore, it is not necessary to make any modifications or updates to it.

d) Internal Audit

In 2011, and following the recommendations of the CNMV document "Internal Control Over Financial Information in Listed Companies" (June 2010), the Audit Committee proposed, and the Board of Directors agreed, to establish an Internal Audit service as an instrument for the better development of the functions entrusted to the Board of Directors and the Audit Committee, in relation to the control and management of risks and the monitoring of the internal information and control systems. The person in charge of this service was also appointed and it was decided that an audit firm would support the performance of the Internal Audit functions, a task carried out by Ernst & Young.

The Audit and Compliance Committee, following the election of a new external auditor for the financial years 2017, 2018 and 2019, in accordance with the provisions of the Accounts Audit Act (Law 22/2015, of 20 July), reported favourably in 2017 on the assignment of the Internal Audit function to Ernst & Young, S.L., in coordination with the Secretary General, under the authority of this Committee, which has been approved by the Board of Directors. This contributes to the independence of internal audits.

In relation to the internal audit, it is worth mentioning that it has a Statute approved by the Board (the last one, by agreement of 27 February 2017), which has drawn up a Risk Map of the Company, (at the inherent and residual level and as regards the degree of effectiveness of internal control) –which has already been reviewed three times, most recently in 2017– and which follows the Business Plan approved by the Audit and Compliance Committee.

In the 2017 fiscal year, as part of its Business Plan, the Internal Audit Department updated certain internal procedures and carried out several internal audits, specifically of the procedures considered most relevant.

Likewise, in relation to the Company's Internal Financial Reporting System (IFRS) Manual, its forecasts were followed during 2017 and the Audit and Compliance Committee was informed of this and informed of the results of the internal audits and the follow-up to the IFRS.

e) Regulatory Compliance and Others

With regard to compliance with the legal system and internal regulations, a more detailed statement is made than in the previous points, since, in accordance with the provisions of both the Regulations of the Board of Directors and the Regulations of the Audit and Compliance Committee (Articles 26 (C) and 9 (C), respectively), the Audit and Compliance Committee must prepare a report on this matter.

Internal Regulations

First of all, it should be pointed out that the Company, in order to ensure compliance with the applicable regulations, has an appropriate organisation, which includes a Legal Department, a Tax Department and a Finance Department, each of which, in its own area of competence, ensures compliance with current regulations (external and internal). Likewise, within the scope of the Board, its

Regulations provide that the Secretary shall be responsible for ensuring the formal and material legality of its actions, for the statutory regularity thereof and for compliance with its procedures and rules of governance.

On the other hand, one of the functions of this Committee is to ensure the existence of an effective internal system to monitor the Company's compliance with the laws and regulations governing its activity, and to verify that the necessary procedures have been established to ensure that the management team and the employees comply with the internal regulations. It should also be noted that the meetings of the Committee are attended, at the invitation of the Chairman, by the Chief Financial Officer responsible for the company's internal control, who reports on developments relating to this matter.

In addition, as indicated above, the Company has an Internal Audit Service and a Risk Control and Management Unit, and a Risk Management Methodology and Monitoring Model have been adopted.

Furthermore, during 2015, the Company adopted or updated, following a report from this Committee, the following policies, foreseen by various provisions or recommendations for good corporate governance: Corporate Governance Policy; Corporate Social Responsibility Policy; Communication Policy; Dividend Policy; Treasury Stock Policy (also modified, following a report from this Commission, on 14 November 2016); Investment Policy (modified on 23 October 2017); Fiscal policy; Board Remuneration Policy (modified, following a report from this Committee, on 27 March 2017); Selection Policy for Candidates to be Directors; Risk Management Policy; and Policy on Crime and Fraud Prevention.

In 2017, the Audit and Compliance Committee approved a Policy for the Provision by the External Auditor of Services other than Statutory Audit, in accordance with the provisions of article 529 quaterdecies. 4. e) of the Law on Capital Companies, as amended, which entered into force on 17 June, 2016.

As regards the existence of internal procedures, as mentioned above, the Company has a series of operating rules that establish the internal control criteria, as well as the Manuals of the Company's Internal Control System for Financial Information, Risk Management Methodology and Monitoring Model and Crime Prevention.

