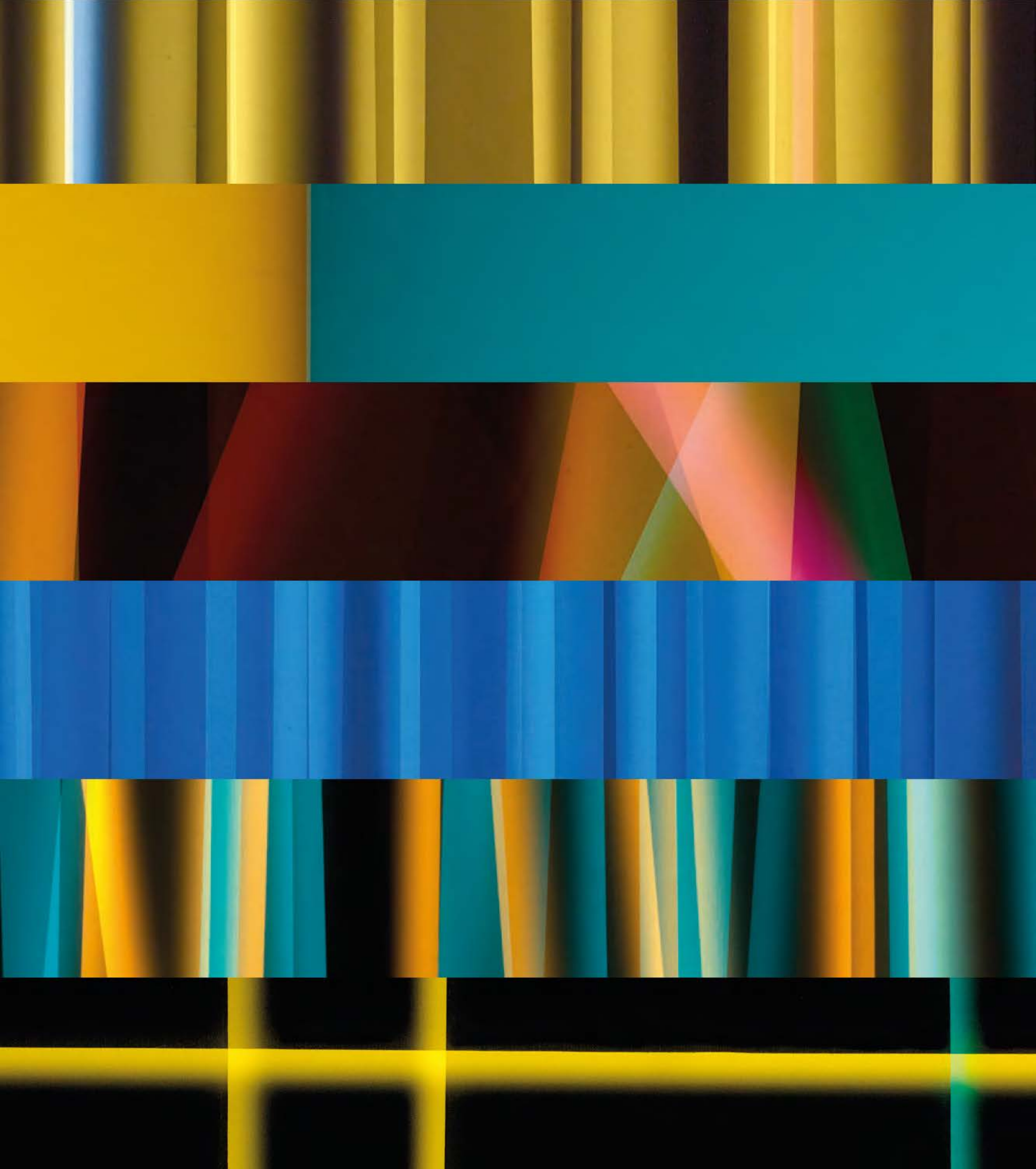
ANNUAL REPORT 2018

ALBA
GRUPO MARCH

corporacionalba.es

CONTENTS



BOARD OF DIRECTORS AND MANAGEMENT

04

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Chairman
Mr. Carlos March Delgado

Vice-Chairmen
Mr. Juan March de la Lastra
Mr. Juan March Juan

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

Board Members
Mr. José Domingo de Ampuero y Osma
Mr. Ramón Carné Casas
Ms. Cristina Garmendia Mendizábal
Ms. María Eugenia Girón Dávila
Mr. Carlos González Fernández
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

Chairman
Ms. Cristina Garmendia Mendizábal

Members
Mr. José Domingo de Ampuero y Osma
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 25 March 2019, the date of preparation of the 2018 Annual Accounts. Mr. Juan March Delgado held the position of Chairman until the Shareholders' General Meeting on 18 June 2018.

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

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. Diego Fernández Vidal
Mr. Tomás Hevia Armengol
Mr. Félix Montes Falagán
Mr. José Ramón Pérez Ambrojo

Communications
Mr. Luis F. Fidalgo Hortelano

Note: Composition of the Board of Directors and its Committees on 25 March 2019, the date of preparation of the 2018 Annual Accounts.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders:

I am 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.

Starting with a brief review of the **global macroeconomic situation**, we need to highlight that in 2018, and for the second consecutive year, all major global economies had good growth data. However, during the year, concern about a potential cycle change grew, highlighted by the uncertainty generated by trade tensions between the US and China and the potential impact on economic growth of the expected end of the expansionary monetary policies in the US and, to a lesser extent, in the Eurozone. As we will see later, these uncertainties had their impact on markets in the last part of the year.

Additionally, other events occurred that were more local or regional in nature, which despite not having the overall impact of the aforementioned events, contributed from time to time to raising the perception of increased economic risk. Among these, we can highlight the currency crisis in Argentina, the "yellow vests" protests in France, the growing tension in Venezuela or the substantial increase in support for populist parties in many countries. Worth mentioning is the UK's exit process from the EU which, although it appears largely discounted by markets, has not yet been concluded and we should not exclude the possibility of a disorderly disconnection with unpredictable consequences.

At the end of 2018 and early 2019, central banks in the US and Europe, in view of the signs of a slowdown, have changed the announced trend for normalisation of their monetary policies, extending current loose monetary policies and, in any case, delaying interest rate rises and the withdrawal of non-conventional stimulus in the EU. Although this delay in normalising monetary conditions appears to have been positively taken by markets and could extend the expansion of the economic cycle a little further, we need to note that the seemingly high sensitivity of the macroeconomic variables to any minimum monetary policy variation is nothing more than another example of the growing fragility of the economic growth.

As for **Spain**, the economy grew significantly again in 2018, with real GDP increasing by 2.5%, the largest of the main countries in the European Union. Quarterly GDP has grown steadily in our country since

September 2013 and presents reasonable prospects for the short and medium term. Thus, the market consensus points to an increase in real GDP of 2.1% in 2019 and 1.9% in 2020, once again outpacing the expected growth in the large Eurozone economies. However, after several consecutive years of real GDP growth exceeding 3.0% per annum, growth in 2018 has been less than expected at the start of the year and 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. In addition, in recent months there has been a downward review of growth forecasts in Europe – including Spain – and other regions, which is an example of the incipient economic slowdown indicated above.

With respect to other key economic variables discussed in previous years, although all of them continued to improve in Spain during 2018, in my opinion some of them remain a concern in the medium term, especially if the moderation of the economic growth is confirmed.

So, for example, public deficit at the end of 2018 was 2.7% of GDP, down from 3.1% in the previous year. Public debt increased by 2.3% in 2018, to 1.2 trillion euros, with lower growth than in previous years. The public debt-to-GDP ratio fell slightly during the year, to under 98% at the end of the year. Although this is positive, the concern remains that despite having one of the largest economic growths in the Eurozone, public deficits in Spain are among the largest in the region while government debt continues to increase year after year. Debt-to-GDP ratio remains very close to its historic high, more than tripling the pre-crisis level of 2008. This situation could become problematic for public finances in the future in a macroeconomic recession environment.

For its part, in 2018 economic growth continued to drive the labour market in our country. According to the Labour Force Survey, last year the number of unemployed fell by 462,400 (-12.3% in the year, to 3.3 million unemployed) and the number of employed increased by 566,200 (+3.0%, to 19.6 million), which allowed the unemployment rate to fall to 14.5% by the end of the year (16.6% in December 2017). However, despite the significant recovery in this area in recent years, the labour market in Spain is still far from the pre-2008 situation, with continued high youth unemployment problems, high proportion of temporary contracts in new hires and low wages.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The recovery in the labour market is allowing an increase in the number of people enrolled in the Social Security, but it is insufficient to solve the public pension situation, which is subject to the long-term effect of the progressive ageing population. While current political fragmentation does not appear to favour the adoption of long-term structural agreements, I believe the sustainability of the pension system is probably one of the biggest economic and social challenges our country faces and whose solution requires the greatest possible consensus. As we have discussed in previous years, the country needs to conduct an in-depth review of the current public model, supplementing it with the promotion of private savings alternatives.

With regards to the **stock markets**, 2018 was a fairly unfavourable year in the major global stock indices, in stark contrast to the previous year. If 2017 ended positive for all major global indices with relatively low volatilities, last year had a diametrically opposite result, with drops in virtually all indices and an important uptick in volatilities. The behaviour was particularly negative in the second half of the year, with strong falls from October due to US-initiated trade tensions – particularly with China – and uncertainty generated by the early monetary policy normalisation in Europe and the US, at a time when data that could indicate an economic slowdown in the major global economies and a change in economic cycle began to emerge.

By countries, the strong drop of the Chinese market (-25.3% of the China 300 index) should be highlighted due to uncertainty over the US tariff policy, lower economic growth prospects and high borrowing of companies and families. Except for Brazil's Bovespa (+12.8%), all other main indices showed drops in 2018, being higher in Europe (e.g., -14.3% Eurostoxx 50 and -15.0% IBEX 35), and Asia (-12.1% Nikkei 225) that in the US (-6.2% S&P 500), whose indices held at the end of March 2019 very close to their historic highs.

I would like to highlight the strong correlation that the main stock indices have shown in recent years, as well as the high bearish sentiment seen in markets by the end of the year.

However, this poor market tone at the end of 2018 has not continued in the first months of 2019, with a widespread rise in stock markets, in many cases recovering what was lost in the second half of the previous year. In any case, I believe that we should be cautious about future market developments, as part of this recovery is due to factors such as a potential solution to the tariff war between the US and China or the delay in the normalisation of monetary policies. Although it is undeniable that the prospect of prolonging low interest rates helps sustain the high valuations in equity markets, given the lack of cost-effective alternatives, it should not be forgotten that, as previously discussed, the delay in interest rate hikes has no other explanation than a higher economic weakness and even the possibility of economic recession in some countries. In this regard, consensus on the future evolution of business results is relatively modest and there is a certain sense of exhaustion in the current bull stock market, which has lasted very long in markets like the US.

In all cases, and in the absence of political-economic shocks not currently anticipated, we believe that the key to markets in 2019 will be, precisely, the evolution of business results – intimately linked to economic evolution – as well as an adequate modulation of monetary policies, neither too loose to generate valuation bubbles, or too restrictive that could lead to an economic recession. In general, economic history tells us that, in similar situations, the natural tendency of central banks is often to be prudent, extending accommodative policies in excess that only artificially lengthen expansive cycles and often generate deeper economic crisis later. As a result, we once again re-iterate our advice to act prudently, more so in the current situation of high valuations, maintaining, in Alba's case, its long-term vision, with low debt and an adequate balance between returns and risk.

Focusing now on **Alba**, its share price dropped by 10.9% in 2018, to reach 42.50 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 (-15.0%) and the Eurostoxx 50 (-14.3%) in that same period.

In the first quarter of 2019, Alba's share price rose by 4.0% to 44.20 euros per share.

As for Alba's results, 2018 consolidated profits after tax were 154.4 million euros, 67.4% lower than the net result of 474.1 million euros the previous year, which included the gains obtained from the sale of the remaining stake in ACS. Per share, Alba achieved a profit of 2.65 euros in the year, compared with 8.14 euros in 2017.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

In this report, you can find a more detailed analysis of the various items that make up Alba's Profit and Loss Statement and the Balance Sheet, as well as information about the progress of our investee companies in the 2018 financial year.

In line with previous financial years, Alba carried out significant investments in 2018, 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 639.0 million euros in the financial year, 16.6% more than in 2017:

- 521.3 million euros in the purchase of 5.27% of Naturgy, one of the largest energy companies in our country. This investment is divided into the purchase of an indirect share of 5.16% by investing 500.0 million euros in Rioja Bidco Shareholdings – company that acquired Repsol's share of 20.07% of Naturgy's share capital for close to 3,800 million euros in May – and the purchase of a direct stake of 0.11% for 21.3 million euros.

- 108.3 million euros to increase our participation in Ebro Foods (53.0 million euros for an additional 2.00%), Viscofan (40.6 million euros for an additional 1.68%), Parques Reunidos (12.0 million euros for an additional 1.42%) and CIE Automotive (2.7 million euros for an additional 0.10%).

- In addition, 9.4 million euros were invested, through Deyá Capital IV, in the purchase of a 3.7% share in the share capital of MonBake, which is the new group resulting from the acquisition, by funds managed by Ardian, of Panasa and Bellsolá, two of the leading Spanish companies in the ultra-frozen bread and pastry sector. This reinvestment is part of the agreements reached between Deyá Capital and Ardian in the sale of Panasa.

In 2018, disposals were completed for a total amount of 139.9 million euros, 85.2% less than the previous year, as it included the sale of the remaining stake in ACS for more than 740.0 million euros:

- Disposals by Deyá Capital, of its 26.50% stake in Panasa for 88.4 million euros and by Deyá Capital IV of the 40.3% stake in Gascan for 36.0 million euros. In both cases, Alba obtained significant gains.

- Lastly, a real estate property was sold in Madrid for 15.5 million euros.

Finally, Deyá Capital IV, along with other investment vehicles managed by Artá Capital, agreed, at the end of 2018, to take part together with a group of investors led by KKR in the launching of a takeover bid for 100% of the share capital of Telepizza. This Offer was approved by the CNMV in early April 2019.

As a result of these asset purchases and sales, Alba's net cash excluding Satlink dropped to 269.4 million euros at the end of 2018, 6.9% of the total NAV and above the historical average. As we will see below, in the first few months of 2019, Alba carried out additional transactions that helped to further reduce Alba's net cash. However, Alba continues to enjoy significant financial capacity to accommodate new investments and, true to its philosophy, continues to analyse new investment opportunities in listed and unlisted companies in both Spain and abroad.

Among the operations announced or completed after the close of the financial year and up to the first weeks of April 2019, the following should be highlighted the purchase of an indirect stake of 7.2% and the agreement to acquire up to 7.5% of the unlisted company Verisure Midholding AB for approximately 557 million euros. Verisure is the leading provider of monitored alarm solutions for homes and small businesses in Europe. It operates through the brands "Securitas Direct" and "Verisure" in fifteen countries in Europe and Latin America, serving approximately 3 million customers. The investment in Verisure is one of the largest made by Alba in all its history and fits within its international investment strategy along with top partners.

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

As far as the internal regulations are concerned, it is worth noting that a new Code of Ethics and Conduct has been approved during 2018, which replaces the one approved in 2011, which is the expression of the values and principles that must govern Alba's conduct and which covers all individuals who, in the exercise of their duties, employment and business or professional relationships, have a relation with it. This Code establishes mandatory standards of conduct for both employees and members of the management bodies and the Board of Directors of the companies of the Alba group and third parties that have a relationship with it.

The new Code takes into account the evolution of the legal regulation of responsibility of legal persons and other regulatory changes, such as European Community regulation on market abuse, conflicts of interest and insider trading.

In addition, given the importance of internal reporting channels, a more detailed procedure has been implemented for handling reports, that allows anyone to communicate, in a confidential manner, any acts or conduct that may be contrary to applicable regulations or the Code of Ethics and Conduct, in the behaviour of third parties that contract with the Company or to its detriment. The Complaints Channel may be used by both internal and external parties to the Company.

Furthermore, in terms of internal policies, we have to mention that, as proposed by the Nomination and Remuneration Committee, a new Remuneration Policy was approved for the Board of Directors, which primarily collects the applicable principles as provided under the Law, sets maximum limits to the different types of remuneration, regulates the forecasting system for the Executive Directors, and regulates, in a more detailed manner than in the previous Policy, the clawback clause, extending the claim term and the cases in which it is applicable.

It should also be noted that in 2018 the Company complied with all the recommendations resulting from the application of the Good Governance Code of Listed Companies, approved by the CNMV in 2015. Specifically, 56 of a total of 64 recommendations.

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. Monitoring reports on Risk Control and Management, Regulatory Compliance and Criminal Prevention functions have also been prepared and submitted to the relevant bodies.

With regard to **the distribution of 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 2018, 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. This dividend would be complementary to the one of the same amount paid in October last year.

I would not want to finish without highlighting that in 2018 there was a significant change to the Alba Board of Directors with the ending, mid-year, of the mandate of Mr Juan March Delgado, who was Chairman of this Company since 1989 and with whom I have shared the position since 1998. On behalf of the former and current members of the Board of Directors, as well as all employees who have provided services in Alba for all of these years, I would like to affectionately thank him for his dedication during 33 years to this Company, in which his excellent contributions have been fundamental, not just in the results obtained in our investments, but also in defining what Alba is today, its investment philosophy and its high reputation in the marketplace. It has been an honour for all of us to have had his presence on the Board, so I want to convey to him all of our appreciation and affection.

Finally, I want to thank, on behalf of the entire Board of Directors, all of the employees of our Company and of all our investee companies for their professionalism, enthusiasm and dedication, and all of you, our shareholders, for your trust and support.

Sincerely,
Carlos March Delgado

KEY DATA

KEY DATA

ECONOMIC AND FINANCIAL

In millions of euros unless otherwise indicated	**2018**	2017	2016	2015
Share capital at the end of the year	58	58	58	58
Total equity at the end of the year	4,059	3,996	3,621	3,313
Outstanding shares (thousands), average for the year	58,240	58,240	58,240	58,240
Net income	154	474	408	270
Dividends	58	58	58	58
Earnings per share in euros	2.65	8.14	7.00	4.63
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.

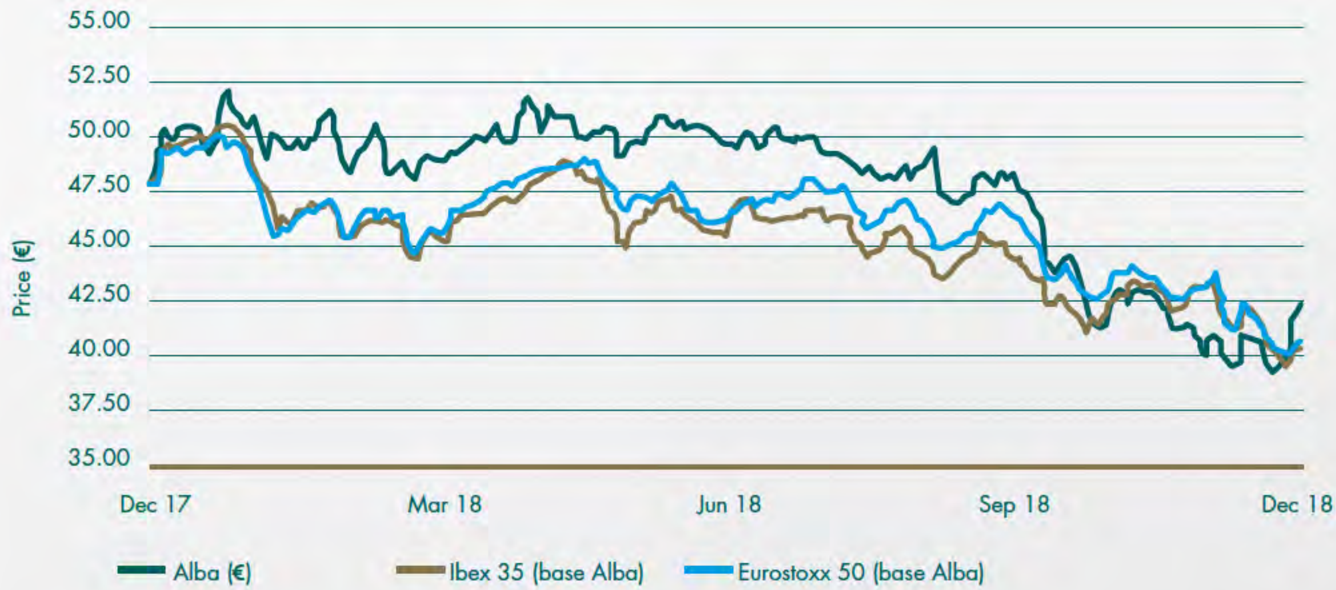
SHARE PRICE PERFORMANCE

	2018	2017	2016	2015
Closing price in euros per share				
Maximum	51.90	54.80	42.86	50.60
Minimum	39.35	42.38	30.60	36.92
Last	42.50	47.72	42.85	39.85
Market capitalisation at 31/12 (millions of euros)	2,475	2,782	2,498	2,323
Volume traded				
Number of shares (thousands)	6,521	4,330	8,514	7,826
Millions of euros	290	213	302	334
Daily average (millions of euros)	1.1	0.8	1.2	1.3
Dividend yield (on closing price)	2.4%	2.1%	2.3%	2.5%
PER (on closing price)	16.0 x	5.9 x	6.1 x	8.6 x

KEY DATA

Alba's share price fell 10.9% in 2018, still outperforming the Ibex 35 and Eurostoxx 50 for the third year running, which fell 15.0% and 14.3% respectively.

ALBA'S SHARE PRICE PERFORMANCE IN 2018 AGAINST IBEX 35 AND EUROSTOXX 50



Source: Bloomberg.

Furthermore, 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. From December 2008 to the end of 2018, the price of Alba's shares rose by 56.0%, while during the same period the Eurostoxx 50 rose by 22.6% and the Ibex 35 fell 7.1%. To put this data in context we need to remember that in 2008 there was a deep correction of the markets with the U.S. subprime mortgage crisis, Lehman Brothers' bankruptcy and the start of the largest global financial crisis since 1929. In 2008 alone, Alba's share price, the Ibex 35 and Eurostoxx 50 experienced falls ranging from 40% to 45%. After the March 2009 lows there was a significant recovery, with a relapse suffered in 2011 and the first half of 2012, caused mainly by the sovereign debt crisis in the Eurozone. A new upward cycle began in the second half of 2012, following the decisive action of the European Central Bank and the Eurogroup in July of that year, which substantially reduced the uncertainties about the future of the single currency and a possible rescue for Spain or Italy, after the rescues previously carried out in Greece and Portugal. 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 may give additional impetus to growth. In 2017 and 2018, markets, with the notable exception of the US, have had a mixed behaviour, with a large fall late last year and a strong recovery in the first months of 2019.

ALBA'S 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	**2018**	2017	2016	2015
Data at 31/12				
Gross Asset Value (1)	3,661	3,823	3,740	3,379
Net Asset Value (2)	3,912	4,049	3,990	3,666
Net Asset Value in Euros per Share (2)	67.17	69.53	68.51	62.95

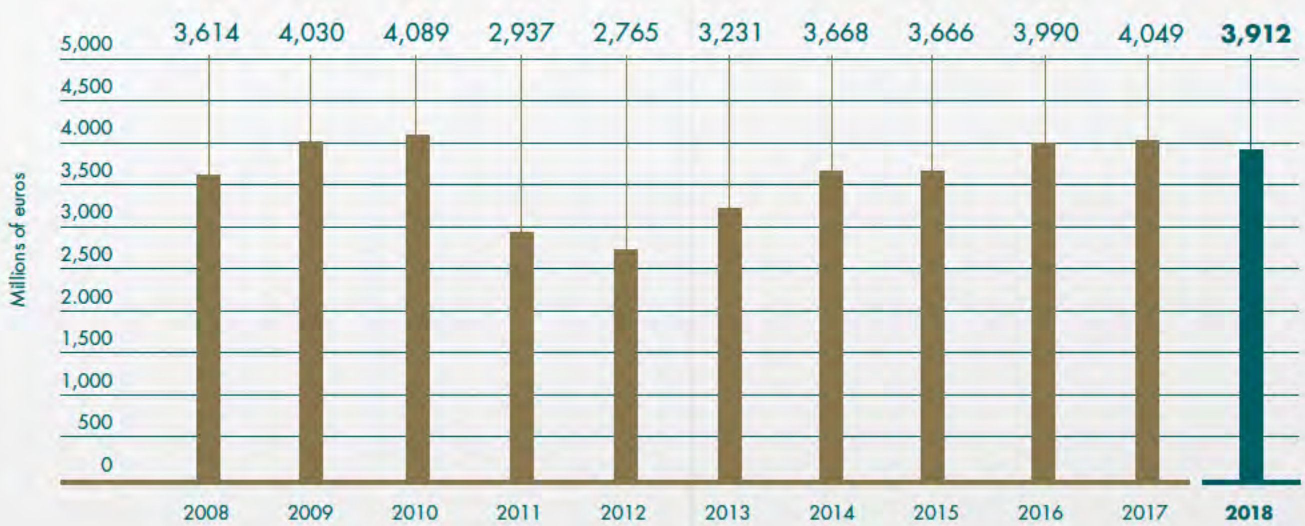
(1) Includes investments in listed and unlisted companies, real estate and, where applicable, the net cash position.
(2) Gross value of assets and other assets less, where applicable, net financial debt and other liabilities.

KEY DATA

Considering the amounts at the end of each year, the Net Asset Value (NAV) fell by 3.4% in 2018.

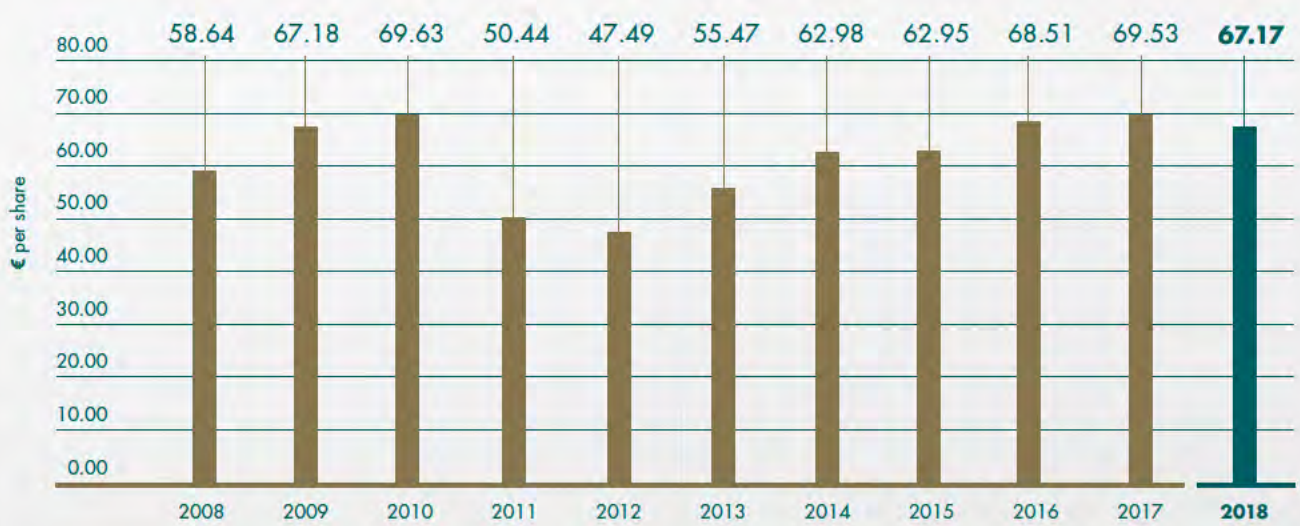
The following chart shows the evolution of the NAV since the end of 2008:

EVOLUTION 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:

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



KEY DATA

INVESTMENT PORTFOLIO

Structure of Alba investee companies to 31 December 2018, including total holdings, both direct and indirect:

Naturgy

5.27%

Acerinox

18.96%

Ebro Foods

14.00%

Viscofan

13.00%

ALBA GRUPO MARCH

CORPORACIÓN FINANCIERA ALBA

(1) Additionally, Alba has a 5.00% stake in Global Dominion that is included in "Financial Investments at Fair Value with Changes in Profit and Loss" in the Consolidated Balance Sheet.


CIE Automotive
10.10%
Bolsas y Mercados Españoles
12.06%
Parques Reunidos
21.43%
ndra
10.52%
Euskaltel
11.00%
Mecalux
24.38%
MonBake
3.70%
in-Store Media
18.89%
Terberg Ros Roca
7.50%
Alvinesa
16.83%
Satlink
28.07%

KEY DATA

Value of the Portfolio at 31 December 2018:

	Market Value (1)		
Listed Companies (2)	**Percentage of ownership**	**Millions of euros**	**Euros per share**
Naturgy (3)	5.27	706.0	22.260
Acerinox	18.96	453.4	8.662
Ebro Foods	14.00	375.8	17.440
Viscofan	13.00	291.6	48.120
CIE Automotive	10.10	279.3	21.440
Bolsas y Mercados Españoles	12.06	245.3	24.320
Parques Reunidos	21.43	186.9	10.800
Indra	10.52	153.1	8.235
Euskaltel	11.00	137.4	6.990
Global Dominion	5.00	36.4	4.300
Total Stock Market Value		**2,865.1**	
Total Book Value		3,030.8	
Unrealized Capital Loss		**(165.7)**	
Unlisted Companies (4)		**182.3**	
Real Estate		**344.0**	

(1) Prices at the last exchange rate in December. All the investee listed companies are listed on the Spanish Stock Exchange.
(2) Investments accounted for using the equity method. Global Dominion is accounted for at fair value.
(3) Direct stake of 0.11% and indirect of 5.16% through the 25.73% stake in Rioja Bidco Shareholdings, S.L.U.
(4) Of the unlisted companies, Satlink is fully consolidated to 31 December 2018. All other investments in unlisted companies are carried at fair value.

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

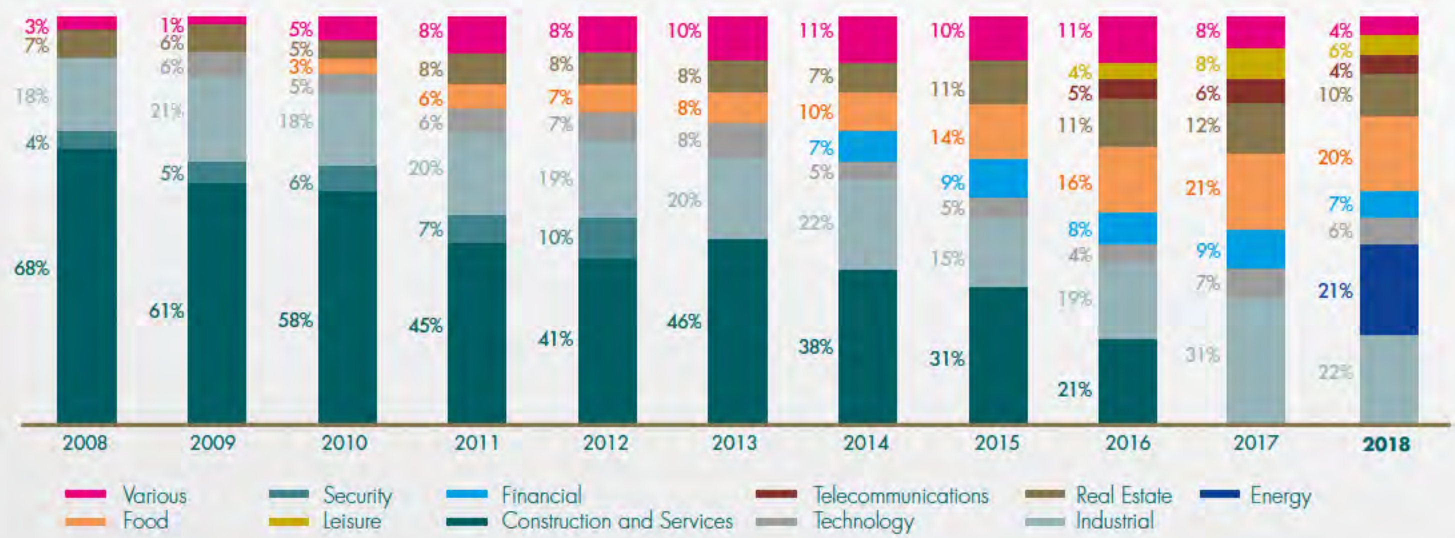
	Percentage of ownership (%)			
	31-12-2018	**Variation 2018**	31-12-2017	31-12-2016
Listed companies				
Naturgy	5.27	5.27	-	-
Acerinox	18.96	-	18.96	18.96
Ebro Foods	14.00	2.00	12.00	10.01
Viscofan	13.00	1.68	11.32	11.02
CIE Automotive	10.10	0.10	10.00	-
Bolsas y Mercados Españoles	12.06	-	12.06	12.06
Parques Reunidos	21.43	1.42	20.01	10.53
Indra	10.52	-	10.52	11.32
Euskaltel	11.00	-	11.00	11.00
Global Dominion	5.00	5.00	-	-
ACS	-	-	-	7.52
Clínica Baviera	-	-	-	20.00
Unlisted companies				
Mecalux	24.38	-	24.38	24.38
MonBake	3.70	3.70	-	-
in-Store Media	18.89	-	18.89	18.89
TRRG Holding	7.50	-	7.50	7.50
Gascan	-	(40.30)	40.30	-
Satlink	28.07	-	28.07	-
Alvinesa	16.83	-	16.83	-
Panasa	-	(26.50)	26.50	26.50
Flex	-	-	-	19.75
Siresa Campus	-	-	-	17.44
EnCampus	-	-	-	32.75

KEY DATA

SECTOR DIVERSIFICATION

Adding the market value of the holdings in listed and unlisted companies and real estate assets 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 2008 to 2018, Alba invested in new sectors such as Energy (Naturgy), Food (Ebro Foods and Viscofan), Technology (Indra and Global Dominion), Finance (Bolsas y Mercados Españoles), Telecommunications (Euskaltel) and Leisure (Parques Reunidos) and significantly increased the weight of Industrial (Acerinox and CIE Automotive). 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 latter being the sector with the greatest weight in our portfolio in the last decade. The Various category mainly includes shares in unlisted companies through development capital vehicles Deyá Capital and Deyá Capital IV, varying its weight based on different investments and divestitures made. At the end of 2018 its weight is less than in previous years mainly due to the divestitures made by Deyá Capital. The first "fund" managed by Artá Capital is currently under divestment, while the second "fund" is currently in an investment period, so new investments are expected in the coming years. Deyá Capital IV is the vehicle through which Alba makes the investments in this second "fund".

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. Energyco II, S.A. was excluded from the scope of the consolidation on 31 December 2018.

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 SHEETS BEFORE PROFIT DISTRIBUTION

ASSETS

In millions of Euros	At 31 of December 2018	At 31 of December 2017	At 31 of December 2016
Real estate investments	327.3	336.5	349.1
Property, plant and equipment	7.9	46.9	7.0
Goodwill	5.0	10.2	-
Other intangible assets	38.1	67.0	-
Investments in associated companies	2,994.4	2,383.1	2,321.4
Investments at fair value with changes in Profit and Loss	201.1	154.5	325.2
Other financial assets	65.1	68.8	133.8
Non-current assets	**3,638.9**	**3,067.0**	**3,136.4**
Cash and cash equivalents	390.7	912.5	469.9
Other current assets	238.5	296.8	193.2
Current assets	**629.2**	**1,209.3**	**663.1**
Total assets	**4,268.1**	**4,276.3**	**3,799.5**

LIABILITIES

In millions of Euros	At 31 of December 2018	At 31 of December 2017	At 31 of December 2016
Share capital	58.2	58.3	58.3
Reserves	3,858.0	3,461.1	3,185.7
Treasury shares	-	(2.4)	(2.4)
Interim dividend	(29.1)	(29.1)	(29.1)
Profit for the year	154.4	474.1	407.8
Minority shareholders	17.4	34.1	0.7
Total equity	**4,058.9**	**3,996.1**	**3,621.0**
Financial debt	128.9	180.8	127.5
Provisions and other debt	9.8	7.5	3.5
Other liabilities	39.0	52.9	32.3
Non-current liabilities	**177.7**	**241.2**	**163.3**
Financial debt	12.8	14.5	9.1
Other debts	18.7	24.5	6.2
Current liabilities	**31.5**	**39.0**	**15.3**
Total equity and liabilities	**4,268.1**	**4,276.3**	**3,799.5**

CONSOLIDATED FINANCIAL INFORMATION

BALANCE SHEET

The evolution in 2018 of the main items on Alba's balance sheet was as follows:

The ***Real Estate Investments account***, which collects real estate for rent, decreased 9.2 million euros in 2018, to 327.3 million euros, mainly due to the sale of one floor of offices and several parking spaces in Madrid, slightly offset by the increase in the estimated fair value of the rest 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 decreased from 46.9 to 7.9 million euros, due to the sale and removal of Gascan from the scope of the consolidation. This sale also explains the changes in ***Goodwill*** and ***Other intangible assets***.

Investments in associated companies increased by 611.3 million euros in 2018. This increase is explained by the results contributed by the investees (161.4 million euros), by the net carrying amount of the investments and divestments made (629.8 million euros, which includes the investments made in Naturgy, Ebro Foods, Viscofan, Parques Reunidos and CIE Automotive) and by the partial reversal of the impairment in the carrying amount of Euskaltel (11.9 million euros). This account includes the negative net balance of changes in the consolidated equity of associates (16.5 million euros), dividends accrued by investees (153.2 million euros), and the impairment of the carrying amount of the investment in Bolsas y Mercados Españoles (22.1 million euros).

Investments at fair value with changes in Profit and Loss increased from 154.5 million euros to 201.1 million euros in 2018, due to the acquisition of shares in MonBake and Global Dominion (48.7 million euros) and the lower estimated fair value for the interests in the investee companies contained in this item (-2.1 million euros). In this regard, it should be noted that in 2018 this account includes all the holdings in unlisted companies, except those of Satlink, which are fully consolidated.

Other financial assets were reduced by 3.7 million euros, mainly due to the collections received from a long-term debt receivable.

The balance of ***Cash and cash equivalents*** decreased in 2018 from 912.5 to 390.7 million euros, primarily due to the investments made.

In addition, ***Other current assets*** dropped from 296.8 million euros to 238.5 million euros mainly from the sale of Panasa (88.4 million euros) that was recorded in ***Non-current assets held for sale***, from the increase in accounts receivable for the sale of the stake in Gascan, which has been collected in the first months of 2019, as well as from the full consolidation of Satlink.

In 2018, ***Share capital*** dropped by 60,000 euros, through the amortisation of all the shares included in the company's treasury stock.

Reserves increased by 396.9 million euros, from 3,461.1 million euros to 3,858.0 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.

Interim dividend amounted to 29.1 million euros at the end of 2018 and reflects the Ordinary Interim Dividend of 0.50 euros gross per share paid last October out of 2018 profit.

Treasury shares records the cost of Alba's treasury shares, which has been fully amortised during the year. Thus, to 31 December 2018, Alba did not have any treasury stock.

Profit for the year stood at 154.4 million euros, 67.4% lower than the profit of 474.1 million euros obtained in 2017.

Minority shareholders dropped from 34.1 to 17.4 million euros in the year as a result of Gascan's withdrawal from the scope of the consolidation.

As a result, ***Total equity***, including ***Minority shareholders,*** increased by 1.6% in the year to 4,058.9 million euros.

Non-current liabilities include financial liabilities maturing in over one year amounting to 128.9 million euros and deferred tax liabilities amounting to 39.0 million euros. The changes in these items are also due to Gascan's withdrawal from the scope of the consolidation already mentioned on several occasions.

Current Liabilities, which include both bank loans maturing in less than one year and other short-term liabilities, dropped from 39.0 million euros at the end of 2017 to 31.5 million euros at the end of 2018, due to the sale of Gascan.

At 31 December 2018, Alba's net cash calculated as cash position minus short-term and long-term financial liabilities, excluding the full consolidation of Satlink, was 269.4 million euros, compared with 761.7 million euros net cash at the end of the previous year. This drop in the net cash position is primarily due to the negative balance of asset sales minus investments made. In the first months of 2019, the net cash has continued to decline as a result of the purchase of an indirect stake of 7.2% (the remaining stake to reach a 7.5% stake will be acquired during the second quarter of 2019) in Verisure completed on April 2019.

CONSOLIDATED INCOME STATEMENT [1]

In millions of Euros	**2018**	2017	2016
Share of profit of associates	161.4	118.9	165.0
Turnover and other revenue	97.5	70.8	18.7
Change in fair value of investment property	0.2	0.9	15.8
Financial income	14.6	7.3	7.0
Impairment of assets and change in fair value of financial instruments	(41.0)	(36.0)	65.7
Result from assets sales	25.8	389.9	168.6
Total	**258.5**	**551.8**	**440.8**
Procurement	(29.6)	(19.5)	-
Operating expenses	(46.0)	(42.1)	(23.2)
Financial expenses	(6.5)	(5.4)	(2.7)
Provisions	-	(0.4)	-
Depreciation	(11.9)	(8.4)	(0.9)
Corporate income tax	(1.9)	1.2	(5.4)
Profit attributable to minority interests	(8.2)	(3.1)	(0.9)
Total	**(104.1)**	**(77.7)**	**(33.1)**
Net income	**154.4**	**474.1**	**407.8**
Net income per share (euros)	**2.65**	**8.14**	**7.00**

(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 154.4 million euros in 2018, 67.4% less than the previous year's result. ***Net income per share*** dropped from 8.14 euros in 2017 to 2.65 euros in 2018.

Income included under ***Share of Profit of associates*** increased by 35.7%, from 118.9 million euros in the previous financial year to 161.4 million euros in 2018. This increase is mainly due to the contribution of results from the shareholdings in CIE Automotive and Naturgy, which contributed this year for the first time. This effect was partially offset by the lower contribution to results of the other Associated companies, which, overall, contributed 6.6 million euros less than the previous year.

Turnover and other revenue increased by 26.7 million euros to 97.5 million euros in the year, mainly as a result of the full consolidation of Gascan and Satlink. In this case, the financial year 2017 is not completely comparable because the consolidation of these companies occurred from their acquisition in March and May 2017, respectively, and not for the entire year. Revenue from real estate investment fell by 1.8% to 16.1 million euros, due to the sale of the aforementioned properties. At 31 December 2018, the total rentable surface amounted to approximately 83,700 square meters, with an occupancy level of 86.0%, similar to the 86.4% at the end of 2017.

According to the assessment made by independent experts, the estimated value of the real estate assets increased by 0.2 million euros in 2018, this amount being included in ***Change in fair value of investment property***. At 31 December 2018 the fair value of investment property was 327.3 million euros.

Financial income was 14.6 million euros in 2018 compared to 7.3 million euros the previous year, due to higher interest and dividends received.

Impairment of assets and change in the fair value of financial instruments presented a negative result of 41.0 million euros in 2018 and, includes, among others, the impairment on the book value of the holdings in Bolsas y Mercados Españoles (22.1 million euros), the partial recovery of impairment on the carrying amount of the investment in

Euskaltel (11.9 million euros) and the drop in the fair value of financial instruments (31.7 million euros), among others.

Result from assets sales includes income of 25.8 million euros in 2018, 93.4% less than in the previous year, which corresponds mostly to the pre-tax gain obtained on the sale of the stake in Gascan in 2018. The previous year this item included the gains earned in the remaining stake in ACS.

Operating expenses in 2018 amounted to 46.0 million euros, 3.9 million euros more than in the previous year. This increase is due to the rise of 5.4 million for the aforementioned effect of the full consolidation of Gascan and Satlink, minus lower personnel expenses, costs directly linked to the real estate business and other general expenses of Alba. Overall, ***Operating expenses*** directly attributable to Alba represented 0.65% of the Net Asset Value before tax at year-end.

The effect of the consolidation of Gascan and Satlink also explains the increase in spending of ***Procurement*** of 19.5 million euros in 2017 to 29.6 million euros in 2018.

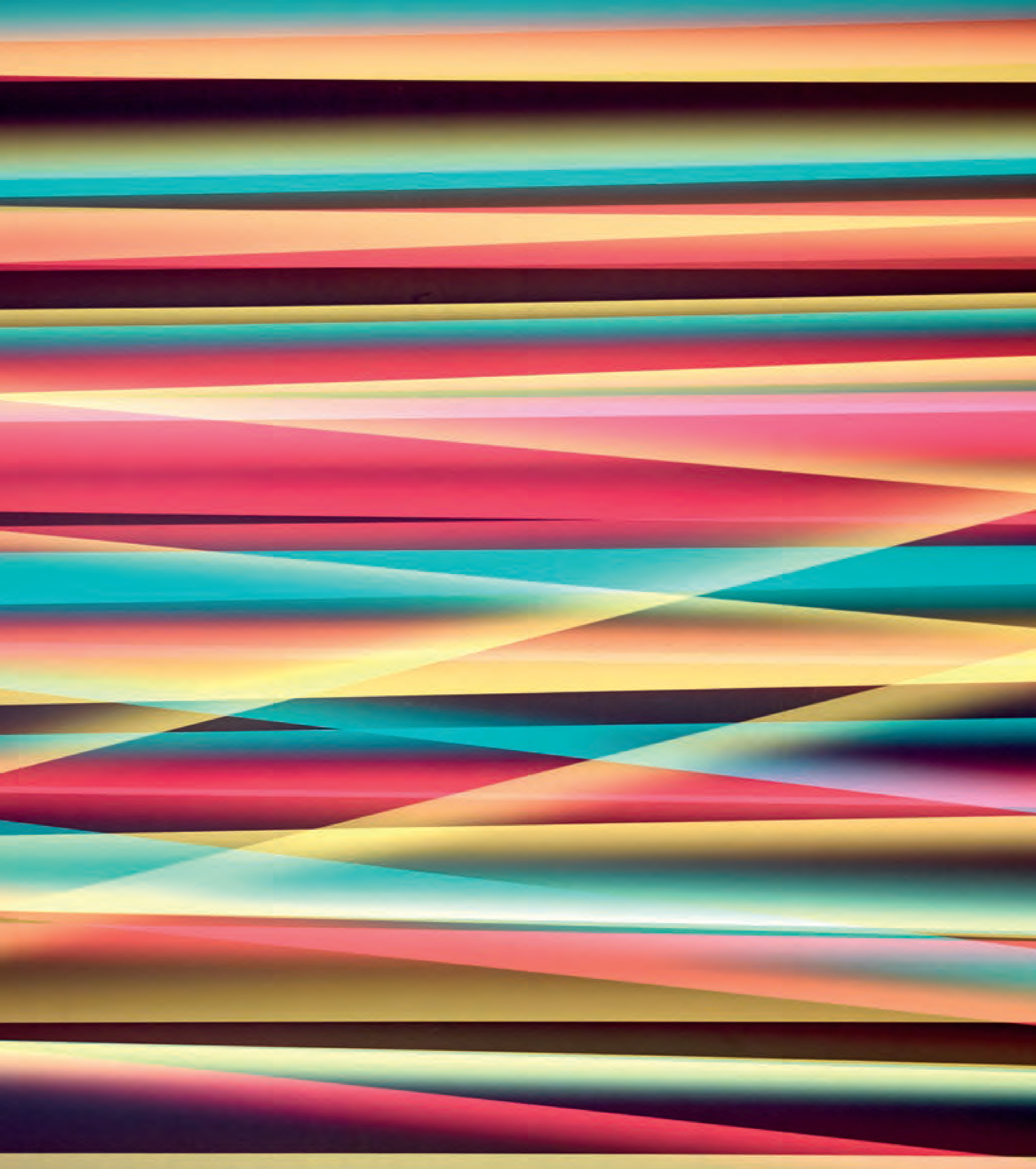
Financial expenses remained almost stable in the year at 6.5 million euros, with no significant variations in Alba's comparable bank debt. This change in the scope of the consolidation also explains the increase in the expense for ***Profit attributable to minority interests*** from 3.1 to 8.2 million euros in 2018.

Corporate income tax includes an expense of 1.9 million euros compared to income of 1.2 million euros in 2017.

INFORMATION ON INVESTEE COMPANIES

LISTED

UNLISTED



INFORMATION ON INVESTEE COMPANIES LISTED

NATURGY

www.naturgy.es

COMPANY DESCRIPTION

Naturgy, formerly known as Gas Natural, is an integrated multinational energy company with a presence in the gas and electricity sector. Headquartered in Spain, it operates in over 30 countries, with a strong presence in Spain and Latin America. It is the third largest electricity company in Spain and the largest Liquefied Natural Gas (LNG) operator in the Atlantic Basin.

Naturgy is present in both regulated and liberalised businesses and performs gas and electricity distribution activities, infrastructure, supply and transport of gas and power generation, both conventional and renewable.

The Company operates across four lines of business:

- Gas & Electricity: commercialization of gas, electricity and services, international LNG, European power generation and international power generation.

- *Europe, the Middle East and Africa* (EMEA) infrastructures: gas and electricity networks in Spain and *Europe Maghreb Pipeline Limited* (EMPL) gas pipeline.

- Southern Latam infrastructures: electricity and gas business in Chile and Argentina and gas business in Brazil and Peru.

- North Latam infrastructures: gas business in Mexico and electricity business in Panama.

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

The financial year 2018 is the Company's first year within its new 2018-2022 Strategic Plan, which aims to achieve, in 2022, an EBITDA and net profit of 5,000 and 1,800 million euros, respectively, through four pillars: simplicity and accountability, optimisation, financial discipline and shareholder remuneration. Additionally, coinciding with the introduction of the new Strategic Plan, the change in corporate name and corporate image was announced under the "Naturgy" brand.

INFORMATION ON INVESTEE COMPANIES LISTED

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Net sales	24,339	23,207	21,908
EBITDA	4,019	3,903	4,664
EBIT	(2,167)	2,128	2,764
Net profit/(Loss)	(2,822)	1,360	1,347
Total assets	40,631	47,322	47,114
Net financial debt	13,667	15,154	15,423
Equity	14,595	18,305	19,005
Employees (31-dec.)	12,700	14,718	15,502
Share price (closing 31-dec.) (in euros per share)	22.26	19.25	17.91
Market capitalisation (closing 31-dec.)	22,275	19,263	17,922
Gross dividend yield (on closing price)	6.3%	5.2%	5.6%

The results for 2018 have been marked by a strong performance of the Gas & Electricity business, which has been offset by the negative impact of exchange rates and non-ordinary elements, among which we can highlight the impairment of the book value of assets by an amount of 4,851 million euros. This impairment occurred primarily in conventional power generation assets in Spain and was a result of the asset and business review performed as part of the new Strategic Plan.

Net sales reached 24,339 million euros in 2018, up 4.9% from 2017, primarily driven by higher volumes and prices in the gas business.

EBITDA amounted to 4,019 million euros in the year, including non-ordinary items such as restructuring costs arising from the implementation of the efficiencies plan. Without considering the latter, ordinary EBITDA grew by 11.8% to 4,413 million euros, mainly supported by the improvement in the Gas & Electricity business, as well as the stability of the infrastructure businesses that, collectively, have more than offset the negative effect of the exchange rates.

NET SALES BY REGION

- Spain **46.1%**
- Latin America **33.1%**
- Rest of Europe **12.0%**
- Other **8.7%**

EBITDA BY DIVISION

- EMEA Infrastructures **43.1%**
- Gas and Electricity **32.5%**
- South LatAm Infrastructures **18.9%**
- North LatAm Infrastructures **5.5%**

Naturgy reported a net income loss of 2,822 million euros, as a result of the aforementioned asset value impairment. Excluding this and other non-ordinary items, recurring net profit would have grown by 57.0% to 1,245 million euros, thanks to the higher activity, lower amortisations and lower financial expenses as a result of the Group's debt optimisation.

In 2018, Naturgy's total investments amounted to 2,321 million euros, 30.2% more than in 2017. More than 70% of these investments were used on growing the Company's asset base through the development of new renewable capacity in different geographies, the acquisition of two methane ships under financial lease and other projects.

Cash flow after minority shareholders grew to 3,054 million euros in 2018, much higher than the previous year (746 million euros), mainly due to the sale of several non-strategic assets for 2,607 million euros and a greater focus on cash generation by the Company. Cash flow was used for the payment of dividends and to reduce financial debt.

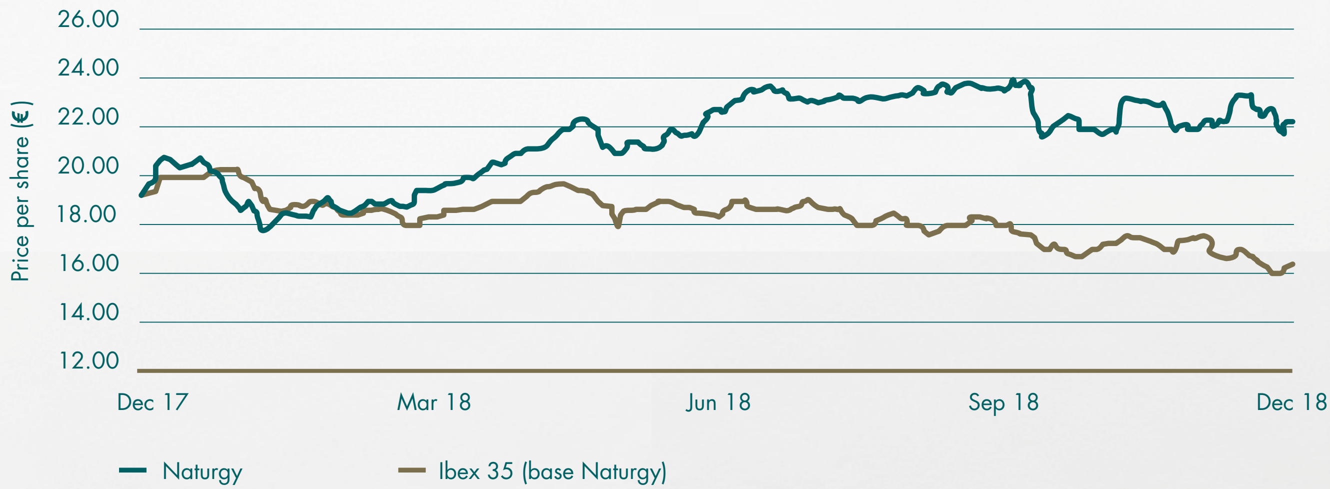
The company's net financial debt decreased by 9.8% in 2018, to 13,667 million euros, 3.4 times EBITDA. In addition, the average cost of debt decreased from 3.4% in 2017 to 3.1% in 2018. Capital structure optimisation is one of the objectives set by Naturgy in its 2018-2022 Strategic Plan.

ALBA'S PERCENTAGE OF OWNERSHIP

Although its shareholding is primarily indirect, Alba is one of the Company's main shareholders, with a total share of 5.27% of its share capital to 31 December 2018. The majority of this stake, 5.16%, was acquired through 25.73% stake in the share capital of Rioja Bidco Shareholdings, Company owned by CVC and Alba, which bought the 20.072% stake that Repsol had in Naturgy for close to 3,800 million euros in May. Additionally, Alba purchased an additional 0.11% directly in the year.

SHARE PRICE PERFORMANCE OF NATURGY IN 2018

During 2018, Naturgy's price increased by 15.6% to 22.26 euros per share, which is much higher than the Ibex 35, which fell 15.0%. At 31 December, the market capitalisation of Naturgy was 22,275 million euros.



Source: Bloomberg.

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 48 countries. Acerinox sells its products in more than 80 countries across all five continents.

SALES BY REGION

- America **47.3%**
- Rest of Europe **25.5%**
- Asia **12.5%**
- Spain **9.2%**
- Africa **4.9%**
- Oceania **0.5%**

By market, North American Stainless' (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 2018.

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

According to data from the *International Stainless Steel Forum*, world stainless steel production reached 50 million tonnes in 2018, up 5.5% 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 of steel increased in all major markets. However, for the second year in a row, it was not China that recorded the highest growth (+3.0%) but rather India (+6.4%) and Japan (+3.7%), although it is true that both markets are substantially smaller than China's. US production rose 3.0% while it remained stable in Europe. In terms of market share, China remains the leading stainless steel manufacturer with a 52.3% share of world steel production.

Apparent consumption, meanwhile, recorded an uneven performance, with falls in Europe and the US and growth in Asia and South Africa. In Europe, the evolution of final demand was satisfactory in the first half of the year. However, in the second quarter there was a significant increase in imports due to the high price differential in Europe with respect to Asia, the protectionist measures in the US and, possibly, the poor implementation of safeguard measures in the European Union. These imports contributed to the collapse of the prices that, along with high inventories, led to a strong market correction during the fourth quarter, which drove apparent consumption down by approximately 2%. In the US, the market performed well, in both consumption and prices due to the good gait of this economy and the protectionist measures. However, the correction in inventory levels and the drop in imports caused apparent consumption to decrease by 1% in the year. In South Africa, apparent consumption recovered, returning to levels similar to those of recent years, aided by the uptick in demand in key sectors such as automotive and the container industry. In Asia, demand was generally good overall, with China standing out, where apparent consumption continued to grow above production, +7% and +3% respectively.

As regards the development of the price of raw materials, the price of nickel dropped 12.6% in 2018. Despite this drop in annual terms, prices started the first half of the year on an upward trend and hit the annual high on the London Metal Exchange of 15,755 dollars per ton at the beginning of June, levels not seen since the end of 2014. The second half of the year was marked by a continued decline of the prices caused by lower consumption, as well as deteriorating economic expectations, ending the year at 10,660 dollars per ton. The continued decline in nickel inventories failed to slow down the drop in prices, with 2018 being the third consecutive year with a negative supply-demand balance, with an estimated deficit of around 125,000 tons.

Despite a slight fall from the previous year, year 2018 was a good year in terms of production for the Acerinox Group. Cold rolling production was 1.8 million tons, up 0.8% year on year, exceeding historical record production for the third consecutive year. For their part, steel and hot-rolled production fell by 3.1% and 4.9% respectively to 2.4 million tons and 2.1 million tons, levels close to the historical peak reached in previous years.

ANNUAL PRODUCTION IN THOUSANDS OF TONNES

	2018	2017	2016
Crude steel	2,440	2,519	2,475
Hot Rolling	2,120	2,231	2,209
Cold Rolling	1,752	1,738	1,716
Long Products (hot-rolled)	255	234	224

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Sales	5,011	4,627	3,968
EBITDA	480	489	329
EBIT	312	318	157
Net profit	237	234	80
Total assets	4,608	4,404	4,455
Net financial debt	552	609	620
Equity	2,119	1,970	2,169
Employees (31-dec.)	6,709	6,742	6,573
Share price (closing 31-dec.) (in euros per share)	8.66	11.92	12.61
Market capitalisation (closing 31-dec.)	2,391	3,289	3,480
Gross dividend yield (on closing price)	5.2%	3.8%	3.5%

In 2018, Acerinox obtained a result similar to that of previous year but, in any case, among the best in the last ten years. However, we have to highlight the difficulties experienced in the last quarter of the year, very complex due to the convergence of a number of negative factors: in Europe there was an avalanche of imports due to the provisional safeguards of the European Union, compounded by the environment of lower raw material prices, and, all of it, together with the general economic uncertainty; in the US, the correction was limited to the usual fourth quarter seasonality and the impact of lower raw material prices; and finally in Asia, strong competition had a big impact on prices in the region.

Sales grew 8.3% in the year, to 5,011 million euros, due to increased sales in physical units (+2%) and higher average selling prices.

EBITDA was 480 million euros in 2018, 1.8% lower than the previous year, affected by the previously mentioned negative factors, by the inventory adjustment to net realizable value (-22 million euros) and the depreciation of the dollar (-14 million euros), all partially offset by the implemented operational measures that had a positive impact of almost 70 million euros.

EBIT also dropped by 1.9% to 312 million euros while, on the contrary, net income was the best since 2007, with a growth of 1.3% to 237 million euros, due to lower financial costs and the impact of lower taxes in the US.

The Company has launched a new "Excellence 360" plan, which it intends to implement during the period from 2019 to 2023 in order to achieve an overall improvement in productivity and efficiency through digital transformation, aiming to progressively achieve returns in EBITDA of 125 million euros annually from 2023.

At 31 December 2018, Acerinox had equity of 2,119 million euros and net financial debt of 552 million euros, 9.4% less than at the end of 2017.

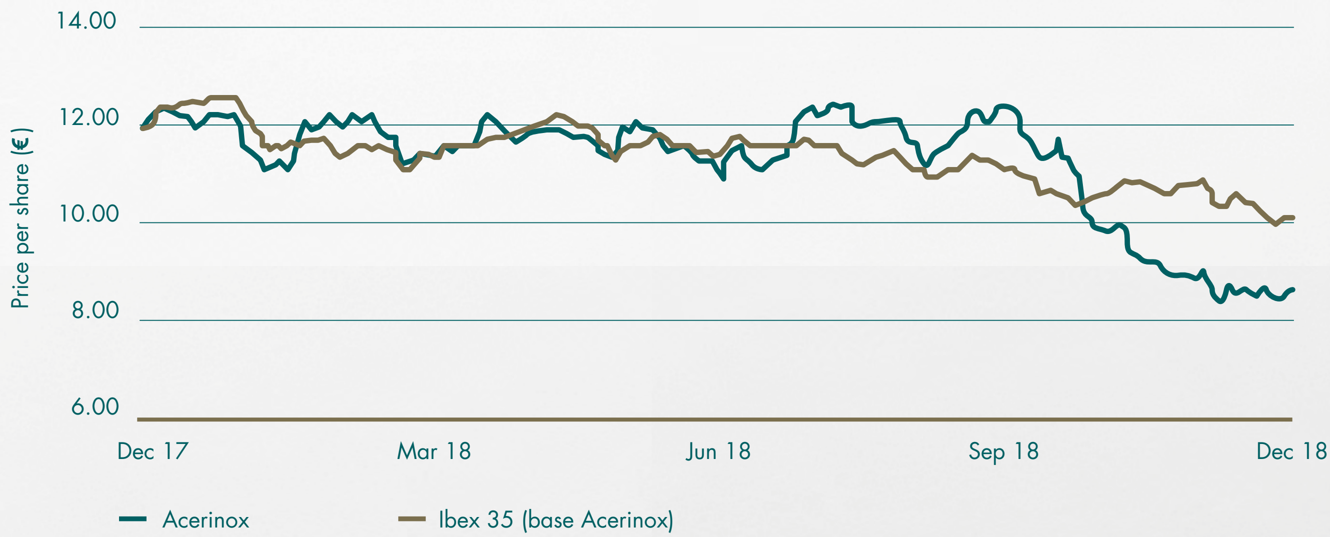
Acerinox invested 144 million euros in the year, 16.5% less than the previous year. These investments were concentrated mainly in Algeciras (88 million euros) and NAS (33 million euros), with the aim of increasing production capacity and enabling the production of certain products with higher added value on the European and North American markets.