In addition, a Code of Ethics and Conduct was approved in 2011 and the Internal Code of Conduct for the Securities Market was updated. These Internal Regulations were replaced, in 2016, by a new Internal Code of Conduct in the Securities Markets Area, which has been prepared, mainly, to adapt it to the provisions established in Regulation (EU) 596/2014 of the European Parliament and of the Board, of April 16 2014, on market abuse (the "Market Abuse Regulations") and their implementing regulations. The Regulations govern the rules of conduct to be observed by the persons included in their scope of application in their actions related to the securities markets and, in this regard, establish the appropriate controls and the necessary transparency, with a view to proper management and control by the Company, of privileged information and its dissemination, market research, if any, treasury stock transactions, personal transactions subject to disclosure, and any conduct that may involve market manipulation. It also introduces the principles necessary to reduce the risk of conflicts of interest. The Audit and Compliance Committee reported favourably on the proposed amendment to the Internal Code of Conduct.

Also within this area of internal regulations, mention should be made of the approval of the Regulations of the Audit and Compliance Committee, adopted following Recommendation number 19 of the CNMV Technical Guide 3/2017, on Audit Committees of Public Interest Entities.

The Code of Ethics and Conduct regulates a confidential channel of complaints whose scope of application includes any action that could be illegal or contrary to the provisions of the Code itself. In 2017, no communications were made through the confidential complaints channel.

Regulatory Compliance

In addition to the internal regulations mentioned in the previous paragraphs, Corporación Financiera Alba, as a complement to other actions that have been carried out in recent years to adapt to new requirements and best practices in corporate governance matters (such as, for example, the Internal Audit Service, the Financial Information Control System, the creation of the Risk Control and Management Unit, or the development of a crime prevention model and manual), in 2016, carried out the formalisation and implementation of a Regulatory Compliance function within the General Secretariat in order to coordinate, systematise and monitor the different

actions and efforts it had been making in this area, with the collaboration of Ernst & Young.

The purpose of this function is to provide reasonable assurance that Alba complies with its key legal and regulatory requirements, to which end: (i) the main legislative and regulatory obligations that the Company must comply with have been identified; (ii) a compliance model has been designed (with activities and tasks to be performed, dates and persons responsible); and (iii) a monitoring and follow-up model for compliance activities has been established, with early warnings and semi-annual reviews, with the aim of avoiding potential non-compliance.

In the monitoring reports, the identified requirements are verified, with details of which have been met, those that have not been applied, and, where appropriate, the opportunities for improvement.

During 2017, the Regulatory Compliance Monitoring Reports for the second half of 2016 and the full year were prepared, as well as for the first half of 2017. In the last of these periods it has been verified that, in relation to the 105 requirements identified, 80 of them have been met and the remaining 25 have not been applied (during the semester), without any proposal for improvement having been made. These monitoring reports are subject to presentation and examination in the Audit and Compliance Committee.

Crime Prevention

As a result of the regulations on the criminal liability of legal persons, especially following the reform of the Criminal Code by Organic Law 1/2015, a new Manual on Crime Prevention was approved (26 October 2015) and, during 2015 and 2016, various initiatives were launched, particularly regarding the application of the new corporate regulations and the means of monitoring, detection and response. In this respect, monitoring reports have been drawn up analysing various risks and their controls in accordance with the strategic plan and the annual plan, and general compliance with them has been observed and only a few recommendations have been made.

Transactions with related parties

In addition, within this area of regulatory compliance, reference should also be made to the examination of transactions with Directors, significant shareholders or their representatives, or persons linked to them, or with investees ("transactions with related parties"), which have been reported favourably, as they meet the conditions for doing so. In addition, in accordance with the provisions of the Code of Good Governance of Listed Companies (recommendation 6a), the Audit and Compliance Committee approved a report on the aforementioned transactions with related parties and published it on the company's website.

Non-financial Information

We should also note the follow-up by the Corporate Social Responsibility Policy Committee, highlighting, in particular, that it reported on the draft Sustainability Report for 2016, in which reference was made to: the principles of Alba's Investment Policy; the management of the company based on social responsibility; the importance of the different stakeholders; the channels of communication with them; the Alba portfolio and the sustainability challenges of the investee companies; the Alba team and its most relevant aspects; the impact on society and our environmental footprint. These reports are based on one of the most widely used international regulatory frameworks in the world, the Global Reporting Initiative (GRI).

Others

The Audit and Compliance Committee also examined the draft Annual Corporate Governance Report, which was subsequently approved by the Board of Directors, and the monitoring reports prepared by the control bodies of the Internal Code of Conduct, the Code of Ethics and Conduct and the Crime Prevention Manual on the actions taken to comply with them.

Specific reference should be made to the monitoring of tax risk, which has led the Audit and Compliance Committee to examine the company's tax situation, with reference to its tax obligations in general, the most relevant aspects relating to corporate income tax, VAT on local taxation and compliance with the various reporting obligations.