ALBA'S PERCENTAGE OF OWNERSHIP

At 31 December 2018, 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 OF ACERINOX IN 2018

The Acerinox share price ended 2018 at 8.66 euros per share, which represented a decrease of 27.3% in the year, a performance lower than that of the Ibex 35 (-15.0%). Its market capitalisation amounted to 2,391 million euros at the end of the year.



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 80 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 2018).

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 inorganic growth strategy, in 2018 the Company acquired 70% of Bertagni, an Italian company, known as Italy's oldest filled pasta brand and a fresh pasta specialist in the premium sector.

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

Ebro's annual sales in 2018 grew by 5.6% to 2,647 million euros, mainly due to the good performance of the rice division and the pasta division.

For their part, EBITDA and EBIT fell by 13.4% and 20.5% respectively, to 311 and 222 million euros, due to the increase in raw material prices and the operational and logistical issues suffered in the rice business in the US. The EBITDA margin on sales dropped to 11.7%, from 14.3% in the previous year, with a slight drop in advertising spending.

Net profit was 142 million euros, 35.8% lower than the previous year, due to the lower operating results and positive impact, in 2017, of the new US approved tax regulation, which accounted for extraordinary income in company tax of 51 million as a result of the update of net deferred tax at the new tax rate.

INFORMATION ON INVESTEE COMPANIES LISTED

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Sales	2,647	2,507	2,459
EBITDA	311	359	344
EBIT	222	279	267
Net profit	142	221	170
Total assets	3,832	3,661	3,645
Net financial debt	705	517	443
Equity	2,190	2,122	2,106
Employees (31-dec.)	7,071	6,460	6,145
Share price (closing 31-dec.) (in euros per share)	17.44	19.52	19.91
Market capitalisation (closing 31-dec.)	2,683	3,003	3,063
Gross dividend yield (on closing price)	3.3%	2.9%	2.7%

The company's net financial debt increased by 36.2% in 2018 to 705 million euros, due to the operational investments made and the acquisition of Bertagni. As a consequence of the increase in financial debt and the drop in EBITDA, the net debt to EBITDA ratio for the year was 2.3 times, a 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) was 12.3% in 2018, with a large drop from 16.6% in the year before. It is worth noting that the fall in the ROCE is due to lower operating results, but also to strong ongoing organic investments that have yet to deliver results to the Group.

SALES BY ACTIVITY

- Rice **52.1%**
- Pasta **47.9%**

SALES BY GEOGRAPHICAL AREA

- EU (Euro zone) **40.8%**
- EU (not euro) **7.4%**
- Spain **6.7%**
- Other **45.1%**

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

By business areas, sales of the Rice division grew 5.0% to 1,413 million euros, due to higher prices that allowed for the transfer of the higher raw material costs and due to higher volumes in Europe. EBITDA and EBIT fell by 21.4% and 28.2% respectively, to 162 and 124 million euros, weighed by the situation in the North American market.

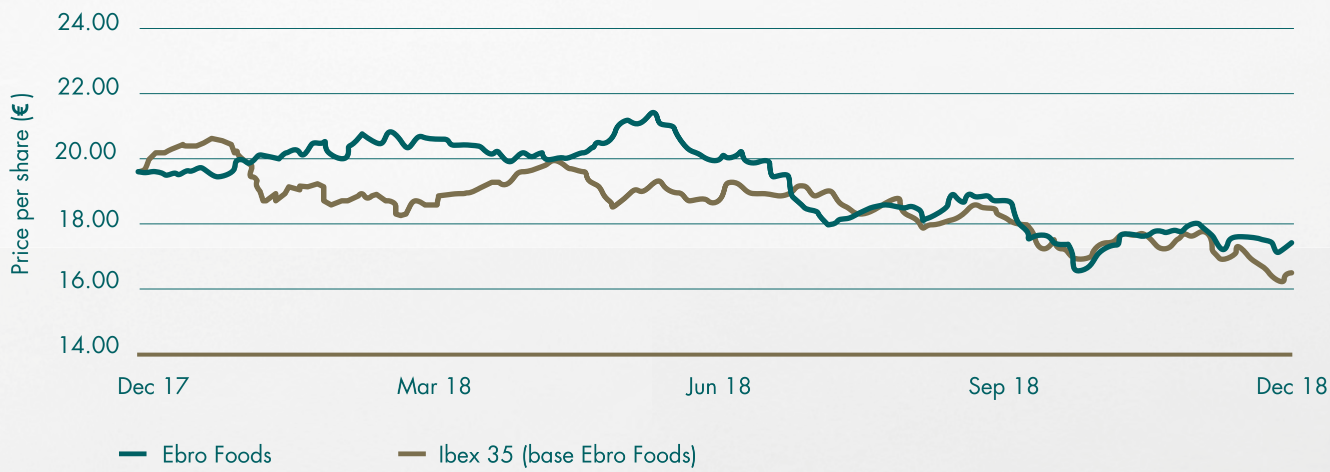
Sales of the Pasta division reached 1,299 million euros in the year, up 6.6% from 2017, due to the consolidation of the acquisition of Bertagni. With a constant scope, sales would have increased by 1.6% in 2018. Same as with the Rice division, both EBITDA and EBIT fell, by 4.4% and 9.9% respectively, to 156 and 106 million euros.

ALBA'S PERCENTAGE OF OWNERSHIP

In 2018, Alba increased its stake in the share capital of Ebro Foods from 12.00% to 14.00%, with an investment of 53.0 million euros, as one of its main shareholders.

SHARE PRICE PERFORMANCE OF EBRO FOODS IN 2018

During 2018, the share price of Ebro Foods fell 10.7% to 17.44 euros per share, against a 15.0% drop in the Ibex 35. At 31 December, the market capitalisation of Ebro Foods was 2,683 million euros.



Source: Bloomberg.

VISCOFAN

www.viscofan.es

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, Belgium, Czech Republic and Serbia), North America (USA and Mexico), Latin America (Brazil and Uruguay) and Asia (China). In addition, it has 15 sales offices in various countries.

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

The 2018 financial year falls in the middle of the Company's 2016-2020 Strategic Plan ("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, Viscofan has maintained a strong investment activity in the financial year 2018, with a total of 72 million euros. Worth noting are the investments made to complete the construction of the new fibrous plant in Caseda, Spain, a new technology for the production of viscose-based casings and the installation and commissioning of new edible collagen capacity in Novi Sad (Serbia). In addition, the acquisitions in February and November 2018, respectively, of Transform Pack, a Canadian company specialising in the transfer of ingredients, and of Globus, with presence in Australia and New Zealand are part of this strategy.

As regards the evolution of the business in 2018, the casings market continues to grow, with an increase in volumes of around 2% in the year.

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Sales	786	778	731
EBITDA	209	211	204
EBIT	146	155	154
Net profit	124	122	125
Total assets	1,034	961	931
Net financial debt	80	41	9
Equity	758	728	708
Employees (31-dec.)	4,609	4,748	4,541
Share price (closing 31-dec.) (in euros per share)	48.12	55.01	46.85
Market capitalisation (closing 31-dec.)	2,243	2,564	2,183
Gross dividend yield (on closing price)	3.5%	2.7%	3.1%

Note: In 2016, Vector is consolidated in November and December. In 2017, Supralon is fully consolidated from 1 December. In 2018 Transform Pack is consolidated from 1 March and Globus from 1 December.

INFORMATION ON INVESTEE COMPANIES LISTED

Viscofan's sales grew by 1.0% in 2018, to 786 million euros, thanks to the good performance in volumes, the improvement in prices and the contribution of the acquisitions that were made, despite the negative impact of the exchange rates (-3.8%). However, a weak third quarter performance and higher energy costs in the second half of the year have led to a slightly lower performance than expected in the initial "guidance" in terms of revenue and EBITDA.

By nature of revenue, sales of Casings showed a slight growth (+1.0%) with respect to the previous year. Furthermore, Cogeneration revenue also increased by 1.4% compared to 2017, to 45 million euros. If we exclude the impact of foreign currency variations, the changes in the scope of the consolidation and non-recurring results, annual revenue would have increased 2.9% compared to 2017.

SALES BY ACTIVITY

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

SALES BY GEOGRAPHICAL AREA

- Europe and Asia **56.9%**
- North America **28.5%**
- Latin America **14.6%**

By geographic areas, the positive performance of sales reported in Europe and Asia (+3.1%), which compensates for the slight falls in Latin America (-1.9%) and North America (-1.1%) is worth noting. However, all regions show sales growth in organic terms, that is, once the impact of changes in exchange rates, of non-recurring elements, and of changes in the scope of the consolidation is eliminated: +0.6% in Europe and Asia, +11.9% in Latin America and +2.7% in North America.

EBITDA fell by 1.2% in 2018, to 209 million euros, with a sales margin of 26.6%, compared to 27.1% in 2017. For its part, EBIT fell to 146 million euros, 5.5% less than the previous year. This reduction in the EBITDA and EBIT margins is explained by the effect of the variation of the exchange rates, the increase in the costs of certain raw materials, the increase in the workforce, the increase of energy costs in the second half of the year and an increase in amortisations as a result of the investments made as part of the Strategic Plan.

Net profit was 124 million euros, up 1.4% from 2017 due to the positive impact on the financial result of the exchange rate differences.

Net financial debt amounted to 80 million euros to December 2018, compared to 41 million euros at the end of the previous year, due to the increase in shareholder remuneration, the acquisitions made and the acceleration of various investment projects.

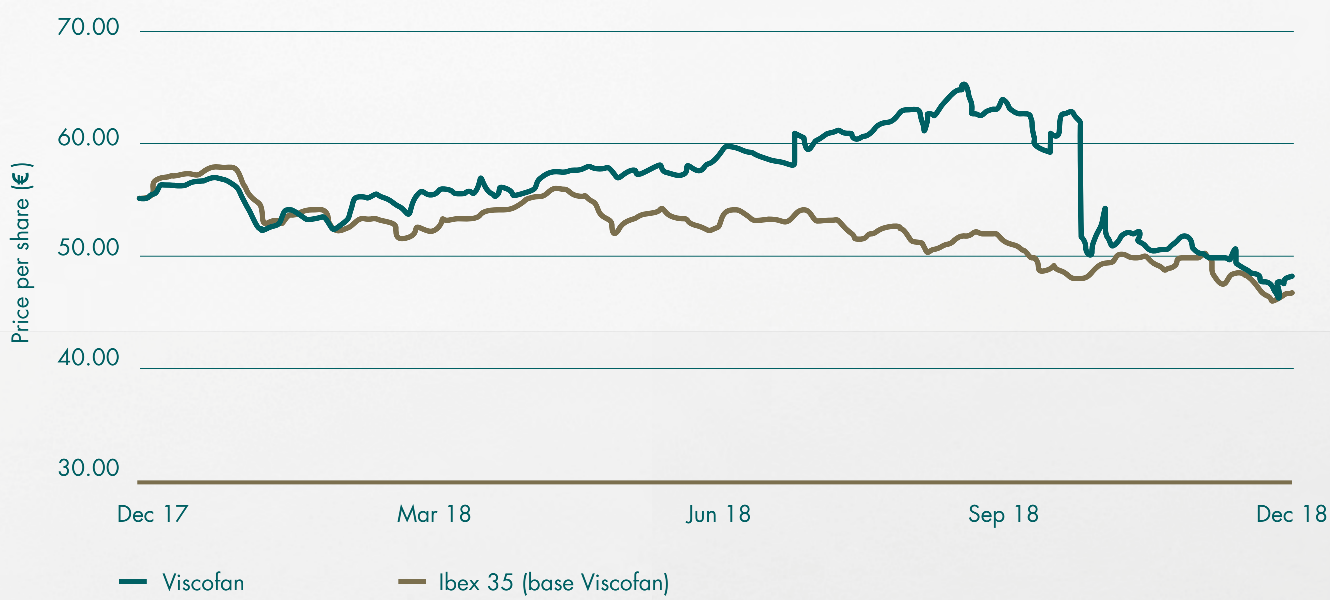
On the other hand, Viscofan's Board of Directors agreed to submit a proposal to the General Meeting of Shareholders to pay a supplementary dividend of 0.95 euros per share from the 2018 results, whereby the ordinary remuneration reached 1.60 euros per share. In addition, at the end of February 2018, 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. In total, the direct remuneration for Viscofan's shareholders was above 80 million euros in 2018, up 11.6% on the last year. Additionally, the Company invested 5 million euros on the purchase of treasury shares in the year, shares which were amortised in January 2019.

ALBA'S PERCENTAGE OF OWNERSHIP

In 2018, Alba acquired an additional 1.68% stake in the Company for 41 million euros, increasing its stake to 13.00% of its share capital at year-end. Alba is currently the largest shareholder of Viscofan.

SHARE PRICE PERFORMANCE OF VISCOFAN IN 2018

Viscofan's share price fell 12.5% in 2018, to 48.12 euros per share, increasing its market capitalisation to 2,243 million euros at the end of the year.



Source: Bloomberg.

CIE AUTOMOTIVE

CIE Automotive

www.cieautomotive.com

COMPANY DESCRIPTION

Created in 2002 through the merger of Grupo Egaña and Aceros y Forgings de Azcoitia (Aforasa), CIE Automotive is a global supplier of components and subsets for the automotive industry.

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 to adapt to the needs of its clients, such as aluminium injection, metal stamping and tube forming, iron casting, machining, plastic, forging and roof systems.

In July 2018, CIE Automotive distributed its entire 50.1% stake in Global Dominion to its shareholders through an extraordinary dividend. Global Dominion is a global supplier of multi-technical services and specialised engineering solutions that helps its clients make their production processes more efficient, either through the complete outsourcing thereof ("Services") or through the application of solutions based on specialised technologies and platforms ("Solutions").

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

CIE Automotive's results in 2018 are marked by the Global Dominion's removal from the scope of the consolidation which, up to the end of 2017, was fully consolidated. Thus, data reported in 2017 and 2018 is not fully comparable. For simplicity and ease of comparison, all comments included in this section refer to CIE Automotive excluding Global Dominion.

INFORMATION ON INVESTEE COMPANIES LISTED

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Sales	3,029	3,725	2,879
EBITDA	529	530	408
EBIT	365	376	279
Net profit	397	215	162
Total assets	3,664	4,480	4,077
Net financial debt	948	855	816
Equity	1,048	1,337	1,263
Employees (31-dec.)	23,273	30,948	26,072
Share price (closing 31-dec.) (in euros per share)	21.44	24.21	18.52
Market capitalisation (closing 31-dec.)	2,766	3,123	2,388
Gross dividend yield (on closing price)	16.9%	1.7%	1.8%

Note: The 2016 and 2017 data include Global Dominion, fully consolidated. Gross dividend yield data includes the market value of the shares of Global Dominion distributed to the shareholders of CIE Automotive as an extraordinary dividend in July 2018.

Excluding Global Dominion, CIE Automotive's sales once again broke their historic record, with a comparable rise of 6.6% over 2017, to 3,029 million euros. Eliminating the effect of the exchange rate, sales would have grown by 11.0%, of which 10.1% is organic growth and the remaining 0.9% from acquisitions. We have to highlight that this organic growth compares with a 1.0% fall in global auto production in 2018. CIE Automotive increased sales in all of its markets, always above their total growth. Worth noting are the organic sales growth in Brazil (+27.1%), China (+21.8%) and India (+20.8%) but it is also important to highlight those obtained in more mature markets such as Europe (+4.7%) and North America (+11.0%), which had experienced moderate drops in total vehicle production in 2018 (-1.5% and -0.6% respectively).

SALES
BY GEOGRAPHY

- Europe **27.9%**
- North America **25.2%**
- Mahindra Europe **18.4%**
- Asia **17.8%**
- Brazil **10.7%**

EBITDA
BY GEOGRAPHY

- Europe **28.0%**
- North America **32.9%**
- Mahindra Europe **14.2%**
- Asia **16.1%**
- Brazil **8.8%**

For their part, EBITDA and EBIT rose by 12.3% and 9.3% respectively, reaching 529 and 365 million euros, with a margin of 17.5% and 13.2%. CIE Automotive closed the year with a standardised net profit of 243 million euros, 20.0% higher than the previous year, due to the good performance of the business. The reported net profit amounted to 397 million euros, including the positive impact of the capital gain (239 million euros) generated by the distribution of Global Dominion's shares to the shareholders of CIE Automotive, greater than the non-recurring expenses of 91 million euros related to the liquidation of the biofuels business and other asset value reviews.

With these strong results, CIE Automotive continues to meet the estimates in the 2016-2020 Strategic Plan, which was revised upwards in 2018. These new figures estimate that the organic growth of CIE Automotive will quadruple the global automotive market, an evolution that will allow it to increase 2.5 times the net result of 2015, reaching 300 million euros by 2020.

The company's comparable net financial debt increased by 13.3% in 2018, to 948 million euros, due to the aforementioned acquisitions, the increase in growth investment and the withdrawal of Global Dominion from the scope of the consolidation. Even so, the net debt to EBITDA ratio was 1.8 times, slightly lower than in 2017, as a result of the increase in EBITDA in the year.

Return On Net Assets (RONA) stood at 22%, higher than the 19% obtained in the previous year and approaching the strategic objective of 23%.

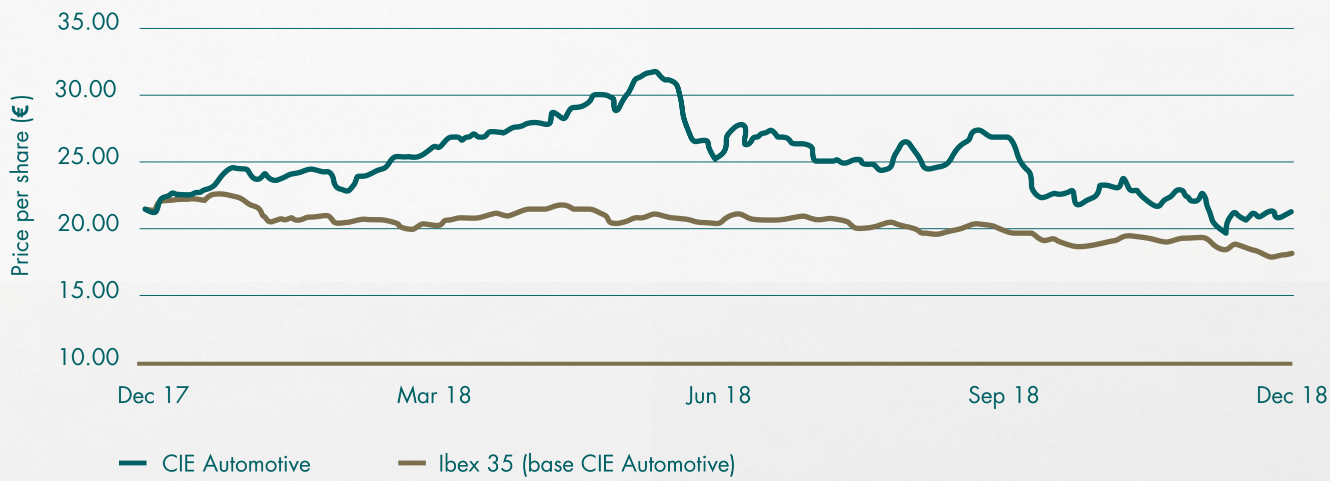
Following the strategy of selective acquisitions that have characterised the Company since its inception, in 2018 an agreement was reached to purchase Inteva Roof Systems for 755 million dollars, a company specializing in the design and production of roofs for the automotive sector and which is among the top three global manufacturers of this product segment. The acquisition of Inteva is the largest in the history of CIE Automotive. In addition, the Company increased its stake in the share capital of Mahindra CIE by 5% and completed several *"greenfield"* projects such as a welding and assembly plant in Mexico or the acquisition of the Autometal Minas company in Brazil.

ALBA'S PERCENTAGE OF OWNERSHIP

Alba is the second shareholder of the company with a stake of 10.10% of its share capital at 31 December 2018, after investing 3 million euros in the acquisition of 0.10% during the year.

SHARE PRICE PERFORMANCE OF CIE AUTOMOTIVE IN 2018

During 2018, CIE Automotive's share price fell 11.4% to 21.44 euros per share, slightly better than the 15.0% drop of the Ibex 35. At 31 December, CIE Automotive's market capitalisation was 2,766 million euros.



Source: Bloomberg.

INFORMATION ON INVESTEE COMPANIES LISTED

BOLSAS Y MERCADOS ESPAÑOLES

BME X
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).

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

In 2018, BME obtained net revenues of 304 million euros, 4.9% less than the previous year, mainly due to the fall in revenues in the Equities segment (-10.2%) due to lower contracting volumes in the markets operated by BME. The Settlement and Registration (-7.4%), Clearing (-2.7%) and Fixed Income (-9.3%) segments also had lower revenues and only the Market Data & VAS (+6.3%) and Derivatives (+3.2%) segments grew.

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Net revenue	304	320	324
EBITDA	186	210	216
EBIT	177	202	208
Net profit	136	153	160
Total assets	14,410	22,683	23,081
Net cash	277	292	283
Equity	400	430	424
Employees (31-dec.)	770	755	762
Share price (closing 31-dec.) (in euros per share)	24.32	26.55	28.00
Market capitalisation (closing 31-dec.)	2,034	2,220	2,341
Gross dividend yield (on closing price)	7.3%	6.8%	6.4%

For its part, EBITDA fell by 11.3% to 186 million euros, due to the mentioned drop in revenues and a 7.4% increase in operating costs, largely explained by non-recurring costs related to workforce optimisation. Excluding these extraordinary costs, the costs would have increased by 2.5% and the EBITDA fall would have been 9.4%.

The decrease in EBITDA is almost entirely translated to net profit, which amounted to 136 million euros in 2018, 11.1% less than in the previous year.

Despite this drop in results, the efficiency indicators continue to keep BME as a benchmark in its sector, with a ratio of 38.8% in 2018, two 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 33.1% and maintain a high return to shareholders.

In 2018, BME distributed a total gross dividend of 1.78 euros per share, representing a dividend yield of 6.7% on the share price at close of 2017. If the supplementary dividend proposed to the General Shareholders' Meeting is approved, BME will have distributed, between 2018 and 2019, a total gross dividend of 1.57 euros per share out of 2018 profit, representing a pay-out of 95.7%, in line with previous years.

NET REVENUE PER BUSINESS UNIT

- Equities **43.1%**
- Market Data & VAS **22.2%**
- Settlement and Registration **19.6%**
- Clearing **8.7%**
- Derivatives **3.7%**
- Fixed Income **2.6%**

EBITDA PER BUSINESS UNIT

- Equities **45.6%**
- Market Data & VAS **21.0%**
- Settlement and Registration **21.7%**
- Clearing **8.2%**
- Derivatives **1.9%**
- Fixed Income **1.6%**

Note: Breakdown before corporate results and intragroup sales.

By business lines, the Equities segment, which represents 43.1% of the Company's total revenues, reported a decrease in both revenues (-10.2%) and EBITDA (-13.3%) compared to the previous year. Within this segment, Listing revenue experienced an increase of just 0.6% from 2017 while, on the other hand, Trading revenue fell by 12.5% due to the decrease in the number of traded operations (-13.2%). The trading of ETFs and warrants in turn reflected lower trading volume and cash.

The Settlement and Registration segment, the second largest in EBITDA volume, reported a drop with respect to the previous year in both revenues (-7.4%) and EBITDA (-10.7%), 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. In 2018, revenues for this segment increased by 6.3% and EBITDA by 3.5%.

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, showed a drop in revenues and in EBITDA of 2.7% and 6.8%, respectively.

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

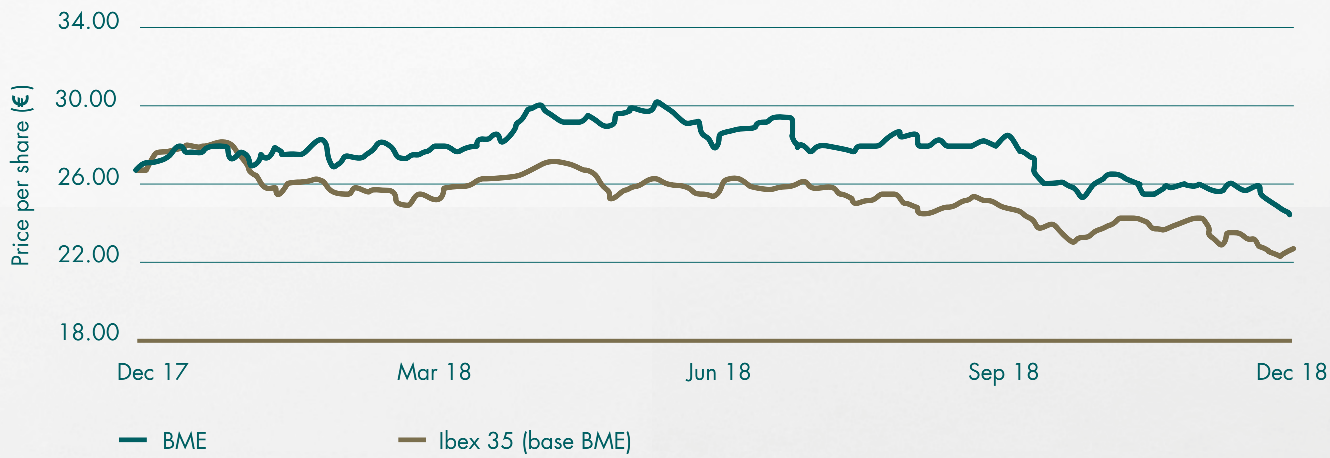
At the end of 2018 the Company had a net cash position of 277 million euros, including short-term financial assets.

ALBA'S PERCENTAGE OF OWNERSHIP

Alba did not modify its stake in the share capital of BME in 2018. With a stake of 12.06% at the end of 2018, Alba is the Company's largest shareholder.

SHARE PRICE PERFORMANCE OF BME IN 2018

During 2018, the share price of BME fell 8.4% to 24.32 euros per share, against a 15.0% drop in the Ibex 35. The market capitalisation of the Company at the end of 2018 was 2,034 million euros.



Source: Bloomberg.

PARQUES REUNIDOS

Parques Reunidos

PASSION FOR LEISURE

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, in 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 and the eighth largest in the world, as well as the largest water park operator in the world.

To 30 September 2018, the closing date of its last financial year, Parques Reunidos had more than 60 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 2018, Parque Reunidos acquired Belantis in Germany and, in the last months of the year, reached agreements to buy Wet'n'Wild Sydney in Australia and Weltvogelpark Walsrode and Tropical Islands in Germany, all with an impact on 2019 results. This last acquisition is worth noting, as Tropical Islands is the world's largest indoor water park with more than 1.3 million visitors, reduced seasonally as it is open year-round, with a wide range of accommodations and an important expanse of land around it for the potential development of projects to expand the current park. Additionally, it offers the possibility of cross-selling products with other Company parks in Germany, such as Moviepark or the aforementioned Belantis. With an acquisition amount of 226 million euros, it is the largest acquisition made by Parque Reunidos throughout its history.

Apart from potential organic growth in its current facilities and the acquisition of other parks, Parque Reunidos has additional growth routes such as the development of leisure centres in commercial and similar centres and the management agreements with third-party owned parks.

INFORMATION ON INVESTEE COMPANIES LISTED

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

Despite the results achieved during the low season and the new record in the sale of annual passes, the results of Parque Reunidos were affected in 2018, once again, by the poor weather in the US and, to a lesser extent, the high temperatures in Central Europe during summer. In Spain, data was positive due to a strong increase in revenues during summer, which offset the rainiest spring since 1965.

It must be noted that the municipal concession for the exploitation of the Pintor Rosales cable car in Madrid expired in December 2017 so the reported data is not fully comparable.

SALES BY GEOGRAPHICAL AREAS

- Rest of Europe **38.3%**
- United States **35.2%**
- Spain **24.8%**
- Other **1.7%**

EBITDA BY GEOGRAPHICAL AREA

- Rest of Europe **36.4%**
- United States **32.9%**
- Spain **30.7%**

Note: The breakdown of EBITDA is made on EBITDA before structural and other expenses.

The total number of comparable visitors and consolidated sales increased by 1.7% and 0.7% respectively, to 19.5 million visitors and 583 million euros, while the reported EBITDA remained almost flat (-0.7%) at 174 million euros. In 2018, international revenues represented 74.8% of the total, with the United States accounting for 35.2%.

Regarding the commented evolution of EBITDA, recurring EBIT fell by a greater proportion – it fell 9.5% to 93 million euros – due to the increase in amortisations due to the strong investments made.

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Sales	583	579	584
EBITDA	174	174	188
EBIT	93	102	120
Net profit	13	11	4
Total assets	2,100	2,094	2,208
Net financial debt	567	516	540
Equity	1,106	1,109	1,132
Employees (31-dec.)	9,719	8,780	8,590
Share price (closing 31-dec.) (in euros per share)	10.80	14.85	15.26
Market capitalisation (closing 31-dec.)	872	1,199	1,232
Gross dividend yield (on closing price)	2.3%	1.7%	0.0%

Note: The Parques Reunidos accounting year finished on 30 September for 2016, 2017 and 2018. In 2018, the Company closed an extraordinary 3-month exercise (30 September to 31 December) so that, from 31 December 2018, the accounting year of Parque Reunidos coincides with the calendar year.

By geographic areas, Spain reached a historic record of 145 million euros in sales (+4.1% versus 2017 in comparable terms) due to a good high season, already mentioned, but also the record sales of seasonal passes, the positive response to off-season events (Halloween, Christmas, etc.) and the introduction of new attractions, such as the Warner Beach water park expansion. The rest of Europe reported sales growth of 2.5% on year, to 212 million euros, driven by the increase in average revenues by visitor and the contributions from the new expansion projects, all despite the aforementioned heat wave in Central Europe during the summer and the lack of recovery of the results of the Marineland park (France). Finally, sales in the US rose only 0.6% from 2017, affected by the heavy rainfall during the summer months.

For its part, the first *Indoor Entertainment Centre*, a Nickelodeon centre in a shopping centre in Murcia, started its operations, followed by two more at the Xanadu shopping mall in Arroyomolinos (Madrid), a Nickelodeon and an Atlantis aquarium.

In addition to the aforementioned acquisitions, several new attractions and expansions of parks such as Ducati World in Mirabilandia (Italy) or Steelers Country in Kennywood (US) will start their operations in the coming months, which will begin delivering results in 2019.

The Company's recurring net profit was 50 million euros, 3.7% lower than the previous year, due to the above-mentioned reasons, partially offset by lower tax payments. The reported net income, including non-recurring items, amounted to 13 million euros, 14.5% higher than 2017, due mainly to lower extraordinary expenses and taxes.

The net financial debt of Parque Reunidos was 567 million euros to 30 September 2018, up 9.9% from September 2017 due to the investments made and the acquisition of Belantis. This net financial debt is equivalent to 3.3 times the recurring EBITDA of the year. It is important to note that this debt does not include the acquisitions of Wet'n'Wild Sydney, Weltvogelpark Walsrode and Tropical Islands, made early in 2019.

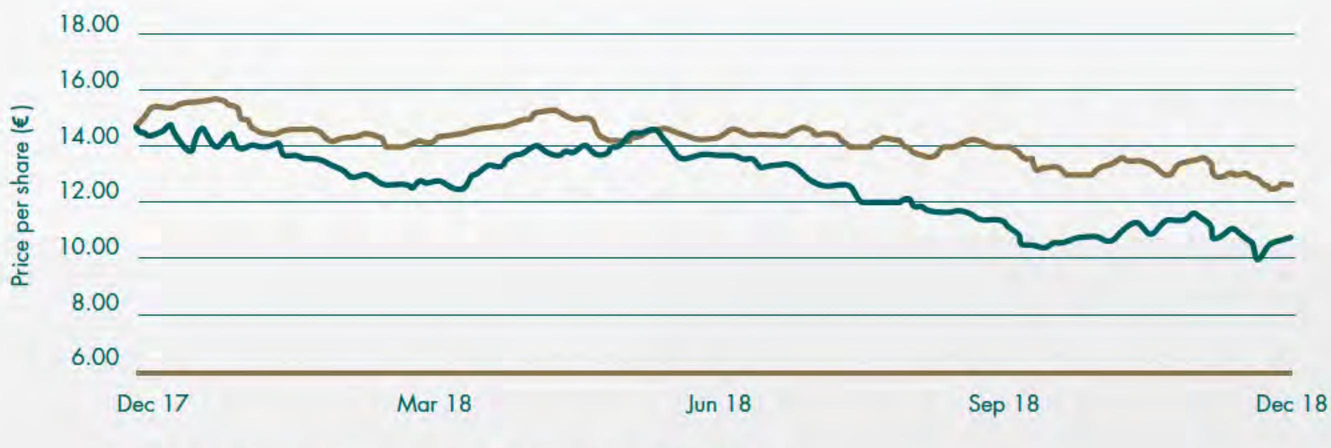
Finally, the Company maintained its dividend distribution policy to shareholders in 2018, with the delivery of a gross dividend of 20 million euros, identical to the one paid the previous year.

ALBA'S PERCENTAGE OF OWNERSHIP

Alba is one of the largest shareholders of Parque Reunidos. In 2018, Alba invested 12 million euros in the acquisition of an additional 1.42% of its share capital, increasing its stake to 21.43% at year end. In the first quarter of 2019, Alba has raised its stake to 23.03%, through the acquisition of an additional 1.58% for 13 million euros.

SHARE PRICE PERFORMANCE OF PARQUES REUNIDOS IN 2018

From the time it went public in late April 2016, the price of the shares of Parques Reunidos has shown high volatility. In 2018, the price fell by 27.3%, to 10.80 euros per share due to the results obtained, far below market expectations. The market capitalisation of Parques Reunidos dropped to 872 million euros at 31 December 2018.



Source: Bloomberg.

INDRA

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 Minsait (IT), which includes the Energy and Industry, Financial Services, Public Administrations and Healthcare and Telecom and Media sectors.

The Company operates in more than 140 countries and had more than 43,707 employees at the end of 2018. Indra's international business represented 48.9% of total sales, with America's weight (19.6% of the total) being noteworthy.

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.

During 2018, Indra completed acquisitions of Paradigma, a Spanish company dedicated to digital transformation consulting, and Advanced Control Systems (ACS), a US company specializing in the manufacture of control and operation systems for energy transport and distribution networks. These companies are consolidated in Indra's results from January and October 2018 respectively.

INFORMATION ON INVESTEE COMPANIES LISTED

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

Indra reported total sales of 3,104 million euros in 2018, up 3.1% year-on-year (5.8% higher at constant perimeter), mainly due to the contribution of the aforementioned acquisitions, as well as the company's own organic growth.

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Sales	3,104	3,011	2,709
EBITDA	293	266	229
EBIT	199	196	162
Net profit	120	127	70
Total assets	4,041	3,867	3,332
Net financial debt	483	588	523
Equity	678	649	378
Employees (31-dec.)	43,707	40,020	34,294
Share price (closing 31-dec.) (in euros per share)	8.24	11.41	10.41
Market capitalisation (closing 31-dec.)	1,455	2,015	1,709
Gross dividend yield (on closing price)	0.0%	0.0%	0.0%

Note: Indra's consolidated accounts include Tecnocom which is fully consolidated since 18 April 2017, Paradigma from 1 January 2018 and ACS that is consolidated since 1 October 2018.

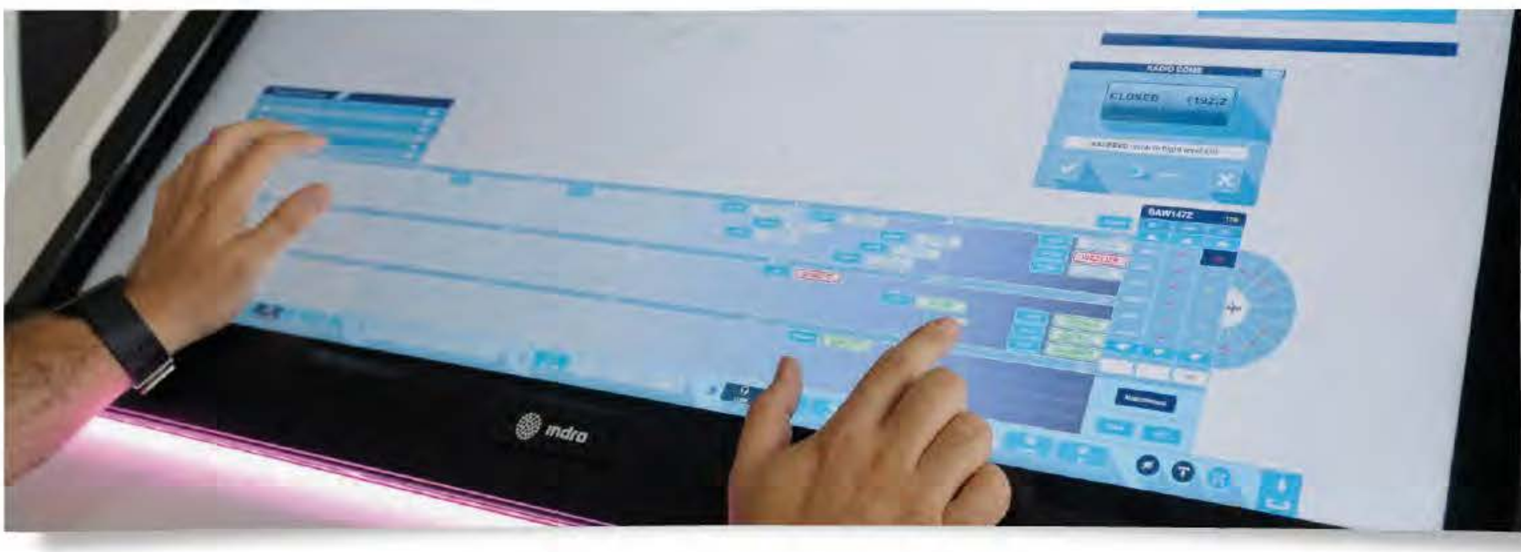
By vertical markets, the positive performance of Minsait (IT) is worth noting, which increased its revenues by 5% (+9% in local currency), due to the contribution of the acquisitions as well as positive dynamics of the Energy & Industry and Financial Services vertical markets, both with double-digit revenues growth in local currency (+25% and +13%, respectively). Telecom & Media sales grew 8% while in Public Administrations & Healthcare they dropped 12%, affected by the difficult to compare them with the previous year due to the strong Election business in 2017.

On the other hand, the Transport & Defence (T&D) vertical market experienced a flat year-on-year growth in revenues (+1% in local currency), but with large differences between both segments: Defence and Security revenues dropped by 4% (in local currency) due to the smaller contribution of the Eurofighter project while Transportation and Traffic sales grew 7%, with strong growth in the Transport (+8% in local currency) and Air Traffic (+5% in local currency) segments that offset the fall in the Defence and Security vertical market.

When it comes to business evolution by geographic areas, the sales growth in Spain (+12%, mainly due to integration of acquisitions) and, to a lesser extent, in America (+4% in local currency, largely due to the integration of ACS) and in Europe (+3% in local currency, with the growth recorded in the Minsait division offsetting the drops in the T&D business) are worth noting. On the other hand, sales in the Asia, Middle East and Africa area dropped (-7% in local currency) due to the difficulty in comparing it to the previous year (Election business in 2017). Excluding the Election business, sales would have had positive growth.

Net contracting grew 9.1% to 3,437 million euros, due to the good performance of both segments: T&D (+8%) driven by the Transport & Traffic vertical market, in which we can highlight the engagement of the maintenance phase of the Meca-Medina high-speed train, and Minsait (+10%), which has presented double digit growth in all its vertical markets with the exception of Public Administrations & Healthcare.

Regarding the evolution of EBIT, the Company reported a positive result of 199 million euros, 1.9% higher than the previous year, weighed down by Tecnocom's



restructuring costs and a penalty from the CNMC (Comisión Nacional de los Mercados y la Competencia [National Commission on Markets and Competition]), partially offset by a reversal of a provision.

SALES BY VERTICAL MARKETS

- Financial Services **21.3%**
- Transport & Traffic **19.9%**
- Energy & Industry **18.7%**
- Security & Defence **18.4%**
- Public Admin. & Health **14.0%**
- Telecom & Media **7.7%**

SALES BY GEOGRAPHY

- Spain **50.1%**
- America **19.6%**
- Europe **16.2%**
- Asia, Middle East & Africa **14.0%**

Cash generation in the year has once again been very strong, but less than the previous year. Free cash flow reached 168 million euros, down 10.2% from 2017. Likewise, operating cash flow before working capital variation reached 253 million euros, 11.4% lower than in 2017.

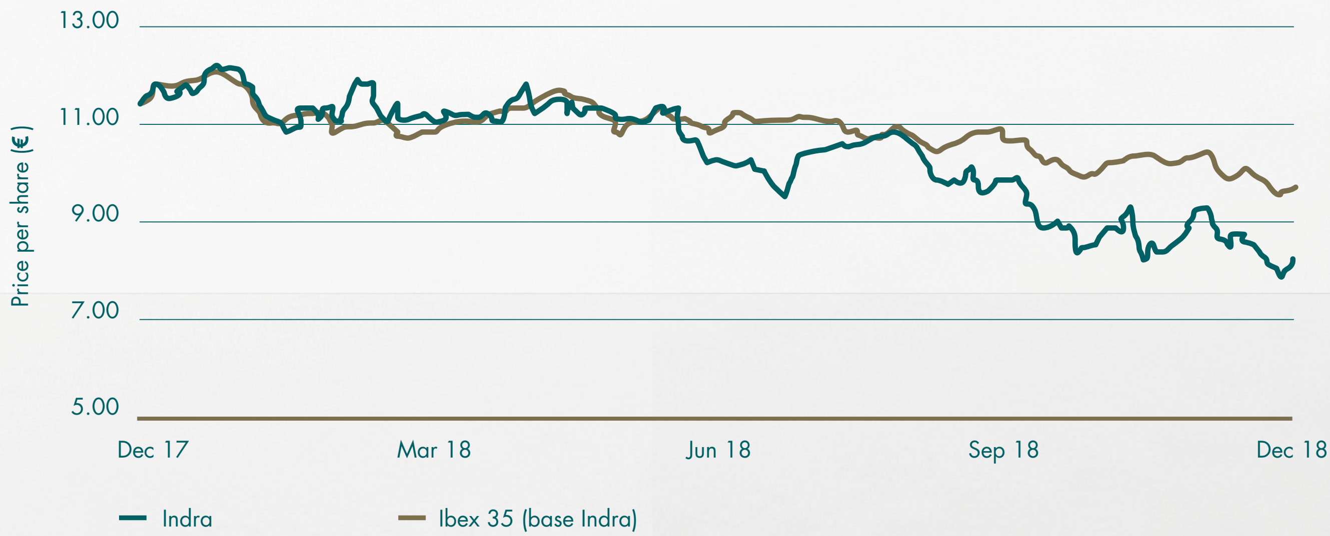
The good year-on-year cash generation explains the drop in net financial debt, which amounted to 483 million euros to 31 December 2018, down 17.9% from the 588 million euros on the same date last year. Net debt is 1.6 times the EBITDA for the year, versus 2.2 times in 2017.

ALBA'S PERCENTAGE OF OWNERSHIP

Alba's stake in Indra's share capital held stable at the current 10.52% in 2018, after the drop, from the previous 11.32%, occurred in April 2017 as a result of the capital increase carried out by the Company for the acquisition of Tecnocom.

SHARE PRICE PERFORMANCE OF INDRA IN 2018

Indra's share price had a worse performance than the Ibex 35 in 2018, with a drop of 27.8% versus the 15.0% drop in the index. Thus, at the end of the year, Indra's share price and its market capitalisation were 8.24 euros per share and 1,455 million euros, respectively.



Source: Bloomberg.

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. In 2018, Euskaltel launched the marketing of convergent products in Navarra and Cantabria and they have, recently, announced similar projects in Leon and La Rioja, as well as an agreement with the RACC (Real Automóvil Club de Cataluña [Royal Automobile Club of Catalonia]) in Catalonia.

The Company has its own fibre optic network, covering 2.2 million residential homes in the Basque Country, Galicia and Asturias, 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. Additionally, in late 2018, an agreement with Orange allowed

Euskaltel to reach another 2.2 million potential residential households outside its original territories.

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 to private customers, the self-employed, SMEs and large companies.

At December 2018, Euskaltel had a total of 658,172 residential customers and 111,829 business customers.

COMMENT ON THE COMPANY'S ACTIVITIES DURING 2018

The results of Euskaltel shown below include, for 2018, the full consolidation of Telecable for the entire year whilst in 2017 the results only included five months of activity, as the acquisition of Telecable was completed at the end of July.

Total revenues rose to 692 million euros in 2018, 11.2% more than in 2017, due to the effect of the aforementioned consolidation of Telecable.

INFORMATION ON INVESTEE COMPANIES LISTED

KEY DATA

In millions of euros unless otherwise indicated	**2018**	2017	2016
Revenues	692	622	573
EBITDA	336	307	281
EBIT	142	135	130
Net profit	63	50	62
Total assets	2,899	2,905	2,330
Net financial debt	1,532	1,607	1,223
Equity	975	963	742
Employees (31-dec.)	697	739	557
Share price (closing 31-dec.) (in euros per share)	6.99	6.80	8.42
Market capitalisation (closing 31-dec.)	1,249	1,214	1,279
Gross dividend yield (on closing price)	4.0%	5.3%	4.3%

Note: The results include: in 2017, the global consolidation of Telecable since August and in 2016, the consolidation of R Cable for the full year. 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 revenues by 11.3% to 463 million euros. This growth is the result of the contribution of a full year of Telecable. In comparable terms – assuming the consolidation of Telecable for the full year in 2017 and 2018 – the segment's revenues would have dropped by 3.1% due to the lower average number of customers and a slight fall in monthly average revenue per user *(ARPU)* of 1.3% in 2018, due to lower interconnection revenue and football television products and the higher competition in the market. Worth noting are the expansion projects in Navarra and Cantabria which contributed more than 4,000 net landline customers at the end of the year, offsetting the net client withdrawals in the historical regions, so, in total, Euskaltel had a slight growth in the number of residential landline customers at the end of the year.

The Business segment – which groups together SMEs, large accounts and the sub-segment of small companies and the self-employed *(SOHO)* – obtained revenues of 190 million euros, 11.3% more than in the previous year due to the consolidation of the full year of Telecable in 2018. In proforma terms the period's revenues would have fallen by 1.0% year-on-year.

The Wholesale segment grew by 9.0% to 38 million euros, again mainly due to Telecable's contribution (+3.8% in comparable terms).

REVENUES BY SEGMENT

EBITDA, adjusted for non-recurring costs and extraordinary expenses, amounted to 336 million euros, which is a growth of 9.6% versus 2017, due to Telecable's contribution. In comparable terms, recurring EBITDA decreased by 1.3%, a drop which is lower than the drop in comparable revenues, due to synergies and efficiencies achieved by the Group. Thus, the EBITDA margin stood at 48.6% in 2018, 40 basis points higher than in the previous year in comparable terms.

Net income amounted to 63 million euros in 2018, 26.7% more than the previous year's result. In comparable terms, the increase would have reached 111.7% despite the slight decrease at EBITDA level, mainly due to lower financial expenses and extraordinary costs.

Operating cash flow, defined as the difference between EBITDA and net investments, was 183 million euros in 2018, representing a conversion ratio over EBITDA of 54.4%, higher than that of comparable companies in the sector in Europe. This ratio is less than the 64.6% obtained in 2017 due to the strong investments made in the geographic expansion projects, as well as investments aimed at systems integration.

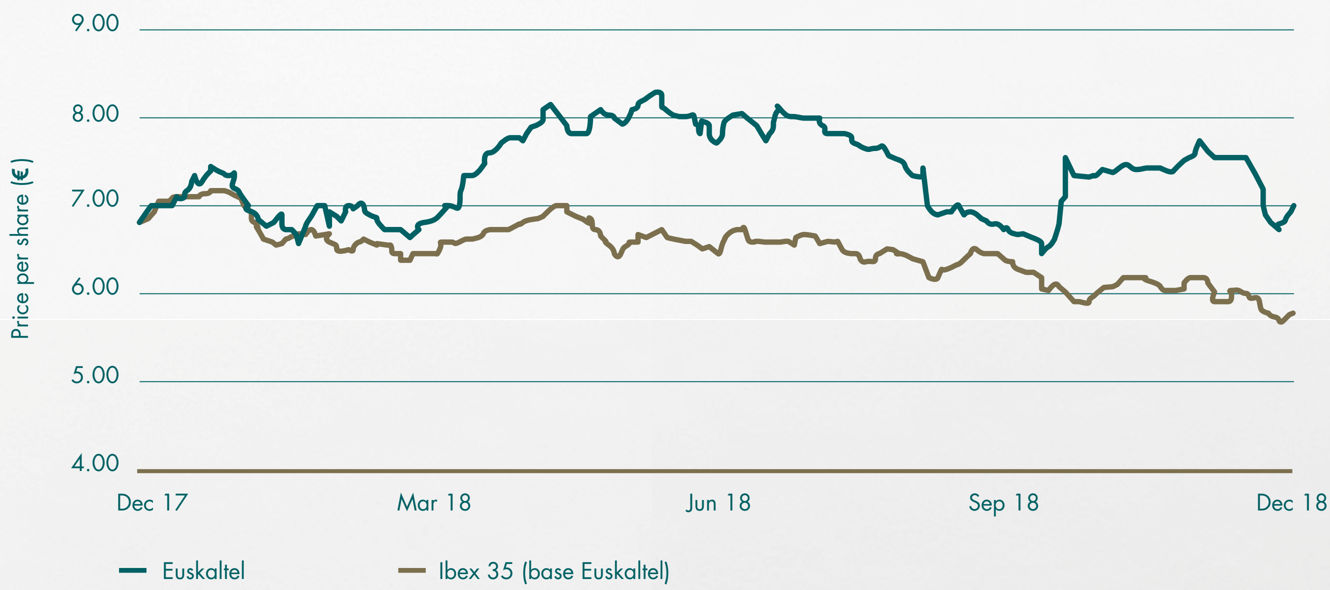
Net financial debt stood at 1,532 million euros to December 2018, compared to 1,607 million euros a year earlier. In terms of net debt to EBITDA ratio, the leverage ratio stood at 4.5 times including expected recurring synergies. In addition, in 2018, Euskaltel distributed 50 million euros in dividends to its shareholders.

ALBA'S PERCENTAGE OF OWNERSHIP

Alba has held its stake of 11.00% in the share capital of Euskaltel during 2018, being its third largest shareholder at the end of the year.

SHARE PRICE PERFORMANCE OF EUSKALTEL IN 2018

In 2018, the Company's share price grew 2.8% to 6.99 euros per share, while its market capitalisation grew to 1,249 million euros at the end of the year.



Source: Bloomberg.

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 (Mexico, France, Portugal, Poland, Chile, Argentina, Uruguay and Philippines), being a leader in technology, innovation and invoicing in all the aforementioned markets.

At 31 December 2018, 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 2018, Alba, through Deyá Capital, held a 7.50% stake in TRRG.

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.

At 31 December 2018, Alba, through Deyá Capital IV, held a 16.83% stake in Alvinesa.

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 more than 70% of its activity in international markets.

At 31 December 2018, Alba, through Deyá Capital IV, held a 28.07% stake in Satlink and it is fully consolidated.

MONBAKE

www.berlys.es
www.bellsola.com

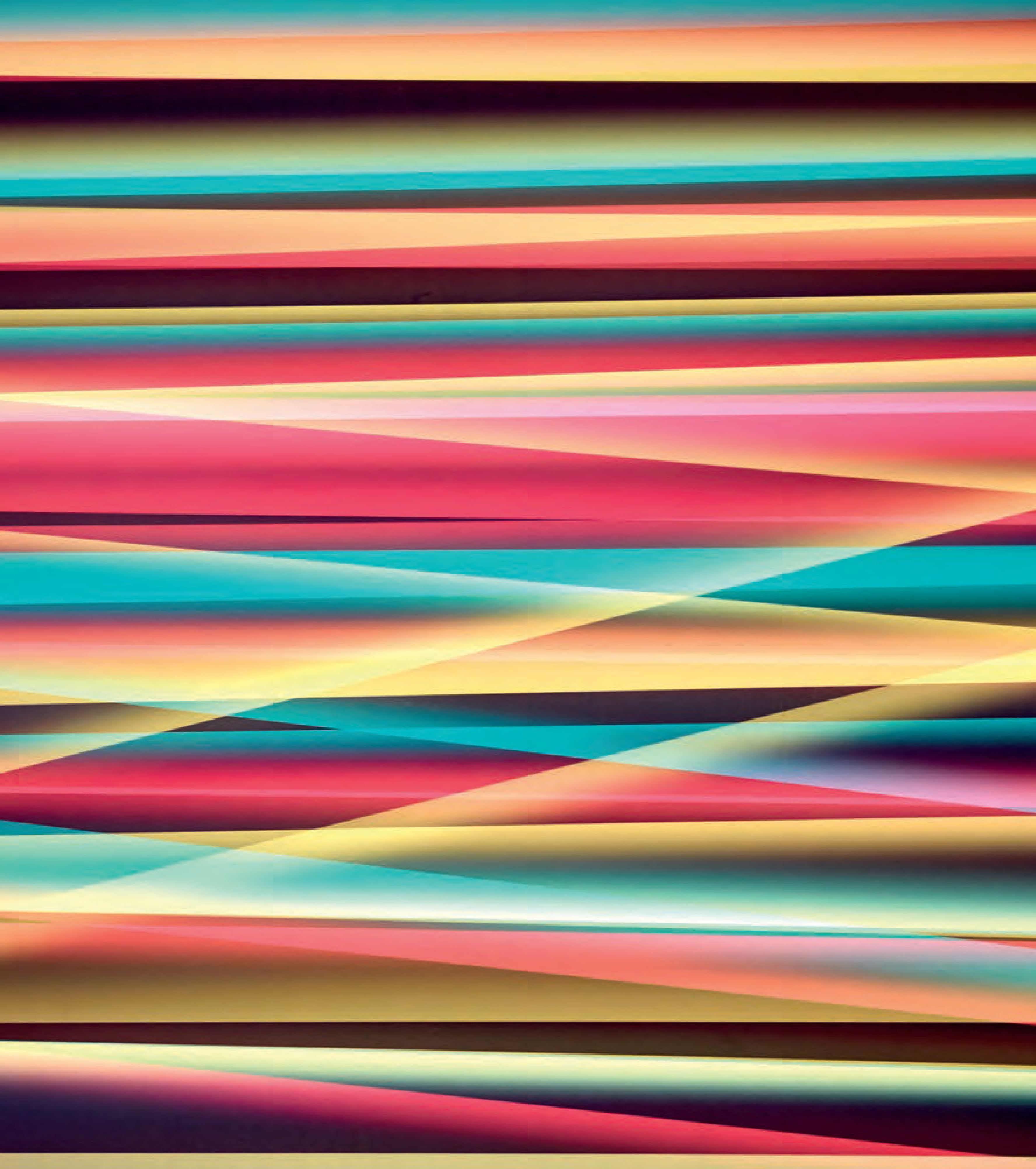
COMPANY DESCRIPTION

Founded in 2018, MonBake Group was created by the simultaneous acquisition of Berlys and Bellsola, two of the most relevant manufacturers of fresh and frozen bread, cakes and pastries in the Spanish market, giving rise to an industry leading company and strengthening its leadership position in Spain.

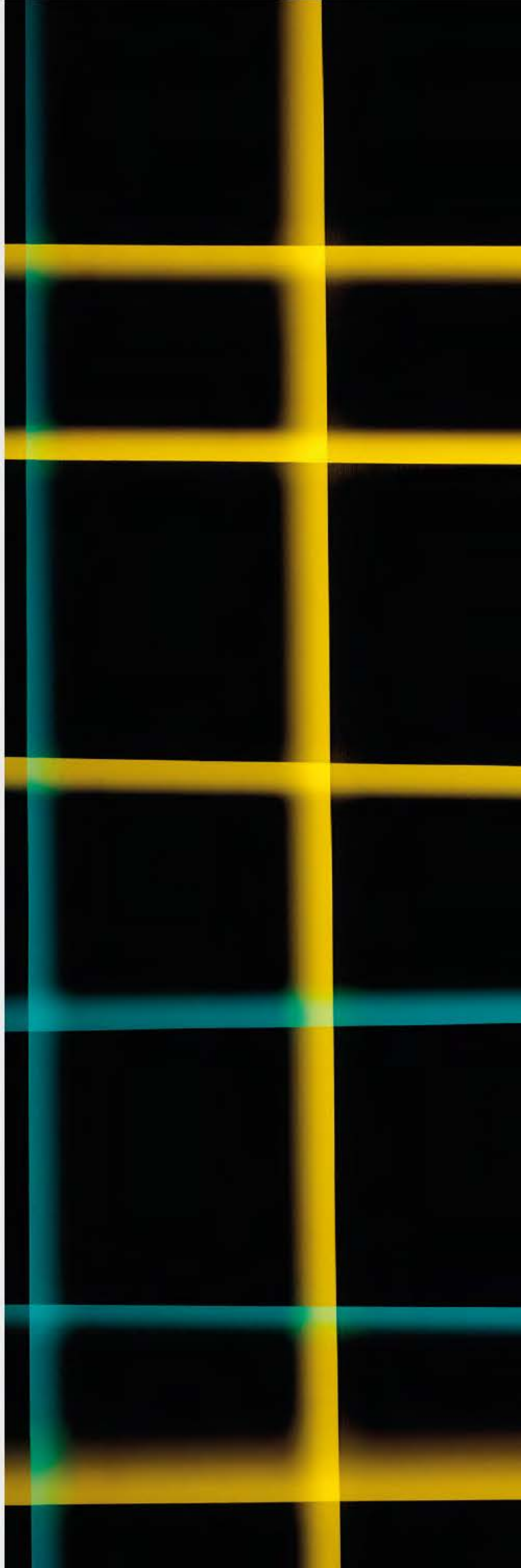
MonBake, which has more than 700 complementary product references marketed across the different sales channels, is very focused on the traditional channel taking advantage of its strong commercial capillarity in Spain. It has access directly to more than 25,000 customers, thanks to the fact that it has the largest network in the industry with 26 delegations across Spain.

The Company has modern, productive facilities (11 factories) with a high level of automation as well as a highly developed Cold Logistics Network with 3 logistic hubs and 22 regional logistics centres.

At 31 December 2018, Alba, through Deyá Capital, held a 3.70% stake in MonBake.



REAL ESTATE ACTIVITY



REAL ESTATE ACTIVITY

By the end of 2018, Alba had approximately 83,700 square metres of leasable space and 1,400 parking spaces in office buildings located in Madrid (65,900 square metres) and Barcelona (17,800 square metres).

The book value of the real estate assets is updated annually on the basis of an appraisal carried out by an independent expert, who, at 31 December 2018, valued them at 327.3 million euros, which is 2.4 million euros more on a like-for-like basis than the previous year. This appraisal amount exceeds the net value of the investment by 113.5 million euros.

The occupancy rate at the end of 2018 was 86.0%, 0.4 points lower than at the end of 2017.

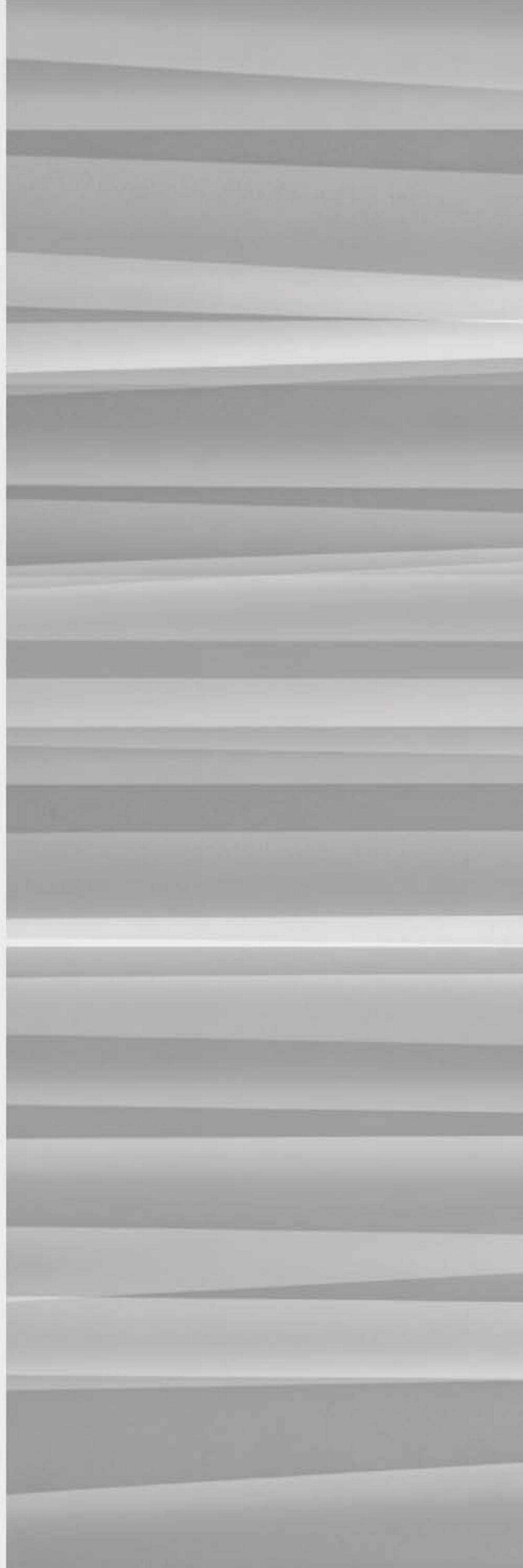
Revenue from real estate leases amounted to 16.1 million euros for the year, direct expenses amounted to 5.0 million euros and the gross profitability, calculated on the investment made, reached 5.3% at the end of the year.