With respect to the communications with the National Securities Market Commission (CNMV), which include the communications of financial information, relevant events and other requests for information, all the

necessary communications were made during the year. In 2017, an internal audit of the relations process with the CNMV was carried out, without any issues having been identified in this process.

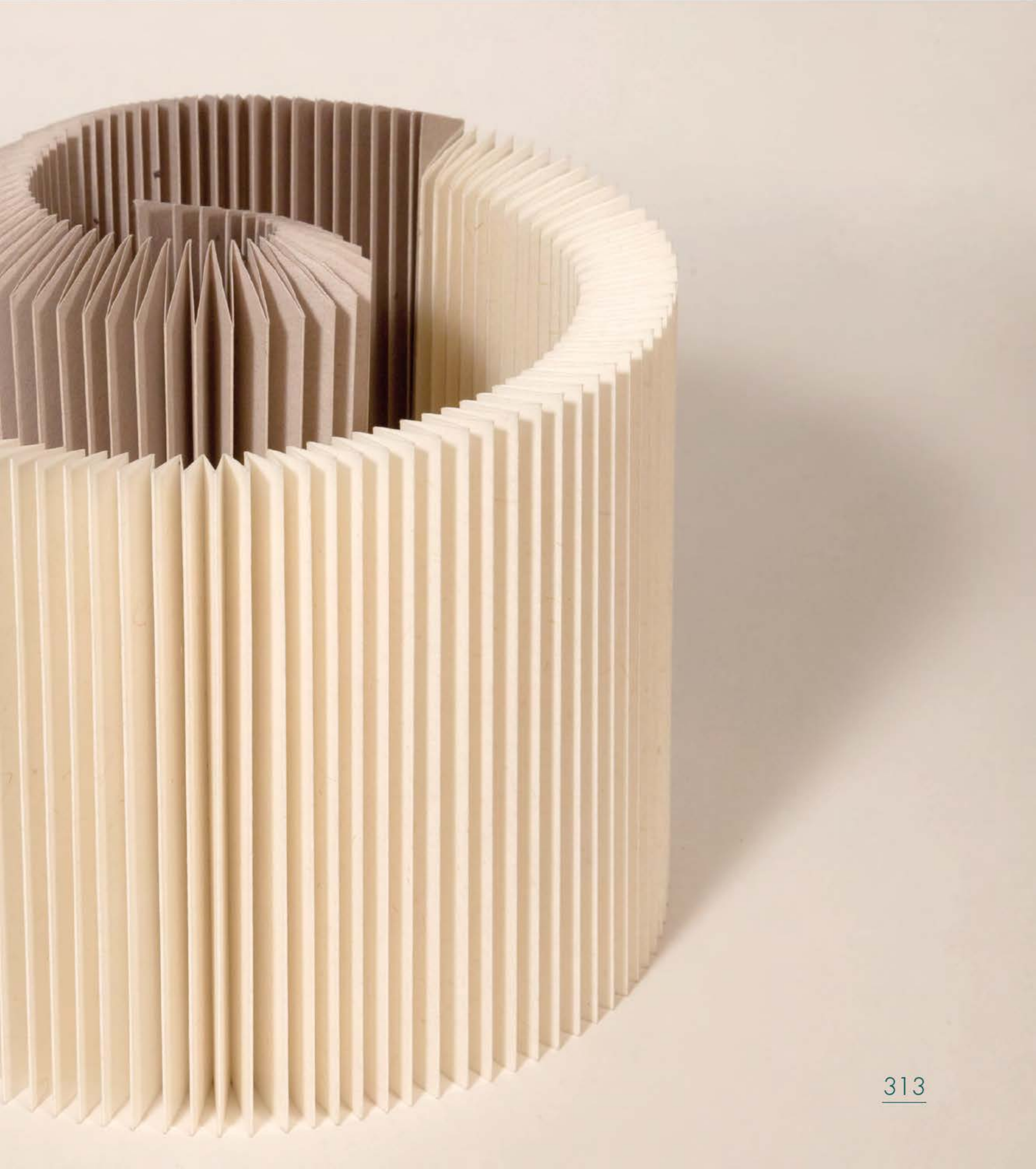
Finally, the Audit and Compliance Committee has monitored the operation of the company's website, which was modified as a result of the approval of CNMV Circular 3/2015, of 23 June, and which is fully adapted to the provisions in force.

In view of the foregoing, the Audit and Compliance Committee considers that the Company has an adequate organisation and a sufficient regulatory framework to ensure satisfactory compliance with the regulations, and that effective compliance by the Company with the external and internal regulations applicable to it, as well as the provisions and recommendations on good corporate governance, is satisfactory.