During the year 2.3 million euros were invested to update the leasable spaces, renovating buildings as required and modernising facilities, achieving greater efficiency and thus adding value to them.

The sale of an office floor in Lagasca, 88 – Madrid has been realized in 2018. The amount of this sale was 15.5 million euros, reporting a capital gain of 3.9 million euros.


BancaMarch
PLAZA DE
PABLO RUIZ PICASSO
Picasso
89

AUDITOR'S REPORT



KPMG

Corporación Financiera Alba, S.A. and subsidiaries

Consolidated Annual Accounts

31 December 2018

Consolidated Directors' Report

2018

(With Independent Auditor's Report Thereon)

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

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 2018, 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 2018 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.

2

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 2,994.4 million at 31 December 2018. 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.

KPMG

3

Other Information: Consolidated Directors' Report

Other information solely comprises the 2018 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 2018 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.

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.

KPMG

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.
- 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.

KPMG

5

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 25 April 2019.

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

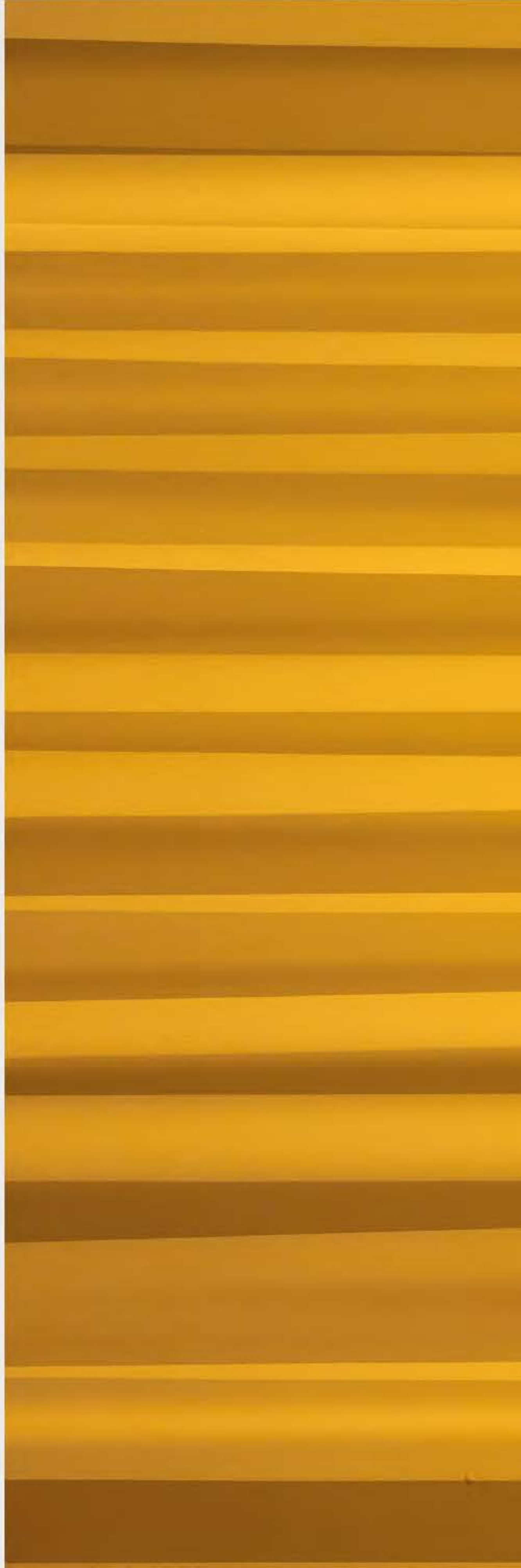
(Signed on original in Spanish)

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

25 April 2019

CONSOLIDATED FINANCIAL STATEMENTS

OF CORPORACIÓN FINANCIERA ALBA, S.A. AND SUBSIDIARY COMPANIES FOR THE 2018 FINANCIAL YEAR



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2018 AND 2017

ASSETS

In millions of Euros	Note	**31-12-18**	31-12-17
Investment property	6	327.3	336.5
Property, plant and equipment	7	7.9	46.9
Goodwill	8	5.0	10.2
Other intangible assets	9	38.1	67.0
Investments in associates	10	2,994.4	2,383.1
Investments at fair value through profit or loss	11	201.1	154.5
Other financial assets	12	63.9	67.0
Deferred tax assets	22	1.2	1.8
Non-current assets		3,638.9	3,067.0
Non-current assets held for sale	11	-	88.4
Inventories		6.9	7.3
Trade and other receivables	13	231.6	201.1
Other financial assets	14	248.7	602.5
Cash and cash equivalents	14	142.0	310.0
Current assets		629.2	1,209.3
Total assets		4,268.1	4,276.3

The accompanying notes 1 to 31 form an integral part of the consolidated annual accounts at 31 December 2018.

EQUITY AND LIABILITIES

In millions of Euros	Note	**31-12-18**	31-12-17
Share capital	15	58.2	58.3
Retained earnings and other reserves	15	4,012.4	3,935.2
Own shares	15	-	(2.4)
Interim dividend	3	(29.1)	(29.1)
Equity		**4,041.5**	**3,962.0**
Non-controlling interests	15	17.4	34.1
Total equity		**4,058.9**	**3,996.1**
Loans and borrowings	19	128.9	180.8
Other financial liabilities	12	9.0	6.4
Provisions	17	0.8	1.1
Deferred tax liabilities	22	39.0	52.9
Non-current liabilities		**177.7**	**241.2**
Trade and other payables	18	18.7	24.5
Loans and borrowings	19	12.8	14.5
Current liabilities		**31.5**	**39.0**
Total equity and liabilities		**4,268.1**	**4,276.3**

The accompanying notes 1 to 31 form an integral part of the consolidated annual accounts at 31 December 2018.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

In millions of Euros	Note	**2018**	2017
Share of profit/(losses) of associates	10	161.4	118.9
Revenues	24	92.4	64.5
Other income		5.1	6.3
Supplies		(29.6)	(19.5)
Changes in fair value of investment property	6	0.2	0.9
Proceeds from disposal of and income from assets	6, 9, 10 and 11	25.8	389.9
Impairment	7 and 10	(10.1)	(31.3)
Personnel expenses	25.a	(20.3)	(19.5)
Other operating expenses	24	(25.7)	(22.6)
Provisions		-	(0.4)
Depreciation and amortisation		(11.9)	(8.4)
Operating profit/(loss)		**187.3**	**478.8**
Finance income	25.b	14.6	7.3
Finance costs and exchange differences		(6.5)	(5.4)
Change in fair value of financial instruments	11 and 25.c	(30.9)	(4.7)
Net finance cost		**(22.8)**	**(2.8)**
Profit/(loss) before tax from continuing operations		**164.5**	**476.0**
Income tax expense	22	(1.9)	1.2
Profit/(loss) from continuing operations		**162.6**	**477.2**
Consolidated profit for the year		**162.6**	**477.2**
Profit attributable to minority interests		8.2	3.1
Consolidated profit attributable to the group		**154.4**	**474.1**
Earnings per share (Euros/share)	15	2.65	8.14

The accompanying notes 1 to 31 form an integral part of the consolidated annual accounts at 31 December 2018.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

In millions of Euros	Note	**2018**	2017
Consolidated profit from income statement		162.6	477.2
Income and expense recognised directly in equity			
Items that will not be reclassified to profit or loss	10	(26.0)	(0.4)
Share in other comprehensive income from investments in associates		(26.0)	(0.4)
Items that will be reclassified to profit or loss	10	9.5	(74.5)
Share in other comprehensive income from investments in associates		9.5	(74.5)
Total income and expense recognised directly in equity		(16.5)	(74.9)
Total comprehensive income		146.1	402.3
Attributable to the parent		137.9	399.2
Attributable to non-controlling interests		8.2	3.1

The accompanying notes 1 to 31 form an integral part of the consolidated annual accounts at 31 December 2018.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

In millions of Euros	Share capital	Retained earnings and other	Own shares
Balance at 1 january 2017	**58.3**	**3,593.5**	**(2.4)**
Changes in consolidated equity of associates (note 10)	-	(74.9)	-
Profit for the year	-	474.1	-
Total income and expense for the year	-	399.2	-
Interim dividend for the prior year (note 3)	-	(29.1)	-
Dividends paid in the year (note 3)	-	(29.1)	-
Increases/(decreases) due to business combinations	-	-	-
Other movements	-	0.7	-
Balance at 31 december 2017	**58.3**	**3,935.2**	**(2.4)**
Changes in consolidated equity of associates (note 10)	-	(16.5)	-
Profit for the year	-	154.4	-
Total income and expense for the year	-	137.9	-
Interim dividend for the prior year (note 3)	-	(29.1)	-
Dividends paid in the year (note 3)	-	(29.1)	-
Transactions with own shares (note 15)	(0.1)	(2.3)	2.4
Decrease due to disposal of Energyco Subgroup (note 2.3)	-	-	-
Other movements	-	(0.2)	-
Balance at 31 december 2018	**58.2**	**4,012.4**	**-**

The accompanying notes 1 to 31 form an integral part of the consolidated annual accounts at 31 December 2018.

Interim dividend	Equity	Non-controlling interests	Total equity
(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**
-	(16.5)	-	(16.5)
-	154.4	8.2	162.6
-	137.9	8.2	146.1
29.1	-	-	-
(29.1)	(58.2)	(8.4)	(66.6)
-	-	-	-
-	-	(16.1)	(16.1)
-	(0.2)	(0.4)	(0.6)
(29.1)	**4,041.5**	**17.4**	**4,058.9**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

In millions of Euros	Note	**2018**	2017
Operating activities			
Profit for the year before tax		164.5	476.0
Adjustments for:			
Depreciation and amortization		11.9	8.4
Changes in fair value of investment property	6	(0.2)	(0.9)
Share of profit of associates	10	(161,4)	(118.9)
Income from assets	10	(25.8)	(378.1)
Impairment	7, 10 and 11	10.1	31.3
Change in fair value of financial instruments and other	11 and 25.c	-	(1.5)
Finance income	25.b	(2.4)	(7.3)
Finance costs		6.5	5.4
Other cash flows from (used in) operating activities			
Dividends received		165.1	80.7
Working capital		(15.7)	(13.5)
Income tax payments on account		11.2	(40.4)
Interest received		2.4	7.3
Interest paid		(6.5)	(5.4)
Net cash flows from operating activities		**159.7**	**43.1**

The accompanying notes 1 to 31 form an integral part of the consolidated annual accounts at 31 December 2018.

In millions of Euros	Note	**2018**	2017
Investing activities			
Acquisition of interests in associates and other investments	10 and 11	(629.8)	(522.4)
Acquisition of subsidiaries, net of cash and cash equivalents	5	-	(8.0)
Sale of interests in associates and other investments	11	88.4	898.0
Acquisition of investment property	6	(2.3)	(3.0)
Sale of investment property	6	15.5	45.1
Acquisition of other investments	14	(9.2)	(602.5)
Received from other financial assets		291.1	64.1
Acquisition of property, plant and equipment	7	(1.2)	(0.5)
Net cash flows used in investing activity		(247.5)	(129.2)
Financing activities			
Dividends paid	3	(66.6)	(58.2)
Repayment of loans and borrowings	19	(13.6)	(15.6)
Net cash flows used in financing activities		(80.2)	(73.8)
Increase/(decrease) in net cash		(168.0)	(159.9)
Cash and cash equivalents at 1 january		310.0	469.9
Cash and cash equivalents at 31 december	14	142.0	310.0

The accompanying notes 1 to 31 form an integral part of the consolidated annual accounts at 31 December 2018.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 31 DECEMBER 2018

1. ACTIVITIES

Corporación Financiera Alba, S.A. (Alba) is a company domiciled in Madrid (Spain) that owns significant interests in several companies operating in different sectors of the economy. Details of these companies are provided below. Their basic activities include the operation of buildings under lease agreements and holding interests in companies through venture capital activity.

Given Alba's activities, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that could be material with respect to its equity, financial position or results. Consequently, these consolidated annual accounts do not disclose any specific information relating to environmental issues.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

2.1. Accounting Principles

Alba's consolidated annual accounts for the year ended 31 December 2018 were prepared by the Board of Directors in the meeting held on 25 March 2019. They have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the European Union in conformity with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as subsequent amendments, to provide a true and fair view of Alba's equity and consolidated financial position at 31 December 2018, the consolidated results of its operations and changes in consolidated equity and consolidated cash flows of the Group for the year then ended.

The figures disclosed in the consolidated annual accounts are expressed in millions of Euros except where otherwise stated.

These consolidated annual accounts have been prepared on a historical cost basis, except for the following (IAS 1-117 and 1-118):

- Investment property is measured at fair value;
- Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income;
- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal.

The measurement criteria and principles applied are described in note 4 of these notes to the consolidated annual accounts. All mandatory accounting principles and measurement criteria with a significant effect on the consolidated annual accounts have been applied.

The directors of the Parent consider that the consolidated annual accounts for 2018, authorised for issue on 25 March 2019, will be approved with no changes by the shareholders at their annual general meeting.

These consolidated annual accounts include comparative figures for the prior year.

a) Standards and interpretations approved by the European Union that are applicable for the first time this year.

These consolidated annual accounts for 2018 have been prepared using the same accounting principles as applied in the consolidated annual accounts for the year ended 31 December 2017, except for the standards and amendments adopted by the European Union set out below, which are obligatory from 1 January 2018 onwards:

- IFRS 15 Revenue from Contracts with Customers.
- IFRS 9 Financial Instruments.
- IAS 40 Investment Property.
- Amendments to IFRS 2, Classification and Measurement of Share-Based Payment Transactions.
- IFRIC 22 Foreign Currency Transactions and Advance.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and entered into effect from 1 January 2018. IFRS 15 establishes the criteria for recognising revenue from contracts with customers and sets out a new five-step model that applies to the recognition of revenue from contracts with customers:

- Step 1: Identify the contract (or contracts) with the customer.
- Step 2: Identify the performance obligations.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

In accordance with IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, when the customer obtains control of the goods or the services provided.

This new standard supersedes all previous standards relating to the recognition of revenue.

Given the Group's type of business, the impact of applying IFRS 15 has not had any significant impacts on the Group's consolidated annual accounts.

IFRS 9 Financial Instruments

IFRS 9 was issued in July 2014 and entered into effect from 1 January 2018. IFRS 9 sets out the criteria for recognising and measuring financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement. This standard presents the three stages of the financial instrument project: (i) classification and measurement, (ii) impairment and (iii) hedge accounting.

(i) Classification and measurement

The new classification criteria for financial assets will depend on the way in which an entity manages its financial instruments (its business model) as well as the existence and characteristics of the financial asset's contractual cash flows.

Based on the above, IFRS 9 establishes three classifications of financial assets: (i) at amortised cost, (ii) at fair value through equity or (iii) at fair value through profit or loss for the period. Formerly, IAS 39 had four categories of financial assets (at fair value through profit or loss, held to maturity, available for sale, and loans and receivables).

Application of these new categories has led to a change in the name of the Group's financial assets, although it has had no impact with regard to their measurement. The Group has continued to measure at fair value all the financial assets it previously recognised at fair value. Trade receivables and loans are maintained to receive the contractual cash flows and it is expected that these will only represent payments of principal and interest, therefore they will continue to be recognised at amortised cost in accordance with IFRS 9.

(ii) Impairment

The new impairment criteria is based on the expected loss model rather than the incurred loss model under IAS 39. This impairment model is applicable to financial assets measured at amortised cost that include "Trade and other receivables".

Given the Group's type of business, the new model for calculating impairment based on the expected loss method has not had any significant impacts on the Group's consolidated annual accounts.

(iii) Hedge accounting

IFRS 9 seeks to align hedge accounting with entities' risk management policies, thus the requirements for designating hedged items and hedging items are more flexible. In 2018 the Group did not have any type of hedges and therefore this standard has had no impact.

b) Standards and interpretations issued but not effective in 2018

At 31 December 2018, the following standards and interpretations had been issued by the IASB but had not yet entered into force, either because the date on which they become effective is subsequent to the date of the consolidated annual accounts or because they have not yet been adopted by the European Union:

IFRS 16 Leases

IFRS 16 was issued in January 2016 an replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires that lessees recognise all leases using a single balance sheet model similar to the one currently used for the recognition of finance leases under IAS 17. The standard includes two exceptions to the recognition of leases by lessees; leases for which the underlying asset is of low value (e.g. personal computers) and short-term leases (i.e. lease agreements for a term of 12 months or less). At the lease commencement date, the lessee recognises a liability for the lease payments to be made (i.e. the liability due to the lease) and an asset that represents the right of use of the underlying asset over the lease period (i.e. the right-of-use asset). Lessees must recognise separately the cost of interest on the lease liability and the depreciation expense of the right of use.

Lessees are also obliged to remeasure the lease liability if certain events occur (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments). The lessee generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 does not substantially change lessor accounting compared to the current recognition under IAS 17. Lessors continue classifying leases using the same classification principles as in IAS 17 and recognise two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to include more extensive disclosures than those stipulated in IAS 17.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019 and the Group has decided not to apply IFRS 16 in advance. At the present time the Group only leases several vehicles for irrelevant amounts, therefore it does not expect significant impacts from applying this new standard.

Amendment to IFRS 9. Prepayment Features with Negative Compensation

It will permit measurement at amortised cost of some financial assets that may be cancelled early at a lower amount than the outstanding principal and the interest on this principal.

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation clarifies how to apply the recognition and measurement criteria in IAS 12 when there are uncertainties about the acceptability by a taxation authority of a particular tax treatment used by the entity.

Amendment of IAS 28 Long-term Interests in Associates and Joint Ventures

It clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if they are not accounted for using the equity method.

Improvements to IFRS 2015-2017 Cycle. Amendments to a number of standards.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

It specifies how to calculate the current service cost and net interest for the rest of the annual period in the event of amendment, curtailment or settlement of a defined benefit plan.

2.2. Use of judgement and estimates in the preparation of consolidated annual accounts

The preparation of certain information included in these consolidated annual accounts has required the use of judgements and estimates based on assumptions that affect the application of accounting criteria and policies and the reported amounts of assets and liabilities, income and expenses and obligations. The most significant estimates used in preparing these consolidated annual accounts are as follows:

- The estimate of the recoverable amount of interests in associates with indications of impairment.
- The assumptions used to calculate the fair value of certain unlisted financial assets and investment property.
- The determination of the fair values in business combinations and the assessment of possible impairment losses on certain assets.

The estimates and assumptions used are periodically reviewed. Any change in accounting estimates following such a review or due to future events is recognised in the consolidated income statement for that and successive periods, in accordance with IAS 8.

2.3. Subsidiaries

Subsidiaries are fully consolidated. The Group obtains control when it is exposed, or has rights, to variable returns from its involvement with a subsidiary and it has the ability to affect those returns through its power over the subsidiary.

Specifically, the Group controls a subsidiary if and only if, the Group has:

- Power over the subsidiary (existing rights that give it the current ability to direct the relevant activities of the subsidiary).
- Exposure, or rights, to variable returns from its involvement with the subsidiary.
- The ability to use its power over the subsidiary to affect the amount of the returns.

It is generally assumed that a majority of voting rights amounts to control. In cases where the Group manages venture capital entities, or holds investments in these, whether control exists is determined in accordance with internal procedures and criteria that take into consideration IFRS 10 and therefore whether the entity should be fully consolidated or not. These methods take into consideration, among other aspects, the scope of its decision-making authority, the rights held by other parties, the remuneration to which it is entitled in accordance with the remuneration agreement(s) or the decision maker's exposure to variability of returns from other interests that it holds in the investee. These entities include venture capital entities that are either managed by or are investees of the Group and their investments.

The assets and liabilities of subsidiaries are measured initially at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair value of the part of identifiable net assets acquired is considered as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets acquired (a bargain purchase), the difference is recognised, if applicable, directly in profit or loss at the date of acquisition.

Third-party interests in the Group's equity and profit or loss for the year are recognised as minority interests within total equity in the consolidated balance sheet profit or loss attributable to minority interests in the consolidated income statement.

In accordance with International Financial Reporting Standards, group companies and business combinations are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated annual accounts after making the adjustments and eliminations relating to intra-Group transactions.

The corresponding information at 31 December 2018 and 2017 is presented below:

Subsidiary	Activity	Year	Percentage ownership	Carrying amount before consolidation	Equity	Profit/(loss) for the year
Alba Patrimonio Inmobiliario, S.A.U. C/ Castelló, 77, 5º planta 28006-Madrid	Investment property	2018 2017	100.00 100.00	180.9 180.9	202.9 206.5	13.0 18.5
Alba Europe SARL Rue Eugène Ruppert 6 L-2453 Luxemburgo	Investment in securities	2018 2017	100.00 100.00	1,209.7 719.1	1,274.5 712.0	68.2 (9.4)
Artá Capital, SGEIC, S.A.U. Pza. Marqués de Salamanca, 10 28006-Madrid	Private equity management company	2018 2017	78.00 78.16	1.7 1.7	2.9 3.3	5.1 8.1
Artá Partners, S.A. C/ Castelló, 77, 5º planta 28006-Madrid	Investment in securities	2018 2017	78.00 78.16	1.6 1.6	2.1 2.1	5.4 7.7
Deyá Capital, SCR, S.A.U. C/ Castelló, 77, 5º planta 28006-Madrid	Venture capital company	2018 2017	100.00 100.00	92.2 92.2	153.1 194.9	59.9 80.3
Deyá Capital IV, SCR, S.A.U. C/ Castelló, 77, 5º planta 28006-Madrid	Venture capital company	2018 2017	100.00 100.00	56.3 39.7	74.9 39.7	22.4 (2.6)
Subgrupo Energyco (1) Avda. António José de Almeida, 8 Lisboa-Portugal	Distribution of propane gas	2018 2017	- 40.30	- 13.4	- 33.0	- (0.8)
Subgrupo Satlink (2) Avda. de la Industria, 53 Nave 7 Alcobendas-Madrid	Technological solutions for fishing sector	2018 2017	28.07 28.07	12.1 12.1	17.1 41.8	1.8 3.1

(1) This subgroup is formed by Energyco II, S.A., Gascan, S.A. and Newstead - Gestão Imobiliária, S.A. In December 2018 this subgroup was sold for Euros 36 million, obtaining a profit of Euros 21 million.
(2) This subgroup is formed by Grupo Satlink, S.L., Satlink, S.L., Satlink, LTD, Linksat Solutions, S.A., Digital Services, S.L., Satlink WCPO Limited and Satlink WCPO Solomon.
(1) (2) Alba's interests are held through Deyá Capital IV, SCR, S.A.U.
Additionally, a further 31.93% of the subgroup Satlink belongs to other vehicles managed by Arta Capital, SGEIC, S.A.U., which exercises control over these vehicles, determines what investments are made, there are no restrictions regarding management and they are exposed to variable returns. As a result of the foregoing, Alba has considered that it has control over this subgroup.

In 2018 and 2017 the auditor was KPMG Auditores, S.L., except in the case of the Energyco and Satlink subgroups, which were audited by Pricewaterhousecoopers Auditores, S.L. in 2017.

2.4. Associates

Entities over which Alba exercises significant influence even though its interest therein is less than 20% are considered associates. To determine whether significant influence exists, among other situations, the Parent considers the representation on the board of directors or the possibility of appointing a director, the involvement in establishing policies and the permanence of the interest.

The information in respect of 2018 and 2017 is as follows:

			Percentage ownership			
Associate / Auditor	Registered office	Activity	At 31-12-18	At 31-12-17	Change	Representation on Board of directors
Acerinox, S.A. Auditor: PWC	Santiago de Compostela, 100 (Madrid)	Manufacture and sale of stainless steel	18.96	18.96	-	3
Bolsas y Mercados Españoles, Sociedad Holding De Mercados y Sistemas Financieros, S.A. Auditor: PWC	Plaza de la Lealtad, 1 (Madrid)	Operator of securities markets and financial systems in Spain	12.06	12.06	-	2
CIE Automotive, S.A. Auditor: PWC	Alameda Mazarredo, 69 (Bilbao)	Automotive industry	10.10	10.00	0.10	1
Ebro Foods, S.A. Auditor: E&Y	Paseo de la Castellana, 20 (Madrid)	Food	14.00	12.00	2.00	1
Euskaltel, S.A. Auditor: KPMG	Parque Tecnológico, Edificio 809 (Derio-Vizcaya)	Telecommunications	11.00	11.00	-	1
Indra Sistemas, S.A. Auditor: Deloitte	Avda. de Bruselas, 35 (Alcobendas - Madrid)	New technologies	10.52	10.52	-	1
Parques Reunidos Servicios Centrales, S.A. Auditor: KPMG	Paseo de la Castellana, 216 (Madrid)	Recreational and entertainment activities	21.43	20.01	1.42	2
Rioja Luxembourg, S.à.r.l. Auditor: E&Y 2018	20, avenue Monterey L-2163 Luxemburgo	Investment in securities	25.73	-	25.73	2
Viscofan, S.A. Auditor: PWC	Polígono Industrial Berroa (Tajonar-Navarra)	Manufacture of meat packaging, cellulose or artificial casings for cured meats	13.00	11.32	1.68	1

In 2018 a 25.73% interest was acquired in Rioja Luxembourg, S.à.r.l., a company owning 20.072% of Naturgy Energy Group, S.A. Consequently, Alba's indirect interest in Naturgy is 5.16%, which added to Alba's 0.11% direct interest amounts to a total interest of 5.27% in Naturgy. The increases in ownership interests are due to acquisitions during the year (note 10).

In 2017 the entire interest held in ACS Actividades de Construcción y Servicios, S.A. was sold. The decrease in the interest held in Indra Sistemas, S.A. is due to dilution after the merger of this company with Tecnocom Telecomunicaciones y Energía, S.A. In Euskaltel, S.A. the dilution resulting from the merger with Parselaya, S.L. was offset by acquisitions during the year. Lastly, the rises in interest are due to acquisitions during the year (note 10).

3. DISTRIBUTION OF PROFIT

The distribution of Corporación Financiera Alba, S.A.'s profit for 2018 to be submitted by the Board of Directors for approval by the shareholders at their general meeting, and the distribution of profit for 2017 approved by the shareholders at their general meeting, are as follows (in millions of Euros):

Basis of distribution	**2018**	2017
Profit for the year	112.2	484.4
Total	112.2	484.4

Distribution to	**2018**	2017
Reserves	54.0	426.2
Dividends	58.2	58.2
Total	112.2	484.4

The dividends paid by the Parent in 2018 and 2017 were as follows:

	Number of shares with rights	Euros/Share	Millions of Euros
2018			
Interim dividend for 2018	58,240,000	0.50	29.1
Final dividend for 2017	58,240,000	0.50	29.1
2017			
Interim dividend for 2017	58,240,102	0.50	29.1
Final dividend for 2016	58,240,102	0.50	29.1

A final dividend from 2018 profit of Euros 0.50 per outstanding share at the date of payment will be proposed for approval by the shareholders at their general meeting.

The liquidity statement required under article 277 of the Spanish Companies Act in relation to the interim dividend is presented by the Board of Directors in the notes to the Parent's individual financial statements.

4. SIGNIFICANT ACCOUNTING PRINCIPLES

The main accounting policies used in preparing the accompanying consolidated annual accounts were as follows:

a) Business combinations and non-controlling interests (minority interests) (note 5)

Business Combinations

Alba applies the acquisition method for business combinations. The acquisition date is the date on which Alba obtains control of the acquiree.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

The Group recognises the assets acquired and liabilities assumed at their acquisition-date fair value. Non-controlling interests in the acquiree are recognised at the proportionate interest in the fair value of the net assets acquired. These criteria are only applicable for non-controlling interests which grant entry into economic benefits and entitlement to the proportional part of net assets of the acquiree in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or value based on market conditions. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured. The Group also recognises indemnification assets transferred by the seller at the same time and following the same measurement criteria as the item that is subject to indemnification from the acquiree, taking into consideration, where applicable, the insolvency risk and any contractual limit on the indemnity amount.

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

The excess between the consideration given, plus the value assigned to non-controlling interests, and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests and the identification and measurement of net assets acquired, is recognised in profit or loss.

If it has only been possible to determine a business combination provisionally at the end of the reporting period, the identifiable net assets are initially recognised at their provisional amounts and adjustments made during the measurement period are recognised as if they had been known at that date. Comparative figures for the previous year are restated where applicable.

In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

The potential benefit of the acquiree's income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as income tax income provided that it does not arise from an adjustment of the measurement period.

Contingent consideration is classified in accordance with the underlying contractual terms as a financial asset, financial liability, equity instrument or provision. Subsequent changes in the fair value of a financial asset or financial liability are recognised in consolidated profit or loss or other comprehensive income, provided that they do not arise from a measurement period adjustment. Contingent consideration classified as equity is not remeasured, and subsequent settlement is accounted for in equity.

Contingent consideration classified as a provision is subsequently recognised in accordance with the relevant measurement standard.

The cost of the business combination includes contingent consideration, if this is probable at the acquisition date and can be reliably estimated. Subsequent recognition of or changes to contingent consideration are recognised as a prospective adjustment to the cost of the business combination.

Non-controlling interests (minority interests)

Non-controlling interests in subsidiaries are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date were recognised at the proportional part of the equity of the subsidiaries at the date of first consolidation.

The consolidated profit for the year and changes in equity of the subsidiaries attributable to Alba and non-controlling interests after consolidation adjustments and eliminations is determined in accordance with the percentage ownership at year end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or not, on cumulative preference shares classified in equity accounts. However, Group and non-controlling interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

The results and each component of other comprehensive income are allocated to equity attributable to equity holders of the Parent and to non-controlling interests in proportion to their investment, although this implies a balance receivable from non-controlling interests. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

b) Investment property (note 6)

Investment property, buildings used for rental purposes, is initially recognised at cost, including transaction costs. These investments are subsequently measured at fair value, determined by independent experts in accordance with the following definition: "Is the price at which the building could be sold under private contract between a willing seller and an arm's length buyer on the date of valuation, it being assumed that the property is publicly exposed to the market, that market conditions permit orderly disposal and that a normal period, having regard to the nature of the property, is available for the negotiation of the sale". Changes in fair value are recognised in the income statement for the period in which they arise. These investments are not depreciated.

b.1) Leases

Determination of whether a contract is, or contains, a lease is based on the economic substance of the agreement at the date thereof. The contract is analysed to verify whether its fulfilment depends on the use of an asset or specific assets or the agreement implies the right of use of an asset or assets, although this right is not explicitly specified in the contract.

Leases in which the Group maintains substantially all the risks and rewards incidental to ownership are classified as operating leases. Contingent rents are recognised as income in the year in which they are obtained.

c) Property, plant and equipment (note 7)

In application of IFRS 1 "First-time Adoption of International Financial Reporting Standards" buildings for own use were recognised on 1 January 2004 at fair value, determined by independent experts as defined in the previous note, considering this amount to be the cost of acquisition. This increase in value was credited to equity in the consolidated balance sheet.

The remaining property, plant and equipment are valued at cost of acquisition; interest or exchange differences are not included. Costs of expansion, modernisation or improvements which increase the productivity, capacity or efficiency or extend the useful lives of assets are capitalised as an increase in the cost of those assets.

Depreciation is on a straight-line basis, distributing the carrying amount over the estimated useful lives of the assets, in accordance with the following percentages:

	Percentage of annual depreciation
Buildings and constructions	2
Technical installations	8
Furniture and fixtures	10
Information technology equipment	25

If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and its carrying amount is immediately reduced to its recoverable amount.

d) Intangible assets

d.1) Goodwill

Goodwill is determined using the same criteria as for business combinations (see note 5).

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the business combination and the criteria described in note 8 are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The recoverable amount of the assets is the higher of their fair value less costs of disposal and their value in use.

If the recoverable amount is less than the carrying amount of the asset, the difference is recognised under impairment losses in the consolidated income statement.

d.2) Customer portfolio

The relationships with customers that Alba recognises under customer portfolios are separable and based on a contractual relationship, thus meeting the requirements set out in prevailing legislation for consideration as intangible assets separate from goodwill. In general, these are customer service contracts that have been recognised in the allocation of fair values in business combinations.

The fair value allocated to customer contract portfolios acquired from third parties is the acquisition price.

The income approach was used to determine the fair value of intangible assets allocated in business combinations in the form of customer relationships; discounting the cash flows generated by these relationships at the date of acquisition of the subsidiary. Cash flows are estimated based on the sales, operating investments and EBITDA margins projected in the company's business plans.

Customer portfolios are amortised on a straight-line basis over their estimated useful lives. The useful life is estimated based on indicators such as average length of relationship with customers or the average annual customer churn rate. The useful lives allocated to these intangible assets are reviewed at the end of each reporting period. The useful life of the customer portfolio is 10 years.

Customer portfolios are allocated to cash-generating units (CGUs) in accordance with their respective business segment and the country of operation.

d.3) Other intangible assets

These are intangible assets that were recognised in business combinations.

They are amortised on a straight-line basis over their estimated useful life that is between 3 and 60 years.

Other intangible assets are allocated to cash-generating units (CGUs) in accordance with their respective business segment and the country of operation.

If an event or change in circumstances indicates that the carrying amount of assets subject to amortisation or depreciation may not be recoverable, Alba determines whether impairment losses have been incurred. An impairment loss is recognised as the difference between the carrying amount of the asset and its recoverable amount. The recoverable amount is the higher of fair value of the asset less costs of disposal and value in use. For impairment testing purposes, assets are grouped at the lowest level for which separate identifiable cash flows can be identified (cash-generating unit, CGU). Impaired non-financial assets other than goodwill are reviewed at the end of each reporting period to assess whether the loss has been reversed.

e) Investments in associates (note 10)

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. However, if on the acquisition date all or part of the investment qualifies for recognition as non-current assets or disposal groups held for sale, it is recognised at fair value less costs of disposal.

Investments in associates are initially recognised at cost of acquisition, including any cost directly attributable to the acquisition and any consideration receivable or payable contingent on future events or on compliance with certain conditions.

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognised as goodwill, which is included in the carrying amount of the investment.

The Group's share of the profit or loss of associates is recognised as an increase or decrease in the value of the investments, with a credit or debit to share of the profit or loss for the year of associates. The Group's share of other comprehensive income of associates from the date of acquisition is recognised as an increase or decrease in the value of the investments in associates with a balancing entry in other comprehensive income based on the nature of the investment. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit or loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the acquisition method.

The Group's share of the profit or loss of an associate and changes in equity is calculated without considering the possible exercise or conversion of potential voting rights.

Impairment is calculated by comparing the carrying amount of the net investment in the associate with its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal. Accordingly, value in use is calculated to the extent of the Group's interest in the present value of estimated cash flows from ordinary operations and the income generated on final disposal of the associate.

Impairment losses are not allocated to goodwill or other assets implicit in the investment in associates derived from application of the acquisition method. In subsequent years, reversals of the value of investments are recognised in profit or loss to the extent of any increase in the recoverable amount. Impairment losses are presented separately from the Group's share of profit or loss of associates.

f) Investments at fair value through profit or loss (note 11)

Investments held with the intention of not selling them in the short term and those held through venture capital companies are included in this line item.

They are recognised at fair value through profit or loss.

The fair value of investments in unlisted companies was determined using the most suitable method for each investment of either the analysis of multiples of comparable companies or the discounted cash flow method.

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

Assets for which there is a sale offer or their sale is highly probable within the next 12 months are included in this line item. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

h) Calculation of fair value (notes 6, 11 and 20)

Alba measures financial instruments and non-financial assets such as investment property at their fair value at the reporting date of the financial statements. Also, details of the fair value of financial assets measured at amortised cost are provided in note 20. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be a market that is accessible for Alba.

The fair value of an asset or a liability is calculated using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Alba uses valuation techniques appropriate to the circumstances and for which sufficient information is available to calculate the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All the assets and liabilities for which calculations or disclosures of their fair value are made in the financial statements are categorised within the fair value hierarchy described below, based on the lowest level input necessary for the calculation of the fair value measurement in its entirety:

- Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2- Valuation techniques for which the lowest level input used, which is significant for the calculation, is directly or indirectly observable.
- Level 3- Valuation techniques for which the lowest level input used, which is significant for the calculation, is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, at the end of each year Alba reviews their categorisation (based on the lowest level input that is significant for the calculation of fair value as a whole) to determine whether there have been any transfers between the different levels of the hierarchy.

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

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

For the purposes of the required disclosures of fair value, the Group has determined the different classes of assets and liabilities based on their nature, characteristics, risks and fair value hierarchy as explained previously.

i) Loans and receivables (notes 12 and 13)

The Group initially measures financial assets included in this category (other financial assets and trade and other receivables) at fair value, which is the transaction price. In transactions with a due date within one year for which there is no contractual interest rate, dividends receivable and receivables on called-up equity instruments expected to be collected in the short term are measured at their nominal amount, as the effect of not discounting the cash flows is immaterial.

Subsequently these financial assets are measured at amortised cost and the interest accrued is recognised in the income statement using the effective interest method. At least once a year, provided there is objective evidence that a loan or receivable is impaired, Alba carries out impairment testing. Based on this analysis, if applicable, Alba recognises the corresponding impairment losses.

The impairment loss on these financial assets is calculated as the difference between their carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

Impairment and its reversal are recognised as an expense or income, respectively, in the income statement. The loss can only be reversed up to the limit of the carrying amount of the receivable that would have been recorded at the reversal date had the impairment loss not been recognised.

j) Cash and cash equivalents (note 14)

This line item of the balance sheet includes cash on hand, demand deposits and other current highly liquid investments that are readily convertible to cash and subject to an insignificant risk of changes in value.

k) Financial liabilities (note 19)

Financial liabilities generally include loans and borrowings that are initially recognised at the cash amount received, less transaction costs. In subsequent periods they are carried at amortised cost using the effective interest method.

l) Own shares (note 15)

Own shares are recognised as a reduction in equity. No gain or loss is recognised for the purchase, sale, issue, redemption or cancellation of Alba's own equity instruments.

m) Provisions (note 17)

Provisions are recognised for present obligations arising from a past event when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the time effect of money is significant, the provision is discounted using a pre-tax rate. When discounted, increases in the provision due to the passage of time are recognised as a finance cost.

n) Income tax (note 22)

The income tax expense is calculated as the sum of current tax, calculated by applying the relevant tax rate to the taxable income or tax loss for the period, less any existing deductions and credits, plus any changes in recognised deferred tax assets and liabilities during the period. The income tax expense is recognised in the income statement except when it relates to transactions recognised directly in equity, in which case the associated tax is also recognised in equity, or as part of a business combination with a charge or credit to goodwill.

o) Alternative pension plans

Alba has three plans, two defined benefit plans and one defined contribution plan, which are externalised to insurance companies and require that contributions be made to a separately managed fund.

The Group recognises the contributions payable to a defined contribution plan in exchange for a service when an employee has rendered service to the Group. The amount of the contributions accrued are recognised as personnel expenses. If the contribution already paid exceeds the contribution due for service before the end of the period, the Group only recognises that excess as an asset (prepaid expense) to the extent that the prepayments will lead to, for example, a reduction in future payments or a cash refund.

When contributions to a defined contribution plan are not expected to be paid in full within the 12 months after the end of the year in which the employees render the related service, they are discounted using the market yield on high quality corporate bonds.

The projected unit credit method was used to measure the obligation derived from pension commitments. With this method the benefits are financed as they are generated, based on the years of service that the employee has at the Company, so that the commitment is fully funded at the time of retirement.

Past service cost is recognised in the consolidated income statement at the earlier of the following dates:

- When the plan amendment or curtailment occurs; and
- When the Group recognises related restructuring costs or termination benefits.

The discount rate of the obligations and the assets to settle the commitments was determined considering the return on corporate bonds with a high credit rating and a similar maturity to the commitments measured, using German public debt as a benchmark.

The main assumptions used in 2018 and 2017 to measure the defined benefit commitments were as follows:

Mortality tables	PERM/F 2000 NP
Technical interest agreed in the policies	2.00% - 3.70%
CPI growth	1.00%
Pay rises	1.00%
Changes in Social Security	1.50%
Discount rate of obligations and assets to settle the commitments	2.00%
Retirement age	65

The changes in the defined benefit plan obligations and the fair value of the assets associated with the benefit in 2018 and 2017 are as follows:

	1/1	Cost of commitments recognised in the income statement: Cost of services	Cost of commitments recognised in the income statement: (Costs)/ Income from net interest	Cost of commitments recognised in the income statement: Subtotal included in profit/ (loss)	Obligations settled (paid)	Actuarial gains/ (losses)	31/12
2018							
Obligations under defined benefit plans	(24.8)	(1.3)	(0.5)	(1.8)	2.9	-	(23.7)
Fair value of assets associated with the benefit	24.8	0.4	1.6	2.0	(2.9)	(0.2)	23.7
(Obligations) /Rights under defined benefit plans, net	-						-
2017							
Obligations under defined benefit plans	(23.0)	(1.3)	(0.5)	(1.8)	-	-	(24.8)
Fair value of assets associated with the benefit	23.0	0.5	1.0	1.5	-	0.3	24.8
(Obligations) / Rights under defined benefit plans, net	-						-

The contribution expected to be made in 2019 in relation to the defined benefit plans is Euros 1.3 million.

Sensitivity analysis:

	Discount rate		Future salary increases	
Sensitivity level	**+0.50%**	**(0.50%)**	**+0.50%**	**(0.50%)**
2018				
Impact on the (Obligations) / Rights under defined benefit plans, net	(9.44%)	10.98%	3.73%	(3.74%)
2017				
Impact on the (Obligations) / Rights under defined benefit plans, net	(9.44%)	10.92%	3.67%	(3.52%)

The contributions related to both plans are recognised in the accompanying income statement and disclosed in 25.a.

p) Share-based payment transactions (note 27)

At 31 December 2018 and 2017 Alba has no share option schemes.

q) Recognition of income and expenses

Income and expenses are allocated on an accruals basis, irrespective of the timing of collections and payments and always taking into account the economic substance of the transaction.

5. BUSINESS COMBINATIONS

On 9 March 2017, through Deyá Capital IV, SCR, S.A., Alba acquired 40.30% of Energyco II, S.A., with registered office in Portugal, and whose main activity is the sale of propane gas piped to the end customer.

The main reason for this business combination was that the venture capital management company, Arta Capital, SGEIC, SAU, held a majority interest. The acquiree generated revenue of Euros 15.9 million and a consolidated loss of Euros (0.6) million for Alba from the acquisition date to the reporting date. Towards the end of 2018 this interest was sold for a gain of Euros 21 million.

Had the acquisition taken place at 1 January 2017, the Group's revenue and consolidated loss for the year ended 31 December 2017 would have amounted to Euros 21.6 million and Euros (0.8) million, respectively.

Details of the consideration given, the fair value of the net assets acquired and goodwill are as follows:

Cash paid	13.4
Non-controlling interests	12.2
Fair value of net assets	(20.4)
Goodwill	**5.2**

The amounts recognised by significant class at the date of acquisition of the assets, liabilities and contingent liabilities are as follows:

	Fair value
Intangible assets	25.1
Other property, plant and equipment	41.7
Cash	2.7
Receivables and other assets	7.8
Total assets	**77.3**
Debt with financial institutions	40.7
Liabilities derived from temporary differences	12.6
Other liabilities	3.6
Total liabilities	**56.9**
Total net assets	20.4
Non-controlling interests	(12.2)
Cash outflow for the acquisition	(13.4)

Intangible assets comprise licences, franchising rights and rights of way with a useful life of 60 years. Other property, plant and equipment is backed by deposits and the distribution network (Euros 13.7 million), with a useful life of 60 years.

In December 2018 this subgroup was sold for Euros 36 million, giving rise to a gain of Euros 21 million.

On 3 March 2017, through Deya Capital IV, SCR, S.A., Alba acquired 28.07% of Satlink Group, S.L., with registered office in Spain, and whose main activity is researching technological solutions for the fishing sector. The main reason for this business combination was that the venture capital management company, Arta Capital, SGEIC, SAU, held a majority interest. The acquired business generated revenue and a consolidated profit of Euros 31.8 million and Euros 0.2 million, respectively, for the Group between the acquisition date and the end of the reporting period.

Had the acquisition taken place at 1 January 2017, the Group's revenue and consolidated profit for the year ended 31 December 2017 would have amounted to Euros 49.2 million and Euros 3.1 million, respectively.

Details of the consideration given, the fair value of the net assets acquired and goodwill are as follows:

Cash paid	12.1
Non-controlling interests	18.2
Fair value of net assets	(25.3)
Goodwill	**5.0**

The amounts recognised by significant class at the date of acquisition of the assets, liabilities and contingent liabilities are as follows:

	Fair value
Intangible assets	46.0
Other property, plant and equipment	0.9
Cash	14.8
Receivables and other assets	19.8
Total assets	**81.5**
Debt with financial institutions	33.6
Liabilities derived from temporary differences	12.9
Other liabilities	9.7
Total liabilities	**56.2**
Total net assets	25.3
Non-controlling interests	(18.2)
Cash outflow for the acquisition	(12.1)

Intangible assets comprise industrial designs, IT applications, trademark and the customer portfolio (Euros 46.0 million) with a useful life of between 3 and 15 years.

The fair value estimates of both business combinations were carried out by an independent expert. Both business combinations are recognised in the consolidated annual accounts at 31 December 2017 and the value at which they are recorded is considered definitive.

6. INVESTMENT PROPERTY

This line item comprises buildings leased out. The contract with the former property investment valuation-appraisal company, C.B. Richard Ellis, S.A., expired in 2017 and tenders were called 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 methodology used to calculate the market value of investment assets consists of preparing 10 years' worth of income and expense projections for each asset, which will subsequently be updated at the reporting date using a market discount rate. The residual amount at the end of year 10 is calculated applying a rate of return ("exit yield" or "cap rate") to the net income projections for year 11. The market values thus obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. The projections are aimed at reflecting the future income and expenses of the real estate assets. Both the rate of return and the discount rate are defined in accordance with the domestic market and considering the conditions prevailing in the institutional market.

The valuation method used considers each property on an individual basis and does not contemplate applying any adjustments because it belongs to a large portfolio of properties. For each property a rent capitalisation rate considered to be market has been assumed, which was subsequently adjusted based on the following parameters:

- The duration of the lease contract and the solvency of the tenant.
- The location of the premises within the municipality (centre, metropolitan area or periphery).
- The immediate surroundings of the property.
- The state of conservation of the property (external and internal).
- The distribution of the property's surface area between below ground and above ground.

- The facade looks onto one or more streets (corner, chamfer).
- The rental situation compared to market rent.

The geographical distribution of the valuation is as follows:

	2018	2017
Madrid	310.6	319.8
Barcelona	16.7	16.7
Total	**327.3**	**336.5**

Movement in this item is as follows:

Balance at 1-1-17	**349.1**
Increases	3.0
Decreases	(16.5)
Changes in fair value	0.9
Balance at 31-12-17	**336.5**
Increases	2.3
Decreases	(11.7)
Changes in fair value	0.2
Balance at 31-12-18	**327.3**

In 2018, decreases reflect the sale of an office block and various indoor parking spaces for a gain of Euros 2.7 million, while increases reflect improvements to the buildings.

In 2017, decreases reflect the sale of various buildings in Madrid and one in Mallorca for a gain of Euros 2.8 million, while increases reflect improvements to the buildings.

The most significant data regarding lettable area at 31 December, is as follows:

	2018	2017
Above ground surface area (m^2)	83,730	85,781
Rented area (m^2)	71,984	74,102
Occupancy rate (%)	86.0%	86.4%

Following is a sensitivity analysis of the main variables that are taken into account when valuing all the investment property of Alba. The following table shows the potential variation in fair value of all the investment property in the event of a 10% decrease/increase in rent of all the buildings and in the event of a 25 b.p. decrease/increase in the rate of return ("Exit yield"):

Year	-10% rent	Exit yield +25% BP	Exit yield -25% BP	+10% rent
2018	(9.67%)	(3.75%)	4.04%	9.67%
2017	(9.34%)	(3.56%)	3.99%	9.34%

The expenses associated with vacant surface area are not significant enough to be disclosed.

Lease income for the non-cancellable period at 31 December 2018 and 2017, calculated until contractual maturity, is as follows:

	2018	2017
Up to 1 year	15.3	14.6
Between 1 and 5 years	18.9	19.3
More than 5 years	1.1	2.3
Total	**35.3**	**36.2**

Insurance policies are contracted to cover the risk of damage to these assets.

7. PROPERTY, PLANT AND EQUIPMENT

Movement in this balance sheet item is as follows:

	Buildings	Other property	Total
Cost			
Balance at 1-1-17	**19.6**	**2.3**	**21.9**
Increases	-	0.5	0.5
Disposals	-	(1.4)	(1.4)
Business combinations	-	42.6	42.6
Balance at 31-12-17	**19.6**	**44.0**	**63.6**
Accumulated depreciation			
Balance at 1-1-17	**(12.4)**	**(2.0)**	**(14.4)**
Increases	(0.8)	(2.5)	(3.3)
Business combinations	-	1.4	1.4
Balance at 31-12-17	**(13.2)**	**(3.1)**	**(16.3)**
Provisions			
Balance at 1-1-17	**(0.5)**	**-**	**(0.5)**
Decreases	0.1	-	0.1
Balance at 31-12-17	**(0.4)**	**-**	**(0.4)**
Balance at 31-12-17	**6.0**	**40.9**	**46.9**

	Buildings	Other property	Total
Cost			
Balance at 1-1-18	**19.6**	**44.0**	**63.6**
Increases	-	1.2	1.2
Disposals	-	(39.3)	(39.3)
Balance at 31-12-18	**19.6**	**6.0**	**25.5**
Accumulated depreciation			
Balance at 1-1-18	**(13.2)**	**(3.1)**	**(16.3)**
Increases	(0.8)	(0.3)	(1.0)
Balance at 31-12-18	**(13.9)**	**(3.4)**	**(17.3)**
Provisions			
Balance at 1-1-18	**(0.4)**	**-**	**(0.4)**
Reversals	0.1	-	0.1
Balance at 31-12-18	**(0.3)**	**-**	**(0.3)**
Balance at 31-12-18	**5.3**	**2.6**	**7.9**

Disposals for the year consist of the sale of the Energyco II subgroup (Note 2.3)

Insurance policies are contracted to cover the risk of damage to the various property, plant and equipment.

8. GOODWILL (NOTE 5)

Movement in goodwill is as follows:

Balance at 1-1-17	-
Entry of CGU Energyco Group	5.2
Entry of CGU Satlink Group	5.0
Balance at 31-12-17	**10.2**
Entry of CGU Energyco Group	(5.2)
Balance at 31-12-18	**5.0**

Goodwill has been allocated to the cash-generating units (CGU) of the Group.

Goodwill is allocated to CGUs for impairment testing purposes. Goodwill is allocated to the CGUs that are expected to benefit from the business combination from which the goodwill arose.

The nature of the assets included to determine the value in use of each cash-generating unit is as follows: property, plant and equipment, goodwill and other intangible assets and working capital.

No impairment losses have been recognised on goodwill in 2018 and 2017.

The Group tests goodwill for impairment at the end of each reporting period, or earlier if there are indications of impairment, in accordance with the accounting policy described in note 4.d1.

The recoverable amount of a CGU is determined based on calculations of its fair value on the basis of the valuation report drawn up by an independent external valuer, Ernst & Young. The method used to determine the recoverable amount is based on discounted future cash flows.

Financial projections (sales, EBITDA, investments, etc.) are based on the budgets and business plans of the companies themselves (same as CGU) approved by their respective Boards of Directors. These projections are not published and are presented to the Group at Board meetings. In any case, the reasonableness of the projections prepared by the companies is contrasted with different market comparables and the Group's own opinion based on its past experience. Financial projections have a five-year period.

The key valuation variables are as follows: Discount rate (WACC) and perpetual growth rate (g):

- The WACC is calculated using the Capital Asset Pricing Model (CAPM) generally accepted by the financial community and on the basis of market variables obtained through Bloomberg, such as the return on a ten-year bond or the levered beta with respect to the reference stock market index. In addition, various internal estimates are used, such as: the spread between the non-current debt of the Company and the ten-year bond, the tax rate (same as for the terminal value cash flow) or the target capital structure.
- The perpetual growth rate is calculated based on each company and the market in which they operate.

The assumptions used to calculate the fair value of the Satlink CGU have been a discount rate of 11.9% and a perpetual growth rate of 1.2%.

9. OTHER INTANGIBLE ASSETS (NOTE 5)

Movement in intangible assets is as follows:

Balance at 1-1-17	-
Additions due to business	67.0
Balance at 1-1-18	**67.0**
Additions	0.1
Disposals	(29.0)
Balance at 31-12-18	**38.1**

Disposals in 2018 consist of the sale of the Energyco II subgroup (see note 2.3) and amortisation of Euros 4.5 million.

Details of intangible assets in 2018 and 2017 are as follows:

In millions of Euros	**2018**	2017	Estimated useful life
Industrial designs	10.9	12.4	10
Computer software	2.3	5.0	3
Trademarks	2.7	3.1	10
Customer portfolio	21.5	22.6	10
Other	0.7	23.9	-
Total	**38.1**	**67.0**	

No other intangible assets are subject to restrictions on title or pledged as security for particular transactions.

The Group has no fully amortised intangible assets.

Other intangible assets are tested for impairment as described in note 4.d. No impairment losses have been recognised or reversed in 2018 and 2017.

10. INVESTMENTS IN ASSOCIATES

Variations in this item during 2018 were as follows:

Company	Consolidated value at 1-1-18	Profit/(loss) of associates	Dividends accrued and share premium reimbursement
Acerinox, S.A.	574.3	44.9	(23.6)
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	304.8	16.4	(18.0)
CIE Automotive, S.A.	299.6	39.3	(47.0)
Ebro Foods, S.A.	334.4	17.8	(10.6)
Euskaltel, S.A.	166.1	6.9	(5.7)
Indra Sistemas, S.A.	213.7	12.6	-
Parques Reunidos Servicios Centrales, S.A.	241.7	(1.3)	(4.0)
Rioja Luxembourg S.à.r.l.	-	9.8	(34.6)
Viscofan, S.A.	248.5	15.0	(9.7)
Totals	**2,383.1**	**161.4**	**(153.2)**

(*) Reflects the value of the interest in Naturgy.

Acquisitions/ (disposals)	Variations in consolidated equity of the associates	Reversal/ (impairment)	Consolidated value at 31-12-18	Market value at 31-12-18
-	10,0	-	605.6	453.4
-	(2.3)	(22.1)	278.8	245.3
2.7	(5.0)	-	289.6	279.3
53.0	4.3	-	398.9	375.8
-	0.1	11.9	179.3	137.4
-	(9.9)	-	216.4	153.1
12.0	0.1	-	248.5	186.9
521.5	(11.9)	-	484.8	706.0*
40.6	(1.9)	-	292.5	291.6
629.8	**(16.5)**	**(10.2)**	**2,994.4**	**2,828.8**

The variations in this item during 2017 were as follows:

Company	Consolidated value at 1-1-17	Profit/(loss) 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)
Totals	**2,321.4**	**118.9**	**(71.7)**

Acquisitions/ (disposals)	Reversal/ (impairment)	Variations in consolidated equity of the associates	Consolidated value at 31-12-18	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 variations in consolidated equity in 2018 and 2017 are due primarily to adjustments derived from translation, changes in the value of financial assets through equity, variations in own shares and transition adjustments resulting from the application of new accounting standards.

The gains achieved in 2017, recognised as gains on disposal and income from financial assets and other in the consolidated income statement for 2017, were almost entirely derived from the sale of 7.52% of ACS, Actividades de Construcción y Servicios, S.A. for Euros 743.4 million for a gain of Euros 352.7 million.

The relevant information on companies included in this item is as follows:

	Assets		Liabilities				
	Current	Non-current	Current	Non-current	Revenues	Consolidated profit attributable to the parent	Other comprehensive income
Acerinox, S.A.							
2018	2,473.8	2,133.8	1,262.1	1,226.2	5,010.8	237.1	70.6
2017	2,256.4	2,147.6	1,284.3	1,149.4	4,626.9	234.1	(289.5)
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.							
2018	14,231.8	178.5	13,970.5	40.2	307.4	136.1	2.5
2017	22,509.5	173.7	22,232.6	20.1	320.8	153.3	1.6
CIE Automotive, S.A.							
2018	1,159.2	2,504.7	1,222.9	1,392.1	3,029.5	396.8	(8.8)
2017	1,558.7	2,921.2	1,813.3	1,329.6	2,842.5	215.4	(108.6)
Ebro Foods, S.A.							
2018	1,241.1	2,591.3	802.2	840.0	2,646.5	141.6	40.3
2017	1,293.3	2,369.9	771.4	769.8	2,507.0	220.6	(137.4)
Euskaltel, S.A.							
2018	177.7	2,721.0	361.6	1,562.2	674.6	62.8	-
2017	136.2	2,768.3	246.5	1,694.4	609.3	49.6	-
Indra Sistemas, S.A.							
2018	2,336.4	1,704.9	1,800.9	1,562.7	3,103.7	119.8	(24.9)
2017	2,208.2	1,658.4	1,973.7	1,243.9	3,011.1	126.9	(4.6)
Parques Reunidos Servicios Centrales, S.A.							
2018	129.9	2,138.7	196.9	975.6	583.1	12.1	(3.2)
2017	187.1	1,907.0	171.0	814.3	579.3	11.3	(11.3)
Rioja Luxembourg S.à.r.l.							
2018	99.0	3,582.0	-	1,876.0	-	36.0	(45.0)
2017	-	-	-	-	-	-	-
Viscofan, S.A.							
2018	506.2	527.6	173.7	102.4	786.0	123.7	(10.3)
2017	445.1	515.7	113.6	119.6	778.1	122.1	(33.4)

Notices of shareholding:

Notifications were issued concerning the acquisition, modification and disposal of interests in the share capital of the companies, in accordance with prevailing legislation.

In 2018 notifications were issued to:

Rioja Luxembourg, S.à.r.l. 25.73%
Purchase

Naturgy Energy Group, S.A. 0.11%
Purchase

CIE Automotive, S.A. 0.10%
Purchase

Ebro Foods, S.A. 2.00%
Purchase

Parques Reunidos
Servicios Centrales, S.A. 1.42%
Purchase

Viscofan, S.A. 1.68%
Purchase

Energyco II, S.A. 40.30%
Sale

Artá Partners, S.A. 0.16%
Sale

In 2017 notifications were issued to:

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y S.F., S.A. 1.49%
Purchase

CIE Automotive, S.A. 10.00%
Purchase

Ebro Foods, S.A............................. 1.99%
Purchase

Euskaltel, S.A. 1.65%
Purchase

Parques Reunidos Servicios Centrales, S.A. 9.48%
Purchase

Viscofan, S.A. 0.30%
Purchase

ACS, Actividades de Construcción y Servicios, S.A.......... ....7.52%
Sale

Clínica Baviera, S.A........... ....20.00%
Sale

The associates whose quoted price at 2018 year end is lower than their carrying amount are as follows: Acerinox, S.A., Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros S.A., CIE Automotive, S.A. Ebro Food, S.A., Euskaltel, S.A., Indra Sistemas, S.A. and Parques Reunidos Servicios Centrales. S.A. The value in use of Viscofan, S.A. has not been calculated due to the scant difference between its carrying amount and its quoted price. In such cases the Investment Department of Alba calculates the value in use of each investment, which will be reviewed by the Finance Department without the involvement of independent experts. The method used is cash flow discounting, subsequently subtracting the value of net debt and non-controlling interests. The main assumptions used are as follows:

	Acerinox, S.A.	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	CIE Automotive, S.A.	Ebro Foods, S.A.
Perpetual growth rate	2.0%	1.5%	2.0%	1.5%
Discount rate (WACC)	8.3%	8.9%	8.9%	7.2%
Capital structure				
Capital	80%	100%	80%	80%
Debt	20%	-	20%	20%
Equity ratio	9.6%	8.9%	10.3%	8.3%
Cost of debt after tax	3.3%	n.s.	3.0%	2.8%
Estimated value in use (€/share)	13.67	27.65	30.40	19.01

	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
	1.5%	1.5%	2.0%
	7.3%	9.0%	8.2%
	65%	85%	79%
	35%	15%	21%
	9.5%	10.0%	9.4%
	3.1%	3.6%	3.9%
	9.12	13.12	15.88

At 31 December 2018, Alba has recorded impairment of its interest in Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A., with accumulated impairment at year end totalling Euros 36.0 million. The impairment of the interest in Euskaltel, S.A. has been partially reversed, with accumulated impairment at year end totalling Euros 9.0 million.

The associates whose quoted price at 2017 year end was lower than their carrying amount are as follows: 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, the method used to calculate value in use is cash flow discounting, subsequently subtracting the value of net debt and non-controlling interests. The assumptions used were as follows:

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

At 31 December 2017 Alba recorded impairment of its interest in Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A., with accumulated impairment at year end totalling Euros 13.9 million. The accumulated impairment at year end in Euskaltel, S.A. totalled Euros 20.9 million. The impairment of the interest in Indra Sistemas, S.A. was reversed in full.

Financial projections (sales, EBITDA, investments, etc.) are based, where available, on the budgets and business plans of the investees themselves approved by their respective Boards of Directors. In the event of any subsequent updates or reviews of these business plans by the companies themselves, the latest available version will be used. It should be noted that in most cases the budgets and business plans of the investees are internal and have not been communicated to the market. In any case, the reasonableness of the projections prepared by the companies is contrasted with the market consensus, historical data and the opinion of Alba's own team based on its past experience. If the companies have either not prepared projections or have outdated projections, their value is based on the consensus estimates available through platforms such as Bloomberg or Factset.

In theory, no adjustments are made to the projections prepared by the companies or the consensus estimates. However, it may be necessary to use internal estimates prepared by Alba in certain situations:

- When the existing projections, either those prepared by the companies themselves or the consensus of analysts, do not cover the minimum projected period required, established as at least five years, and it is necessary to extend the estimate to this minimum period.

- In the case of the consensus estimates, when it is considered that the sample is not sufficiently large or representative as the consensus is formed from too low a number of estimates. In general, the number of analysts that contribute estimates to the consensus is lower the longer the period and the consensus ceases to be representative in the final years of the explicit period.