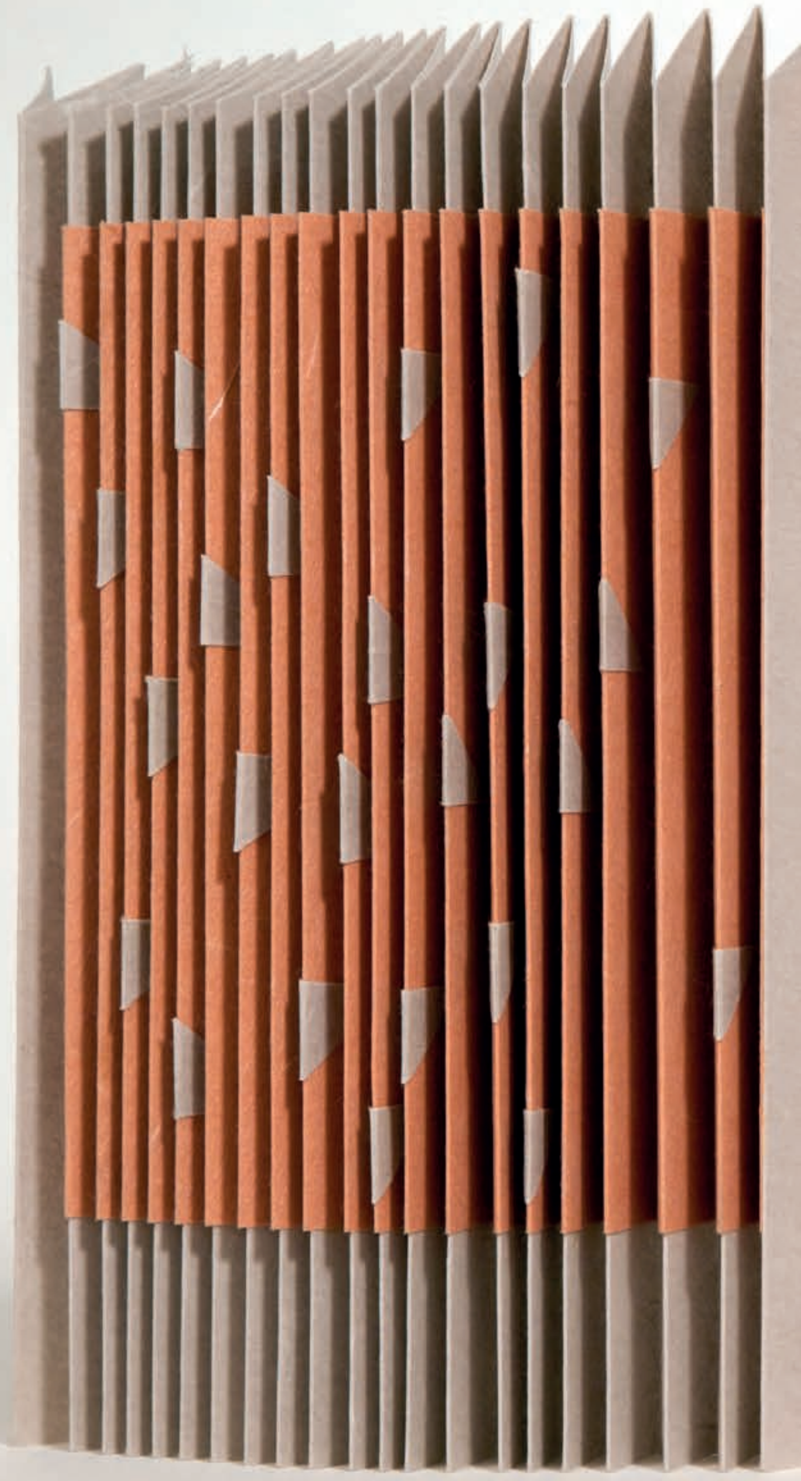
Madrid, 22 February 2018

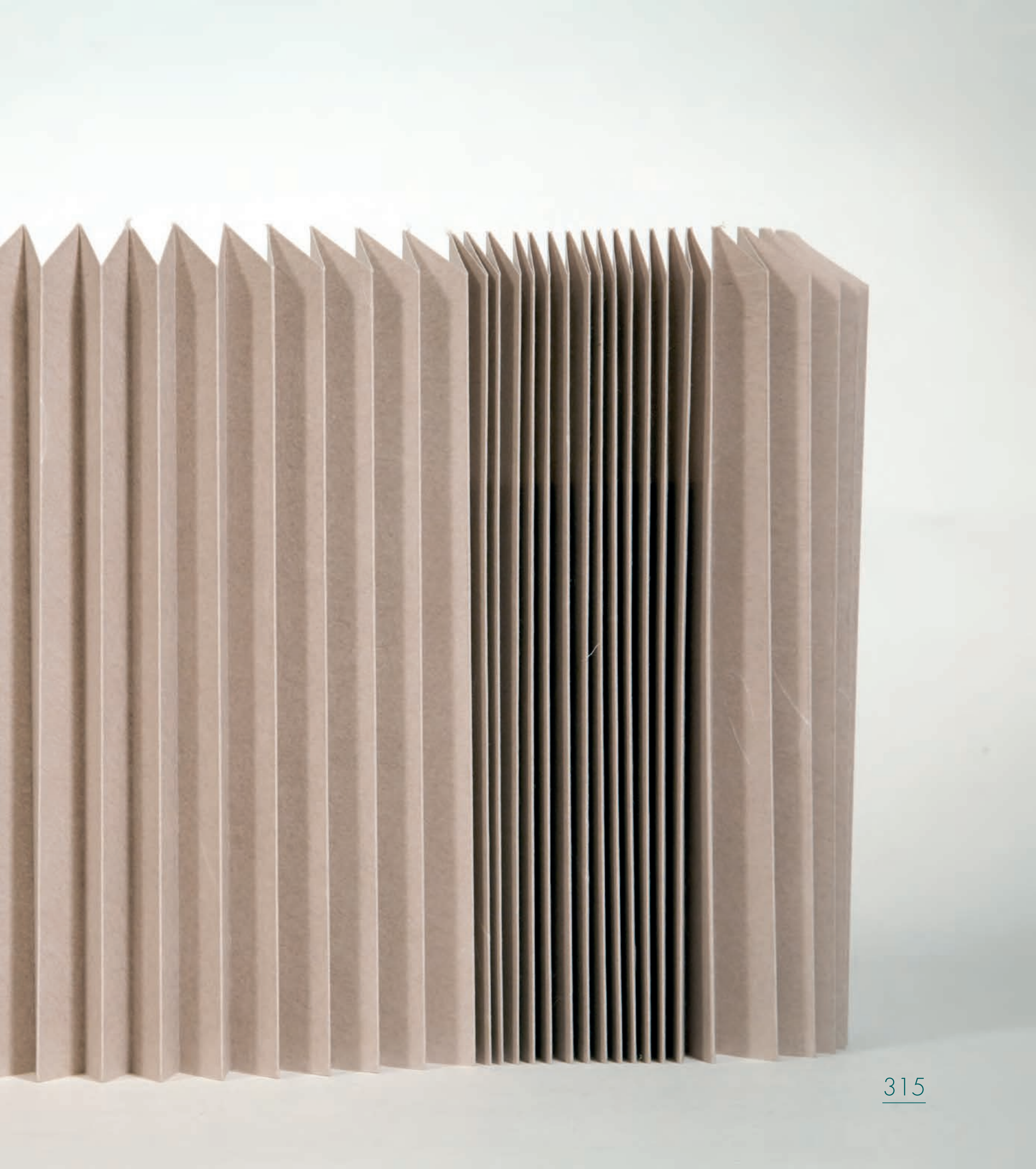
ANNUAL REPORT ON DIRECTORS' REMUNERATION

TO GO TO THE ANNUAL REPORT ON DIRECTORS' REMUNERATION 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 2017.

2.- Approve the management of the Board of Directors during the same period.

3.- Approve the proposed distribution of profit and payment of dividends.

4.- Determine the number of Directors at twelve and approve the re-election of Mr. Santos Martínez-Conde Gutiérrez-Barquín as Executive Director.

5.- Approve, in an advisory capacity, the Remuneration Report of the Board of Directors in 2017.

6.- Approve the proposed Directors´ Remuneration Policy and the maximum amount of the annual remuneration of the company´s directors (just in that capacity) in euros 1,500,000.

7.- 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.

8.- To reduce the share capital through the amortization of shares, that at the date of the Annual General Meeting, represent company's treasury stock and modification of article 5 of the Bylaws.

9.- To transfer the excess of the statutory reserve, to voluntary reserves, derived from the reduction of the share capital.

10.- 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".

11.- 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.

12.- Authorise the Board of Directors to execute the resolutions adopted at the Annual General Meeting.

13.- Approve the minutes of the Annual General Meeting.

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All the images related to Participated Companies were ceded by the Companies themselves for the production of this Report.

CORPORACIÓN FINANCIERA ALBA, S.A.
77 Castelló, 5th floor
28006, Madrid, Spain
Tel.: +34 91 436 37 10
Fax: +34 91 575 67 37
alba@corporacionalba.es
www.corporacionalba.es