- The consensus estimate tends to be significant for sales and EBITDA, but less so for other relevant cash flow variables such as investments, the tax rate or the change in working capital. For these variables, own estimates are prepared based on a representative sample of analysts' estimates, the company's history and the knowledge acquired by Alba through its presence on the respective boards of directors and its past experience in this company or similar companies.

- All internal estimates are compared with the Company's historical data and analysts' reports, where appropriate.

At 31 December 2018 the Group has used financial estimates with a time horizon of five years (2019-2023) for all the associates analysed, subsequently calculating a terminal value on the basis of this explicit five year period.

Following is a summary of the main assumptions applied in the financial projections used in the explicit valuation period (2019-2023) for Acerinox, SA, Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, SA, CIE Automotive, SA, Ebro Foods, SA, Euskaltel, SA, Indra, SA and Parques Reunidos Servicios Centrales, SA:

- Growth of income: for all the companies, except Parques Reunidos, the expected cumulative annual growth rate of income in the explicit period is in line with or slightly higher than the perpetual growth rate used in each case; where it is slightly higher, this is due to greater growth at the start of the period that converges with the perpetual growth rate in subsequent years. In Parques Reunidos the situation is similar, although with a greater difference in the first years: highly significant growth is expected in 2019 due to the incorporation of the four acquisitions performed in 2018 and the start of 2019 and the extensions and new attractions currently being developed that will begin to generate revenues in 2019 and 2020; as in the other companies, this growth rate falls in the second half of the explicit period to similar levels to the perpetual growth rate.

- EBITDA margins: are in line with recent historical data (2016-2018) in Acerinox, Ebro Foods, Euskaltel and Parques Reunidos and show a slight upward trend in CIE Automotive and Indra due to the integration of the acquisitions performed in both cases and improvements in efficiency. In the case of Indra, the EBITDA margin improves gradually over the first years but fails to regain the levels of profitability achieved before the crisis. In the case of Bolsas y Mercados Españoles, a similar EBITDA margin to that obtained in 2018 has been assumed, which is substantially less than the historical average.

- Investments (expressed as a percentage of sales): higher than the historical average for the past 10 years in Bolsas y Mercados Españoles, Euskaltel and Parques Reunidos due to the expansion projects currently underway at the three companies: geographical expansion in the case of Euskaltel, the aforementioned expansions of parks and new attractions in Parques Reunidos and investments in systems, technology and new developments in Bolsas y Mercados Españoles. Conversely, this ratio is slightly lower than the historical 10-year average in Acerinox, CIE Automotive, Ebro Foods and Indra, although in no case are these differences significant and, in general, are the result of specific investments made by these companies in the past, such as the construction of the plant in Indonesia in the case of Acerinox. Acquisitions are not included in the calculation of the historical average nor are additional acquisitions considered beyond those already communicated.

- The tax rate applied ranges from the 25.0% general Spanish income tax rate up to 27.5% -30.0% at those companies with activities in jurisdictions with higher tax rates, although in many of these countries, such as France and the United States, tax rates have fallen in recent years. The present value of tax assets recorded by some of these companies has not been included in these valuations.

- The variation in working capital generally has little impact on these projections.

The WACC rate is calculated on the basis of the Capital Asset Pricing Model (CAPM) generally accepted by the financial community and based on:

- Market variables obtained through Bloomberg, such as the rate of return on the 10-year bond or the levered beta compared to the stock market index.

- Various internal estimates are used, such as: the spread between the Company's non-current debt and the 10-year bond, the tax rate (same as for the cash flows used in the terminal value calculation and is usually the marginal income tax rate weighted for the different countries in which the Company operates), the target capital structure, the market risk premium (we have historically used a fixed rate of 5%) or the specific risk premium, which is added to the cost of equity (Ke). This additional risk premium seeks to reflect issues such as low liquidity and is based strictly on internal estimates performed by Alba. This additional risk premium serves to raise the cost of equity to higher levels than would result from the direct application of the WACC formula, which in our opinion would, at present, generate discount rates that are too low considering the environment of low interest rates.

In the valuations carried out at 31 December 2018, the cost of equity varies by company, between 8.3% and 10.0%, while the WACC rate ranges from 7.2% to 9.0 %. These discount rates are in line with those used in the previous year for the corresponding companies and are firstly contrasted with the available analyst estimates and, more generally, with the historical information and experience of Alba. If we consider the range of estimates of a significant sample of recent analyst reports, the discount rates used tend to be in the upper range and even exceed it in some cases.

In order to calculate the terminal value, a normalised cash flow is used based on the explicit projection for the last year. This normalisation focuses exclusively on the long-term sustainable EBITDA margin assumption, since the other variables either do not have an impact (for example, it is always assumed that investments and depreciation are equal in the terminal value), they do not vary with respect to the explicit projections (for example, the tax rate remains constant in all cases) or have limited impact given that there are no significant variations between both periods (variation in working capital).

The long-term sustainable EBITDA margin is estimated internally based on the projections used in the explicit period, the historical information available (for comparison) and the experience of Alba's team. The margin used in estimating cash flows for the terminal value is usually lower or, at most, stable with respect to the explicit period. If the estimate of the long-term sustainable EBITDA margin were substantially higher than that of the last explicit year, it would indicate that the Company has not reached a sufficient level of maturity or stability and would lead us to reconsider our estimate of the terminal EBITDA margin or to expand the explicit projection period until reaching that level.

As in the case of all the estimates used for these valuations, the estimation and justification of these variables is contrasted with historical information and with a significant sample of recent analyst reports.

At 31 December 2018, the perpetual growth rate ranges from 1.5% to 2.0% per annum, also without any variations since the previous year, except for a reduction in the rate used in Indra from 1.8% in December 2017 to 1.5% in December 2018. This variable is also compared with a significant sample of recent analyst reports. Regarding other variables already discussed, such as the WACC or the tax rate used in the terminal value calculation, the perpetual growth rate is somewhat more varied depending on the company, but under no circumstances is it higher than the maximum value of the sample considered without there having been significant changes in recent years, as already mentioned.

In 2018, Alba carried out the following sensitivity analysis:

	Acerinox, S.A.	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	CIE Automotive, S.A.	Ebro Foods, S.A.
Discount rate or WACC				
Rate used in 2018	8.3%	8.9%	8.9%	7.2%
Rate equal to carrying amount	9.2%	8.9%	11.0%	7.4%
Perpetual growth				
Rate used in 2018	2.0%	1.5%	2.0%	1.5%
Rate equal to carrying amount	0.5%	1.5%	(0.8%)	1.3%
EBITDA margin used to calculate terminal value				
Rate used in 2018	10.5%	61.8%	16.7%	13.7%
Margin equal to carrying amount	9.2%	61.8%	13.3%	13.3%
Variation in total sales to equal carrying amount	(13.7%)	-	(15.0%)	(2.5%)
Variation in EBITDA margin to equal carrying amount	(0.5%)	-	(1.5%)	(0.2%)

Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
7.3%	9.0%	8.2%
7.3%	9.6%	8.4%
1.5%	1.5%	2.0%
1.5%	0.7%	1.8%
49.0%	11.0%	30.0%
49.0%	10.1%	29.2%
-	(6.7%)	(2.5%)
-	(0.6%)	(0.4%)

In 2017, Alba carried out the following sensitivity analysis:

	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Euskaltel, S.A.
Weighted average cost of capital (WACC)		
Rate used in 2017	8.9%	7.2%
Rate equal to carrying amount	8.9%	7.2%
Perpetual growth		
Rate used in 2017	1.5%	1.5%
Rate equal to carrying amount	1.5%	1.5%
EBITDA margin used to calculate terminal value		
Rate used in 2017	66.2%	48.0%
Margin equal to carrying amount	66.2%	48.0%
Variation in total sales to equal carrying amount	-	-
Variation in EBITDA margin to equal carrying amount	-	-

Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
9.0%	8.2%
10.8%	9.0%
1.8%	2.0%
(0.8%)	1.0%
12.0%	30.0%
9.6%	26.7%
(19.4%)	(10.5%)
(1.7%)	(3.3%)

In 2018, a variation of +0.5% and –0.5% in the assumptions used to calculate the value in use would have the following effect on this value:

Variation	Acerinox, S.A.	Bolsas y Mercados, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	CIE Automotive, S.A.	Ebro Foods, S.A.
Weighted average cost of capital (WACC)				
+ 0.5%	(8.5%)	(10.0%)	(7.9%)	(10.1%)
– 0.5%	9.9%	13.1%	9.1%	12.0%
Perpetual growth				
+ 0.5%	6.7%	4.8%	7.2%	8.4%
– 0.5%	(5.7%)	(4.2%)	(6.2%)	(7.0%)
EBITDA margin				
+ 0.5%	5.8%	1.0%	3.8%	4.9%
– 0.5%	(5.8%)	(1.0%)	(3.8%)	(4.9%)

	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
	(28.0%)	(15.0%)	(25.9%)
	39.8%	19.7%	36.0%
	15.2%	6.8%	14.0%
	(12.8%)	(5.9%)	(11.9%)
	4.5%	10.4%	3.6%
	(4.5%)	(10.4%)	(3.6%)

In 2017, a variation of +0.5% and –0.5% in the assumptions used to calculate the value in use would have had the following effect on this value:

Variation	Bolsas y Mercados, 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				
+ 0.5%	4.8%	15.8%	7.0%	11.1%
– 0.5%	(4.2%)	(13.3%)	(6.1%)	(9.4%)
EBITDA margin				
+ 0.5%	0.5%	2.5%	5.2%	2.6%
– 0.5%	(0.5%)	(2.5%)	(5.2%)	(2.6%)

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at 31 December 2018 and 2017 are as follows:

	%	
Non-current, unquoted	**2018**	2017
Alvinesa, S.A.	16.83	16.83
C. E. Extremadura, S.A.	1.01	1.01
In-Store Media Group, S.A.	18.89	18.89
Mecalux, S.A.	24.38	24.38
Monbake (through Tarasios Investments S.L.)	3.70	-
TRRG Holding Limited (formerly Ros Roca)	7.50	7.50

Non-current, quoted	**2018**	2017
Global Dominion Access, S.A.	5.00	-

In millions of Euros	**2018**	2017
Dividends collected	7.8	5.6

In 2017, the investment in Grupo Empresarial Panasa, S.L was reclassified to non-current assets held for sale. In 2018, Alba (through Deyá Capital) sold its 26.5% ownership interest in Panasa for Euros 88.4 million. As a result of this sale, which was announced in November 2017, since the initial investment in February 2011, Alba has achieved a return on investment of 3.3x and an annual TIR of 20%.

Movement during 2018 and 2017 was as follows:

Balance at 1-1-17	**325.2**
Additions	12.6
Sales	(101.1)
Transfers	(88.4)
Changes in fair value	6.2
Balance at 31-12-17	**154.5**
Additions	48.7
Changes in fair value	(2.1)
Balance at 31-12-18	**201.1**

Additions in 2018 reflect the acquisition of the interest in Monbake (through Tarasios Investments, S.L.) and Global Dominion Access, S.A.

Additions in 2017 reflect the acquisition of the interest in Alvinesa, S.A., while disposals consist of the sale of the interest in Flex E.D., S.A. for a gain of Euros 7.1 million and in EnCampus Residencias de Estudiantes, S.A., Siresa Campus Noroeste, S.A. and Siresa Campus II, S.A. for a gain of Euros 13.8 million.

Regarding the investments made by the first fund, managed by Artá Capital, in TRR Holding Limited, Mecalux., S.A. and InStore Media Group, S.A., the valuations are prepared internally by the personnel responsible for this function in Artá Capital, SGIC, SAU and reviewed and approved by the Investment Committee, without any independent experts having been involved in the valuations.

Likewise, in relation to the investments made by Artá Fund II, also managed by Artá Capital, during 2017 the valuations were prepared by the personnel responsible for this function in Artá and reviewed by the Investment Committee. However, in 2018

Artá Capital agreed to commission the valuation function to an external valuer, Ernst & Young Servicios Corporativos, S.L., which has issued its corresponding report.

The method used to determine the fair value of these investments is based on discounted future cash flows.

For investments carried out by Artá Fund II, at December 2017 all the investments were valued at cost since they had been in the portfolio for less than one year, in line with the valuation criteria of Invest Europe. In December 2018, the investment in Monbake (through Tarasios Investments, S.L.) was valued at cost for the same reason.

Financial projections (sales, EBITDA, investments, etc.) are based on the budgets and business plans of the companies themselves approved by their respective Board of Directors. These projections are not published and are presented to Artá at board meetings. In any case, the reasonableness of the projections prepared by the companies is contrasted with different market comparables and Artá's own opinion based on its past experience. The financial projections have a five-year time frame for all the valuations performed.

The key valuation variables are as follows: Discount rate (WACC) and perpetual growth rate (g):

- The WACC is calculated using the Capital Asset Pricing Model (CAPM) generally accepted by the financial community and on the basis of market variables obtained through Bloomberg, such as the return on a ten-year bond or the levered beta with respect to the reference stock market index.

  In addition, various internal estimates are used, such as: the spread between the non-current debt of the Company and the ten-year bond, the tax rate (same as for the terminal value cash flow) or the target capital structure.

- The perpetual growth rate is calculated based on each company and the market in which they operate.

The fair value of the investments has been calculated using the discounted cash flow method. The assumptions used are as follows:

	TRRG Holding Limited	Mecalux, S.A.	InStore Media Group, S.A.	Grupo Empresarial Panasa, S.L.
2018				
Perpetual growth rate	2.0%	2.0%	2.0%	1.7%
Weighted average costs of capital (WACC)	8.9%	9.4%	10.2%	9.6%
2017				
Perpetual growth rate	2.0%	2.0%	2.0%	-
Weighted average costs of capital (WACC)	9.3%	9.6%	10.8%	-

Sensitivity analysis

A variation in the assumptions used to calculate fair value would have the following effects thereon:

	TRRG Holding Limited	Mecalux, S.A.	InStore Media Group, S.A.	Alvinesa, S.A.
2018				
Weighted average cost of capital (WACC)				
+ 0.5%	(9.6%)	(5.4%)	(6.1%)	(6.5%)
– 0.5%	11.2%	6.1%	6.9%	7.2%
Perpetual growth rate				
+ 0.5%	7.4%	5.0%	4.7%	2.2%
– 0.5%	(6.4%)	(4.4%)	(4.2%)	(1.9%)
EBITDA				
+ 5.0%	10.2%	8.1%	6.3%	7.5%
– 5.0%	(10.2%)	(8.1%)	(6.3%)	(7.5%)
2017				
Weighted average cost of capital (WACC)				
+ 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%)	-
EBITDA				
+ 5.0%	9.3%	7.9%	6.6%	-
– 5.0%	(9.3%)	(7.9%)	(6.6%)	-

12. OTHER NON-CURRENT FINANCIAL ASSETS AND LIABILITIES

Details of these items at 31 December 2018 and 2017 are as follows:

	2018	2017
Other non-current financial assets		
Loans to third parties	56.9	64.8
Other financial assets with related parties	4.6	-
Guarantees deposited with public entities	2.4	2.2
Balance at 31 December	**63.9**	**67.0**
Other non-current financial liabilities		
Other financial liabilities	1.9	3.8
Other financial liabilities with related parties	4.6	-
Guarantees received from customers	2.5	2.6
Balance at 31 December	**9.0**	**6.4**

Loans to third parties mostly consist of the value of the outstanding amounts receivable from the Bergé Group. In July 2016, a syndicated financing agreement was signed between several Bergé Group companies and a syndicate of entities, including Corporación Financiera Alba, S.A.

This debt is divided into two tranches. Tranche A is repaid in six-monthly instalments between December 2016 and June 2022 and accrues market interest of Euribor + 265 b.p. and Tranche B has 5-year bullet repayments that accrue market interest of Euribor + 125 b.p. for the first 3 years, + 225 b.p. in the fourth year and

+ 325 b.p. in the fifth year. It is expected to be collected through a cash sweep and early repayments that will be mandatory if certain liquidity events occur. The amounts allocated to the repayment of the debt as a result of the aforementioned liquidity events will be distributed through a discount auction among the lender entities that attend. In 2018 and 2017 Alba collected Euros 3.2 million and Euros 64.1 million of these loans, respectively. The balance in Euros at 31 December, is as follows:

	2018	2017
Tranche A	22.8	25.8
Tranche B	33.3	33.5

13. TRADE AND OTHER RECEIVABLES

Details at 31 December 2018 and 2017 are as follows:

	2018	2017
Withholdings and income tax payments on account paid in instalments	163.7	168.3
Accrued dividends receivable	6.8	6.1
Trade receivables	20.8	22.8
Sundry receivables	40.2	2.6
Prepaid expenses	0.1	1.3
Balance at 31 December	**231.6**	**201.1**

In 2018, sundry receivables include the amount receivable for the sale of the shareholding in the Energyco subgroup, which was collected in early 2019 (note 2.3).

14. OTHER CURRENT FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS

Financial assets reflect current cash placements (maturity of over 3 months) in the form of:

	2018	2017
Corporate promissory notes	40.0	145.9
Fixed-term deposits	121.2	300.0
Investments in quoted companies	87.5	150.3
Other financial assets	-	5.9
Accrued interest	-	0.4
Total	248.7	602.5

All the promissory notes are issued by quoted Spanish entities. Investments in quoted entities consist of current investments recognised at fair value and classified as current financial assets at fair value through profit or loss. Euros 4.1 million and Euros 2.6 million in dividends have been collected from these investments in 2018 and 2017, respectively. Following are the number of shares, the percentage ownership interest and the fair value of the Group's investments at 31 December 2018 and 2017:

	2018			2017		
Description	No. of shares	%	Fair value	No. of shares	%	Fair value
Teva Pharmaceutical	307,389	0.03	4.1	604,839	0.06	9.6
Gestamp Automoción	922,519	0.16	4.6	2,657,470	0.46	15.8
Royal Dutch Shell	185,000	0.00	4.7	-	-	-
Amadeus	79,731	0.02	4.8	-	-	-
Inditex	223,175	0.01	5.0	-	-	-
Telefónica	1,000,000	0.02	7.3	2,010,402	0.04	16.3
Total	318,347	0.01	14.7	218,747	0.01	10.1
Novo Nordisk B A/S	-	-	-	263,218	0.00	11.8
Enagas	-	-	-	425,974	0.18	10.2
Other securities	-	-	42.3	-	-	76.5
Total			**87.5**			**150.3**

Details of cash and cash equivalents at 31 December 2018 and 2017 are as follows:

	2018	2017
Cash on hand and at banks	102.2	287.8
Highly liquid current deposits and investments	39.8	22.2
Balance at 31 December	**142.0**	**310.0**

Current deposits and investments can be quickly converted to cash and do not pose a risk of a change in value. The amounts in this item accrue variable interest based on the interbank market interest rate.

15. EQUITY

At 31 December 2018 and 2017 the share capital comprised 58,240,000 and 58,300,000 shares, respectively, all of the same class and represented by book entries. The par value of each share is Euros 1, they are subscribed and fully paid, and have all been listed on the Stock Exchange (Stock Exchange Interconnection System).

On 18 June 2018 at their general meeting the shareholders agreed to reduce share capital by Euros 60,000 through the redemption of 60,000 shares (all comprising the Company's own shares at the date of the Shareholders Ordinary and Extraordinary General Meeting). The redemption was recognised with a charge to share capital for the par value of the redeemed shares, and with a charge to freely-distributable reserves for the remaining amount paid for their acquisition.

In their general meeting held on 8 June 2016, the shareholders of Corporación Financiera Alba, S.A. agreed to delegate the following powers to the Board of Directors:

- Approval of one or more increases in share capital, up to a total of 50% of the share capital, through cash contributions within a maximum of five years and including pre-emptive rights, this power not having been used to date.

- Approval of one or more increases in share capital, up to a total of 20% of the share capital, through cash contributions within a maximum of five years and granting the Board the faculty to remove pre-emptive rights, this power not having been used to date.

On 19 December 2018 the siblings Juan, Carlos, Gloria and Leonor March Delgado revoked the shareholder agreement between them and Banca March, which governed the voting rights exercised in the general meetings of Corporación Financiera Alba, S.A.

Details of the direct and indirect interests of at least 3% reported to the Spanish Securities Market Commission (CNMV) at 31 December 2018 are as follows:

Shareholder	% interest
Banca March, S.A.	15.022%
Mr. Carlos March Delgado	18.837%
Mr. Juan March Delgado	18.726%
Mr. Juan March de la Lastra	6.929%
Mr. Juan March Juan	4.351%
Ms. Catalina March Juan	4.270%
Ms. Gloria March Delgado	3.700%

Movement in Alba's own shares is as follows:

	No. of shares	% of share capital	Acquisition price €/share	Thousands of €
At 1 January 2017	59,898	0.10%	40.29	2.413
Purchases in 2018	102	0.00%	49.50	5
Redemption in 2018	(60,000)	(0.10%)		
At 31 December 2018	-	-		

Basic earnings per share are calculated by dividing profit for the year attributable to the ordinary shareholders of the Parent by the average number of outstanding shares in that year.

Diluted earnings per share are calculated by dividing profit for the year attributable to the ordinary shareholders of the Parent by the average number of outstanding shares in that year, plus the average number of ordinary shares which would be issued if all the financial instruments that could be converted into potentially ordinary shares were converted into ordinary shares. Given that there are no financial instruments of this kind, basic earnings per share are the same as diluted earnings per share.

	2018	2017
Profit attributable to ordinary shareholders of the Parent		
Continuing operations	154.4	474.1
Discontinued operations	-	-
Profit attributable to ordinary shareholders of the Parent for basic earnings	154.4	474.1
Interest of the holders of financial instruments convertible into ordinary shares	-	-
Profit attributable to ordinary shareholders of the Parent for diluted basic earnings	154.4	474.1
Average number of ordinary shares for calculation of basic earnings per share (*)	58,240,000	58,240,102
Dilution effect	-	-
Adjusted average number of ordinary shares for calculation of diluted basic earnings per share (*)	58,240,000	58,240,102

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

There have been no transactions involving ordinary or potentially ordinary shares between the reporting date and the date on which these consolidated annual accounts were authorised for issue.

Details of non-controlling interests at 31 December 2018 and 2017 are as follows:

	2018	2017
Satlink subgroup	16.7	19.6
Arta Partners, S.A.	0.7	0.8
Energyco subgroup	-	13.7

In 2018 the Satlink subgroup distributed a dividend of Euros 10 million and the interest in the Energyco subgroup was sold (see note 2.3).

16. CAPITAL MANAGEMENT POLICY

Alba manages its capital with a view to ensuring its subsidiaries have sufficient economic resources to carry out their activities. In addition to managing the capital needed to cover the inherent risks 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 year end 2018 and 2017 was as follows:

	2018	2017
Loans and borrowings	141.7	195.3
Cash and cash equivalents	(142.0)	(310.0)
Total net debt	**(0.3)**	**(114.7)**
Equity	4,041.5	3,962.0
Equity - net debt	4,041.8	4,076.7

There was no net financial debt in 2018 and 2017 thus there is no leverage ratio.

17. PROVISIONS

Movement during 2018 and 2017 was as follows:

	2018	2017
Balance at 1 January	1.1	0.7
Charges	-	0.4
Uses and reversals	(0.3)	-
Balance at 31 December	0.8	1.1

18. SUPPLIERS AND OTHER PAYABLES

Details at 31 December 2018 and 2017 are as follows:

	2018	2017
Suppliers	10.7	12.6
Salaries payable	2.3	2.5
Public entities, other (note 22)	5.7	9.4
Balance at 31 December	18.7	24.5

Details of the average supplier payment period in Spain are as follows:

	2018	2017
Days		
Average supplier payment period	43	42
Transactions paid ratio	44	45
Transactions payable ratio	41	40
Thousands of Euros		
Total payments made	30.7	48.8
Total payments outstanding	9.0	14.0

19. LOANS AND BORROWINGS

Non-current and current

Details of current loans and borrowings, which mature annually, by maturity are as follows:

	At 31-12-18		At 31-12-17	
Bank	Maturity	Balance drawn down	Maturity	Balance drawn down
Current loans				
BBVA	2019	9.4	2018	9.2
Syndicated loan (BPI, BBVA and Bankinter)	-	-	2018	5.1
Syndicated loan (Bankinter, BBVA, Caixa and Sabadell)	2019	3.4	-	-
BBVA and Santander	-	-	2018	0.2
		12.8		**14.5**
Non-current loans				
BBVA	2020 to 2025	108.9	2019 to 2025	118.3
Syndicated loan (BPI, BBVA and Bankinter)	-	-	2019 to 2024	34.9
BBVA and Santander	-	-	2019	0.1
Syndicated loan (Bankinter, BBVA, Caixa and Sabadell)	2020 to 2023	20.0	2019 to 2023	27.5
		128.9		**180.8**

On 17 June 2015 a loan agreement amounting to Euros 150 million was entered into with BBVA, accruing interest at a variable rate and maturing on 17 June 2025. Principal and interest payments are settled every six months. Interest rates on the remaining bank debt range from 2.5% to 3.0%.

Details of the maturities of non-current loans and borrowings (including interest) at 31 December 2018 and 2017 (in millions of Euros) are as follows:

In millions of Euros	2019	2020	2021	2022	2023	2024	2025	Total
2018								
BBVA	-	11.1	11.1	11.1	11.1	11.1	60.5	116.0
Syndicated loan (Bankinter, BBVA, Caixa and Sabadell)	-	4.2	4.6	5.4	7.0	-	-	21.1
	-	**15.3**	**15.6**	**16.5**	**18.1**	**11.1**	**60.5**	**137.1**
2017								
BBVA	11.2	11.1	11.1	11.1	11.1	11.1	60.5	127.1
Syndicated loan (BPI, BBVA and Bankinter)	4.6	4.9	5.9	6.3	6.7	8.5	-	36.9
BBVA and Santander	0.1	-	-	-	-	-	-	0.1
Syndicated loan (Bankinter, BBVA, Caixa and Sabadell)	7.4	4.2	4.6	5.4	7.3	-	-	29.0
	23.3	**20.3**	**21.6**	**22.8**	**25.0**	**19.6**	**60.5**	**193.1**

Loans and borrowings are reconciled to cash flows used in financing activities in the statement of cash flows as follows:

	Loans and borrowings
Balance at 1-1-17	**136.6**
Business combinations	74.3
Cash flows used in financing activities	(15.6)
Balance at 31-12-17	**195.3**
Balance at 1-1-18	**195.3**
Derecognition due to the sale of the Energyco subgroup	(40.0)
Cash flows used in financing activities	(13.6)
Balance at 31-12-18	**141.7**

20. MEASUREMENT AT FAIR VALUE

Details of assets and liabilities and the hierarchy of their measurement at fair value at 31 December 2018 and 2017 are as follows:

	Total	Quoted price in active markets (Level 1)	Significant unobservable inputs (Level 3)
2018			
Assets measured at fair value			
Investment property (Note 6)	327.3	-	327.3
Investments at fair value through profit or loss (Notes 11 and 14)	288.6	123.9	164.7
Assets whose fair value is disclosed			
Investments in associates (Note 10)	2,994.4	2,994.4	-
Other financial assets (Note 12)	63.9	-	63.9
Trade and other receivables (Note 13)	231.6	-	231.6
Other financial assets (Note 14)	161.2	-	161.2
Liabilities whose fair value is disclosed			
Loans and borrowings (Note 19)	141.7	-	141.7

	Total	Quoted price in active markets (Level 1)	Significant unobservable inputs (Level 3)
2017			
Assets measured at fair value			
Investment property (Note 6)	336.5	-	336.5
Investments at fair value through profit or loss (Notes 11 and 14)	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			
Loans and borrowings (Note 19)	195.3	-	195.3

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

1. Types of risk faced by the Company

Risk is inherent to all business activity 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 to the possibility of threats materialising and opportunities not being taken.

Corporación Financiera Alba engages in two principal activities:

(i) investment 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 operates 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.

  These include risks related to the corporate governance of the Company, its reputation and responsibility, investment and divestment strategies, and market dynamics.

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

  These include risks related, mainly, to revenues, investments and divestments and their monitoring, the acquisition of goods and services, physical 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 carry out in order to perform its activities, as well as the reliability of financial information reported by the Company.

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

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

  These include 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 established an Integrated Risk Management System mainly focused 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 risk management actions performed by the Company.
- Achieving reasonable risk acceptance and reinforcing the responsibility of the Company's employees.
- Ensuring the control systems are aligned with the actual risks of the Company.
- Facilitating and streamlining the application of corrective measures.

The Integrated Risk Management System unites three key components:

(i) The continuous risk management process, understood as the activities performed by all individuals in the Company under the supervision of the Audit Committee that are focused on identifying potential risk events, managing the risks identified and providing reasonable assurance that the Company will achieve its goals.

(ii) An organisational focus, with clearly defined and communicated roles and responsibilities. Integrated risk management affects all Company personnel, therefore it is vital to establish an organisational focus on risk management tailored to the organisational structure and corporate culture of the Company.

Although the Integrated Risk Management System affects and involves all Company personnel, 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 monitoring model, which identifies and provides the information needed on a timely basis so that all those involved in the risk management process can make informed decisions concerning the risks.

2.1. The Continuous 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 potential impact and prioritising risks based on these factors.

- Setting the level of risk that is considered acceptable.

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

- Identifying controls.

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

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

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

- Assessing controls.

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

- Designing and implementing action plans in 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 such 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 continuous 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 it to effectively be used as 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 Indices for the most critical risks, identifying the key risk indicators with their corresponding tolerance levels, the controls associated and, where applicable, the action plans to be implemented. These Indices 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

Although the Integrated Risk Management System affects and involves all Company personnel, 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) Risk Control and Management Department.

The Risk Control and Management Department is expressly tasked with 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 quantified correctly.

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

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

(iii) Audit and Compliance Committee.

Supervising the effectiveness of the Company's internal controls and risk management systems, among other matters, pursuant to the Regulations of the Company's Board of Directors.

Discussing any significant weaknesses in the internal control system detected during the audit with the auditor.

(iv) Board of Directors.

As indicated previously, the Board of Directors is empowered to determine the risk control and management policy, including for tax risks, and is tasked with supervising the internal reporting and internal control systems. With regard to the risk management processes, 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), constituting an advisory and control body serving 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 duties of the Internal Audit Service include the analysis and proposal of recommendations to improve the risk management processes. The Internal Audit Service also performs independent assessments of the efficiency and effectiveness of internal controls, although this is always in coordination with the Risk Control and Management Department, in order to avoid duplicating tasks and/or areas existing without adequate coverage.

2.3 Monitoring and Reporting Model

The last component of the Integrated Risk Management System is a monitoring and reporting model capable of providing relevant information, in a timely and appropriate manner, to all players involved in the risk control and management process, both upwards and downwards in the hierarchy.

This cross-departmental monitoring model allows the System to behave dynamically and, above all, to anticipate risks, rendering risk management and control possible, within the limits set by the Company.

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

As mentioned in the Policy, the Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's Risk Management Policy establishes the basic principles, guidelines and general framework for actions to control and manage the various types of risk (financial and non-financial) faced. The Group does not use derivatives to mitigate certain risks.

Market risk

Given the Group's activities, the exposure to market risk depends on the performance of the investees, whether listed or not.

- Currency risk.

  The Group does not usually operate internationally and is therefore not exposed to currency risk when operating with foreign currencies. Currency risk is associated with future commercial transactions, recognised assets and liabilities, and net investments in foreign operations which are presented in a foreign currency other than the Group's functional currency.

At 31 December 2018 and 2017 the Group has no significant direct investments in companies whose currency is not the Euro and whose net assets are exposed to currency risk.

- Price risk.

  The Group is exposed to price risk relating to equity instruments designated at fair value through profit or loss. To manage price risk derived from investments in equity instruments the Group diversifies its portfolio.

- Cash flow and fair value interest rate risks.

  The Group's interest rate risks arise from non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. Fixed interest loans expose the Group to fair value interest rate risks.

The Group holds almost 100% of borrowings at variable interest rates.

At 31 December 2018 and 2017 the Group had not arranged any interest rate swaps.

A 0.5 percentage point rise in interest rates of variable loans would have reduced profit after tax by Euros 0.1 million.

Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash to settle all payments derived from its activity and to assure its objectives are met, underpinned by providing its subsidiaries with sufficient economic resources to carry out their activities.

The Group has a significant amount of cash and cash equivalents, as well as high positive working capital.

Its liquidity management is based on forecasting and analysing cash inflows and outflows.

At 31 December 2018 the Group's cash position amounted to Euros 142.0 million, of which Euros 102.2 million comprised cash in hand and at banks, and Euros 39.8 million reflected short-term deposits and investments that are readily convertible into cash and not subject to risk of change in value. At 31 December 2017 the

Group's cash position amounted to Euros 310.0 million, of which Euros 287.8 million comprised cash in hand and at banks, and Euros 22.2 million reflected short-term deposits and investments that are readily convertible into cash and not subject to risk of change in value.

The most significant cash outflows of the Group not related to expenses and investments correspond to the distribution of dividends to shareholders. For the interim dividend distribution, the Board of Directors prepares an accounting statement demonstrating that sufficient cash is available for the distribution, that the profit available is greater than the dividend to be distributed, and that the Company's cash is greater than the dividend, in accordance with prevailing legislation.

The Group's exposure to liquidity risk at 31 December 2018 and 2017 is shown in the debt maturity table in note 19.

Credit risk

The Group does not have significant concentrations of credit risk as its principal activity consists of investing in the capital of different companies. Credit risk arises from potential losses derived from customers or counterparties failing to meet, in part of in full, their financial obligations with the Group.

Details of the credit risk exposure at 31 December 2018 and 2017, by type of asset and maturity, (in millions of Euros) are as follows:

	2018		2017	
	Amount	Maturity	Amount	Maturity
Other non-current financial assets	56.1	2019-2022	64.8	2019-2022
Trade receivables	20.7	2019	22.8	2018
Other receivables	46.5	2019	2.6	2018
Other current financial assets	-	2019	5.9	2018

22. TAXATION

Corporación Financiera Alba, S.A., 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. file taxes under the tax regime for groups of companies. The rest of the Group's subsidiaries file tax returns in accordance with the tax legislation applicable in each country.

The main components of income tax for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Income tax for the year		
Income tax expense (income) for the year	2.7	(0.4)
Adjustments to income tax from prior years	-	-
Deferred tax		
Source and reversal of temporary differences	(0.8)	(0.8)
Income tax expense/(income) recognised in income statement	**1.9**	**(1.2)**
Consolidated statement of comprehensive income	-	-
Deferred tax related to items recognised directly inequity during the year	-	-

A reconciliation of the tax expense/(income) and accounting profit multiplied by the tax rate applicable to Alba for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Accounting pre-tax profit from continuing operations	164.5	476.0
Pre-tax profit or loss of discontinued operations	-	-
Accounting profit before tax	164.5	476.0
Consolidation differences	(10.0)	76.0
Permanent differences (article 21 of CIT Law)	(154.4)	(552.0)
Change in deferred tax assets and liabilities and difference in tax rates	(0.8)	(0.8)
Income tax expense/(income) in the consolidated income statement	1.9	(1.2)
Income tax attributable to discontinued operations	-	-

The most significant consolidation and permanent differences correspond to the share of the profit or loss for the year of associates, dividends received from associates, and the fair value of unlisted companies and investment property.

Movement in deferred tax assets and liabilities is as follows:

	31-12-18	Additions/ (derecog-nitions)	Sale of business combi-nations	31-12-17	Additions/ (derecog-nitions)	Business combi-nations	1-1-17
Deferred tax assets							
Other expenses and retirement plan	1.3	(0.5)	-	1.8	(0.1)	1.1	0.8
Total deferred tax assets	**1.3**			**1.8**			**0.8**
Deferred tax liabilities							
Gains on investment property	28.5	(0.8)	-	29.3	(3.0)	-	32.3
Other deferred tax liabilities	10.5	(1.1)	(12.0)	23.6	(1.9)	25.5	-
Total deferred tax liabilities	**39.0**			**52.9**			**32.3**

Details of the profits of companies filing tax under the regime for groups of companies, which have opted for reinvestment and for which the minimum period has yet to end, are as follows:

	Profits to be reinvested (article 42 of CIT Law)	Sale amount	Year of reinvestment	End of minimum period
2013	133	269	2014	2019
2011	287	535	2011, 2012 and 2013	2018

At 31 December 2018 and 2017 there are tax loss carryforwards amounting to Euros 4.8 million not recognised in the accompanying balance sheet.

2018 and the four preceding years are open to tax inspection but it is considered that any additional taxes arising from inspections would not be significant.

Details of public entities, other within suppliers and other payables in note 18 are as follows:

	2018	2017
Payment on account	4.2	4.2
Income tax	0.3	3.8
Personal income tax withholdings	0.9	1.0
VAT and other	0.3	0.4
Total	5.7	9.4

The Group is taxed at a rate of 25%.

23. WORKFORCE

The average number of employees in each year, by category, is as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Executive Board Members	5	-	5	5	-	5
Directors	9	-	9	10	-	10
Heads of department	12	-	12	12	-	12
Administration and o her	76	46	122	124	82	206
Total	**102**	**46**	**148**	**151**	**82**	**233**

The number of employees at each year end, by category, is as follows:

	2018			2017		
	Male	Female	Total	Male	Female	Total
Executive Board Members	5	-	5	5	-	5
Directors	9	-	9	11	-	11
Heads of department	11	-	11	12	-	12
Administration and other	78	46	124	126	82	208
Total	**103**	**46**	**149**	**154**	**82**	**236**

In 2018 and 2017 there were no employees with a disability of at least 33%.

24. SEGMENT REPORTING

Details of the revenues, profit/loss, assets and liabilities of the business segments for the years ended 31 December 2018 and 2017 are presented below.

The main segments reported by the Group are:

- Property rental: management, rental and sale of the Group's investment property.

- Investments in transferable securities: business segment identified by the Group comprising investments in listed companies involving significant influence and generating gains through investments and subsequent sales.

- Venture capital investments: business segment identified by the Group comprising investments in funds or investment vehicles managed by the Group's management teams and generating gains through investments and subsequent sales.

No transactions are carried out between the different segments.

Segment reporting 2018

In millions of Euros	Property rental	Investment in transferable securities	Venture capital investment	Income and expenses not allocated to segment	Group total
Direct income and expenses of the segment					
Revenues	16.1	-	76.0	0.3	92.4
Supplies	-	-	(29.6)	-	(29.6)
Gains on disposal	4.5	-	21.0	-	25.5
Share of the profit for the year of associates	-	161.4	-	-	161.4
Change in fair value of financial instruments	0.2	-	0.8	-	1.0
Amortisation and depreciation	-	-	(10.9)	(1.0)	(11.9)
Impairment	-	(10.2)	-	-	(10.2)
Personnel expenses	-	-	(6.8)	(13.5)	(20.3)
Other operating expenses	(5.0)	-	(13.9)	(6.8)	(25.7)
Other income/(expenses)	-	-	(1.7)	0.2	(1.5)
Net finance income	-	-	-	(16.6)	(16.6)
Profit/(loss) before taxes and non-controlling interests	**15.8**	**151.2**	**34.9**	**(37.4)**	**164.5**
Income tax					(1.9)
Profit from continuing operations					**162.6**
Loss attributable to non-controlling interests					(8.2)
Consolidated profit for the year attributable to the group					**154.4**
Assets and liabilities					
Segment assets	329.7	2,994.4	255.7	-	3,579.8
Unallocated assets					688.3
Total assets					**4,268.1**
Segment liabilities	(2.5)	-	46.5	-	44.0
Unallocated liabilities					165.2
Total liabilities					**209.2**

Segment reporting 2017

In millions of Euros	Property rental	Investment in transferable securities	Venture capital investment	Income and expenses not allocated to segment	Group total
Direct income and expenses of the segment					
Revenues	16.4	-	48.1	-	64.5
Supplies	-	-	(19.5)	-	(19.5)
Gains on disposal	2.9	375.2	-	-	378.1
Share of the profit for the year of associates	-	118.9	-	-	118.9
Change in fair value of financial instruments	0.9	-	11.8	-	12.7
Amortisation and depreciation	-	-	(7.5)	(0.9)	(8.4)
Impairment	-	(29.5)	-	-	(29.5)
Personnel expenses	-	-	(4.3)	(15.2)	(19.5)
Other operating expenses	(5.4)	-	(10.9)	(6.3)	(22.6)
Other income	-	-	-	0.6	0.6
Other expenses	-	-	(2.2)	-	(2.2)
Net finance income	-	-	-	2.9	2.9
Profit/(loss) before taxes and non-controlling interests	**14.8**	**464.6**	**15.5**	**(18.9)**	**476.0**
Income tax					1.2
Profit from continuing operations					**477.2**
Loss attributable to non-controlling interests					(3.1)
Consolidated profit for the year attributable to he group					**474.1**
Assets and liabilities					
Segment assets	338.7	2,383.1	385.9	-	3,107.7
Unallocated assets					1,168.6
Total assets					**4,276.3**
Segment liabilities	31.9	-	166.6	-	198.5
Unallocated liabilities					81.7
Total liabilities					**280.2**

In 2018 and 2017 Alba carried out its activity in Spain, except the Energyco Group CGU which operates in Portugal, generating Euros 24.9 million and Euros 15.9 million, respectively (see note 5).

Unallocated income and costs comprise overheads and other costs not considered to derive from any of the three businesses.

Unallocated assets and liabilities mainly reflect other current financial assets and cash and cash equivalents.

25. OTHER INCOME AND EXPENSES

Details for 2018 and 2017 are as follows.

a) Personnel expenses:

	2018	2017
Salaries and wages	17.7	17.0
Social Security payable by the Company	1.5	1.2
Alternative pension plan schemes	0.9	1.2
Other employee benefits expenses	0.2	0.1
Balance at 31 December	**20.3**	**19.5**

b) Finance income:

	2018	2017
Interest, dividends and other	14.6	7.3
Balance at 31 December	**14.6**	**7.3**

c) Change in fair value of financial instruments:

At year end 2018 and 2017 this comprises the change in fair value of the investments at fair value through profit or loss (see note 11).

26. RELATED PARTIES

Details of the transactions in 2018 and 2017 are as follows:

	Amount		
Description of the transaction	**2018**	**2017**	**Related party**
With significant shareholders of the company			
Services	0.7	0.7	Banca March
Dividend	11.7	11.7	Banca March
With other related parties			
Dividends and other distributions	47.0	-	CIE Automotive
	34.6	-	Rioja
	23.6	23.6	Acerinox
	18.0	18.2	BME
	10.6	9.3	Ebro Foods
	9.7	7.8	Viscofan
	5.7	3.2	Euskaltel
	4.0	3.2	Parques Reunidos
	3.7	3.7	Mecalux
	3.2	1.2	InStore
	0.9	0.8	Alvinesa
	-	0.7	Clínica Baviera
Insurance premiums, intermediaries	2.0	1.7	March JLT
Insurance premiums	0.8	0.5	March Vida
Operating lease agreements	0.2	0.3	March Gestión de Fondos
Collaboration agreements	0.3	0.3	Fundación Juan March

27. SHARE OPTIONS PLAN

At their general meeting on 11 June 2014, Alba's shareholders approved an options plan for the acquisition of shares in the Company by Executive Board Members and Directors of the Company. The plan lasted three years. At 31 December 2017 the plan was settled in full.

28. REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR

The Company and its subsidiaries have recorded the following remuneration accrued by the members of the Board of Directors and Senior Management of Corporación Financiera Alba, S.A. (in thousands of Euros):

In thousands of Euros	No. of people	Salaries and other	Alba Board Meetings	Alternative pension plan schemes and insurance
2018				
External proprietary board members	3	-	245	-
External independent board members	6	-	526	-
Executive board members	5	2,745	400	190
Senior management	5	2,424	-	523
Total		**5,169**	**1,171**	**713**
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
Total		**6,851**	**1,302**	**663**

At 31 December 2018 and 2017 the Board of Directors comprised 12 and 14 members, respectively.

No loans were extended to members of the Board of the Directors or Senior Management in 2018 or 2017.

Details of the remuneration accrued by each Board Member in 2018 and 2017 (in thousands of Euros) are as follows:

Ejercicio 2018	Fixed remuneration	Variable	Alba Group	Total remuneration	Contribution to retirement plan
De Ampuero y Osma, José Domingo	-	-	75	75	-
Carné Casas, Ramón	439	-	65	504	-
Del Caño Palop, José Ramón	277	115	65	457	115
Garmendia Mendizábal, Cristina	-	-	85	85	-
Girón Dávila, Mª Eugenia	-	-	101	101	-
González Fernández, Carlos Alfonso	-	-	95	95	-
March de la Lastra, Juan	323	416	90	829	48
March Delgado, Carlos	-	-	153	153	-
March Delgado, Juan	-	-	72	72	-
March Juan, Juan	50	115	90	255	27
Martínez-Conde Gutiérrez-Barquín, Santos	594	416	90	1,100	-
Nieto de la Cierva, José	-	-	20	20	-
Pickholz, Claudia	-	-	90	90	-
Pradera Jáuregui, Antón	-	-	80	80	-
Total Board	**1,683**	**1,062**	**1,171**	**3,916**	**190**

Ejercicio 2017	Fixed remuneration	Variable	Alba Group	Total remuneration	Contribution to retirement plan
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**

In 2018 and 2017 no remuneration was paid to individuals representing Alba in governing bodies on which Alba acts as a director company, nor were any amounts paid for civil liability insurance for directors.

In 2018, 2017 and 2016 at their general meeting Alba's shareholders approved a variable remuneration scheme linked to the net asset value of the shares for the Executive Board Members and certain Company personnel selected by the Board in order to tie them more directly to the process of creating value for the Company's shareholders. The basic features of the scheme are as follows:

Approval	18-6-18	19-6-17	8-6-16
Maturity	17-6-21	18-6-20	7-6-19
Maximum units to be handed over	300,000	270,000	222,000
Initial net asset value	75.59	72.00	65.43
Cap between initial and final net asset value	30%	30%	30%

The Company has assigned units to the beneficiaries that will entitle them to receive remuneration, upon maturity of the units, equal to the number of these units multiplied by the difference between the "initial" and "final" net asset value of the shares of Corporación Financiera Alba S.A. This calculation will be performed excluding own shares and without taking into account taxes resulting from the theoretical settlement.

Pursuant to the provisions of articles 227, 228, 229 and 231 of the Spanish Companies Act ("LSC"), as per the wording of Law 31/2014 of 3 December 2014, modifying the LSC with a view to improving corporate governance, the Directors of Alba have informed Alba that, during the years ended 31 December 2018 and 2017, they had no conflicts of interest with Alba and, to the best of their knowledge and based on the information which they have been able to obtain with the utmost due diligence, nor did any parties related to them.

29. AUDIT FEES

In 2018 KPMG Auditores, S.L., the auditor of the Group's annual accounts, accrued fees totalling Euros 112 thousand, of which Euros 98 thousand corresponds to audit services and Euros 14 thousand to the limited review of the half-yearly consolidated financial statements and the agreed-upon procedures report on the ICOFR description.

In 2017 KPMG Auditores, S.L., the auditor of the Group's annual accounts, accrued fees totalling Euros 62 thousand, of which Euros 50 thousand corresponds to audit services and Euros 12 thousand to the limited review of the half-yearly consolidated financial statements and the agreed-upon procedures report on the ICOFR description. In 2017 other entities affiliated with KPMG International invoiced the Group Euros 5 thousand for audit services and Euros 81 thousand for other services.

In 2017 Pricewaterhousecoopers Auditores, S.L. invoiced the Group Euros 704 thousand, of which Euros 81 thousand corresponds to audit services and the rest to other services.

30. STATEMENT OF CASH FLOWS

This has been prepared in accordance with International Accounting Standard 7.

The statement comprises three types of cash flow:

- Net cash flows from operating activities: operating cash flows generated by the businesses managed by the Group.

- Net cash flows from investing activities: cash flows from non-current investments and the acquisition and disposal of equity instruments issued by other entities.

- Net cash flows from financing activities: cash flows used to purchase own shares, cash inflows from the use of external sources of financing, cash outflows from repayments of external financing, and dividend distributions.

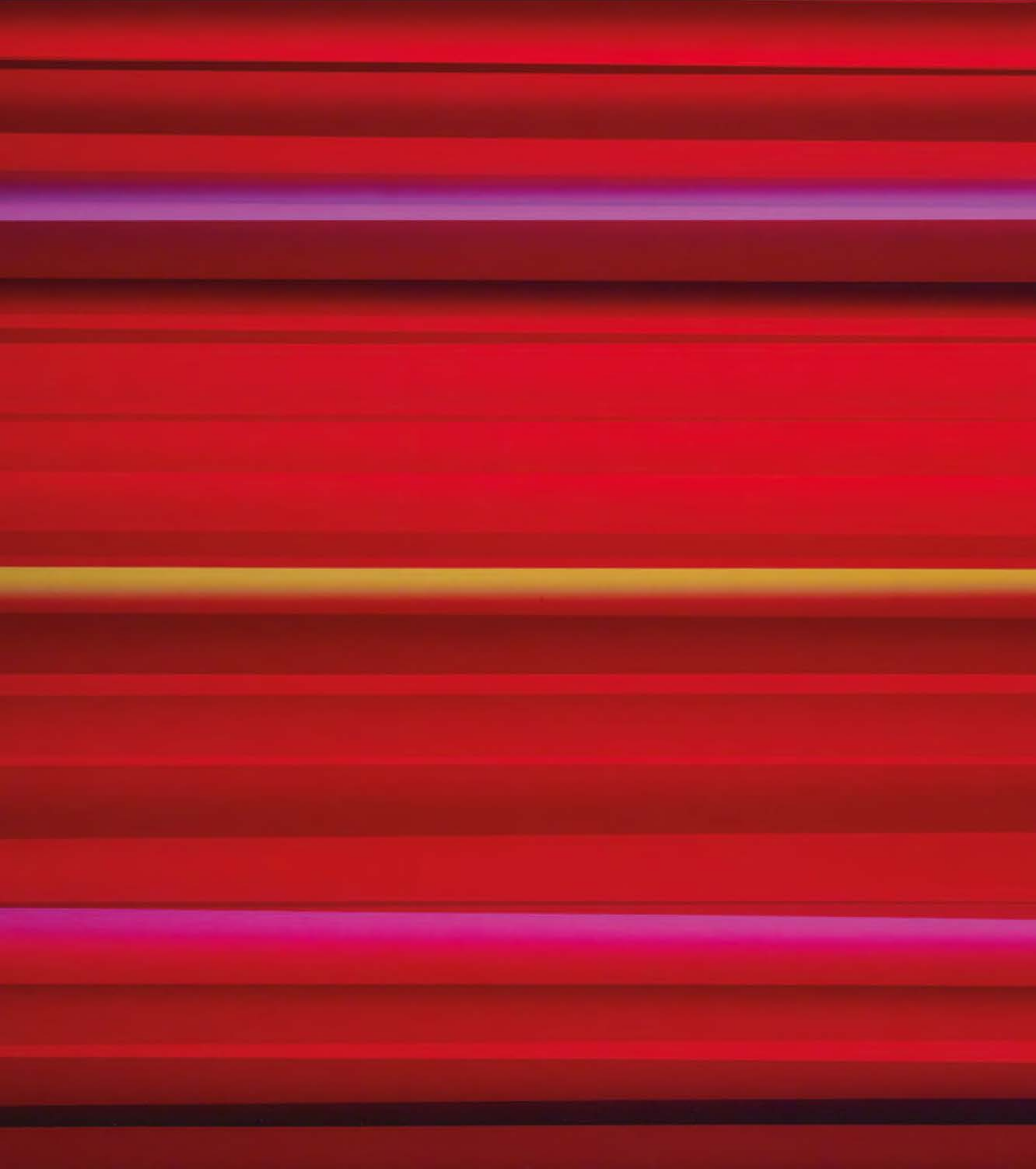
31. EVENTS AFTER THE REPORTING PERIOD

The following significant events have occurred since 31 December 2018:

- Purchase of an additional 1.58% of Parques Reunidos for Euros 13.4 million, increasing the interest in this company to 23.02%.

- Purchase of 0.03% of CIE Automotive for Euros 0.8 million, increasing the interest in this company to 10.13%.

DIRECTORS' REPORT



1. BUSINESS PERFORMANCE AND POSITION OF THE COMPANY

The consolidated annual accounts at 31 December 2018 give a true and fair view of the Group's equity, financial position, results of operations, changes in equity and cash flows for the year then ended, and have been authorised for issue by the Company's directors.

During 2018, the Alba Group's activities comprised the following:

- Management of a collection of controlling and influential interests in a series of companies active in a variety of sectors of the economy.
- The promotion and holding of interests in companies.
- Operation of buildings through lease or sale.

Consolidated net profit for 2018 amounted to Euros 154.4 million, 67.4% lower than the prior year. The reason for this decline is because profit for 2017 included capital gains obtained on the sale of the remaining interest in ACS.

Net asset value (NAV) amounted to Euros 3,911.9 million at 31 December 2018, equivalent to Euros 67.17 per share. Alba's share price on that same date of Euros 42.50 represents a discount of 36.7% compared with the NAV per share. NAV, both in absolute terms and per share, decreased by 3.4% compared with the same date in the previous year.

During the year, Alba invested Euros 639.0 million and sold assets totalling Euros 139.9 million, reducing its net cash position to Euros 269.4 million at 31 December 2018.

In October, Alba distributed a gross interim dividend of Euros 0.50 per share to its shareholders, with a charge against 2017 profit, representing a disbursement of Euros 29.1 million. Total dividends distributed during 2018 amounted to Euros 58.2 million.

2. MOST SIGNIFICANT TRANSACTIONS

Investments made by Alba in 2018 were as follows:

- Purchase of an indirect 5.16% interest in Naturgy through the investment of Euros 500.0 million in Rioja Bidco Shareholdings. In mid-May, this company acquired a 20.07% interest in this company from Repsol. Additionally, a direct 0.11% interest in Naturgy was acquired for Euros 21.3 million.

- Acquisition of a 2.00% stake in Ebro Foods for Euros 53.0 million, raising its interest in this company to 14.00%.

- Purchase of a 1.68% interest in Viscofan for Euros 40.6 million, increasing its stake in this company to 13.00%.

- Additionally, Alba purchased a 1.42% interest and a 0.10% interest in Parques Reunidos and CIE Automotive for Euros 12.0 million and Euros 2.7 million, respectively. At 31 December 2018, Alba's investment in Parques Reunidos and CIE Automotive amounted to 21.43% and 1010%, respectively.

- Through Deyá Capital IV, it acquired a 3.7% interest in MonBake for Euros 9.4 million. MonBake is the new group resulting from the acquisition by investment funds managed by Ardian, of Panasa and Bellsolá, two of the main Spanish companies in the deep-frozen bread and pastries sector. This re-investment is part of the agreements reached between Deyá Capital and Ardian over the sale of Panasa.

Divestments made during 2018 were as follows:

- Through Deyá Capital, the 26.5% stake in Panasa was sold for Euros 88.4 million, and through Deyá Capital IV, the 40.3% interest in Gascan was sold for Euros 36.0 million. Through these sales, Alba disposed of its entire investment in both companies.

- Sale of a building in Madrid for Euros 15.5 million.

Finally, Deyá Capital IV, together with other investment vehicles managed by Artá Capital, undertook to participate with a group of investors led by KKR in launching a public offer to acquire 100% of the share capital of Telepizza. This offer is currently pending the approval of the Spanish National Securities Market Commission (CNMV).

3. OUTLOOK FOR THE COMPANY

Alba's foremost objective is to ensure that its investees achieve maximum profitability, improving their competitiveness and enhancing their human, financial and technological potential. Furthermore, the Company's financial structure, size and flexibility will enable it to take advantage of investment opportunities that may arise.

Performance of the main investees:

- Acerinox sales in 2018 rose by 8.3% compared to the preceding year, reaching Euros 5,011 million. Steel production fell by 3.1% to 2.4 million tonnes, while cold rolling reached record levels for the second year running with 1.8 million tonnes (+0.8%). Annual EBITDA stood at Euros 480 million, 1.8% down on the prior year due to lower results in Q4 2018. Net profit came to Euros 237 million, which is slightly up on 2017 (+1.3%). Net financial debt at 31 December 2018 was Euros 552 million, Euros 57 million down on the prior year and a sign of the company's solid cash flow generation.

- Consolidated income from Bolsas y Mercados Españoles in 2018 fell by 4.9% compared to the previous year to Euros 304 million. The decline in income from the Equities, Fixed Income, Settlement and Registration and Clearing divisions was unable to be offset by the rise in Derivatives and Market Data & VAS divisions. In the Equities division, income from trading activity fell by 12.5%., while income from listing activity rose slightly by 0.6%. Lower income and the rise in non-recurring personnel expenses explain the declines in EBITDA and net profit for the period to Euros 186 million and Euros 136 million, respectively, which represent drops of 11.3% and 11.1% on the prior year. The company had a net cash position of Euros 277 million at 31 December 2018, down 5.3% on the preceding year.

- CIE Automotive revenue amounted to Euros 3,030 million in 2018, a 6.6% rise on the prior year, due to higher-than-market growth in all geographical areas. Excluding the impact of exchange rates (-4.4%) and of the consolidated group (+0.9%), sales rose by 10.1% compared to the prior year. EBITDA grew by 12.3% to Euros 529 million, driven by higher margins (17.5% compared to 16.6% in 2017), while net profit grew by 84.2% to Euros 397 million. Excluding the effect of the distribution of the investment in Global Dominion in the form of an extraordinary dividend, and other non-recurring results, net profit rose by 20.0% to Euros 243 million in normalised terms. Net financial debt at 31 December 2018 amounted to Euros 948 million, which is 1.8 times EBITDA of the last twelve months.

- Ebro Foods obtained sales of Euros 2,647 million in 2018, 5.6% higher than the prior year. This growth was driven by the healthy performance of both the Pasta division (+6.6%), buoyed by the consolidation of Bertagni, and the Rice division (+5.0%). EBITDA for the period amounted to Euros 311 million, 13.4% down on 2017, due mainly to the substantial increase in the prices of raw materials in Rice and to the logistics and production problems of this division in the United States. Net profit fell by 35.8% to Euros 142 million. Net financial debt rose by Euros 187 million compared to 2017, to Euros 705 million, due to the acquisition of Bertagni, the increase in inventories of raw materials and investments made.

- The comparability of Euskaltel's annual results with those of the previous year was affected by the acquisition of 100% of Telecable de Asturias in July 2017. Revenues amounted to Euros 692 million in 2018, a rise of 11.2% on the prior year (-2.2% in comparable terms if Telecable were included in both periods, mainly due to lower income from the Residential segment). In comparable terms, net new land line residential customers rose slightly during the period. Reported annual EBITDA increased by 9.6% compared to 2017 to Euros 336 million (-1.3% in comparable terms). Net profit reached Euros 63 million (+26.6%) due to the decline in extraordinary expenses. Net financial debt at 31 December 2018 fell to Euros 1,532 million, a 4.6% drop on the prior year.

- Indra sales totalled Euros 3,104 million in 2018, 3.1% up on the prior year (5.8% in local currency), mainly on account of the integration of Tecnocom and Paradigma and the healthy performance of the Transport & Traffic, Energy and Industry and Financial Services divisions.

By geographical areas, sales in Spain grew mainly on the back of inorganic growth (+12.2%), rising slightly in Europe (+2.4%), but falling in Asia, the Middle East and Africa (-9.0%), mainly due to elections, and in America (-7.2%), because of the negative impact of exchange rates. EBIT came to Euros 199 million, 1.9% up on 2017, hampered by the restructuring costs of Tecnocom and the penalty imposed by the Spanish National Markets and Competition Commission (CNMC). Net profit amounted to Euros 120 million, 5.6% lower than in 2017. At the end of the year, net financial debt reached Euros 483 million (17.9% down on 2017), equivalent to 1.6 times 2018 EBITDA, after cash flows of Euros 168 million were generated during the year.

- Naturgy recorded sales of Euros 24,339 million in 2018, a rise of 4.9% on the preceding year, driven by higher volumes and prices in the Gas business. EBITDA for the period amounted to Euros 4,019 million, 3.0% higher than in 2017. Eliminating non-recurring effects, EBITDA would have been 11.8% up on the prior year due to improvements in the Gas and Electricity lines of business and the stability of the infrastructures business. The net loss for the year amounted to Euros 2,822 million as a result of the Euros 4,905 million asset impairment made in the first half of the year. Excluding this impact and other non-recurring effects, net profit would have been 57.0% higher than in 2017 on the back of heightened activity and lower amortisation/depreciation and finance costs. Net financial debt at 31 December 2018 fell to Euros 13,667 million, 9.8% down on the prior year.

- The results for Parques Reunidos refer to the year ended 30 September 2018. Parques Reunidos revenue grew by 0.6% to Euros 583 million, but was largely weighed down by adverse meteorological conditions, particularly in the United States, and to a lesser extent in Europe. Recurring EBITDA fell slightly (-0.3%) to Euros 174 million. Excluding the effect of exchange rates and changes in the consolidated group, EBITDA would have increased by 1.4%. Recurring net profit amounted to Euros 13 million, a rise of 14.4% on the prior year. Net debt grew to Euros 567 million from Euros 516 million at the end of September 2017, mainly on account of operating investments and the acquisition of Belantis. Parques Reunidos has changed its reporting date to 31 December, so the close of accounts at 31 December 2018 corresponded to a three-month period. Given the seasonal nature of the business, the results from September to December are not representative.

- Viscofan sales grew by 1.0% to Euros 786 million compared to 2017, despite the depreciation of its main trading currencies against the euro. Excluding the exchange rate impact (-3.8%) and the consolidated group (+2.0%), sales would have risen by 2.9% compared to the prior year, driven by the increase in prices and volumes and the improvement in cogeneration prices. Recurring El EBITDA fell by 8.2% to Euros 209 million because of the exchange rate impact mentioned above. In comparable terms, EBITDA dropped 1.3% due to the rise in the price of raw materials and energy, and higher overheads and personnel expenses on account of the new Cáseda factory. Net profit totalled Euros 124 million, 1.4% up on the prior year. At 31 December 2018, Viscofan's net debt was Euros 80 million compared to Euros 41 in 2017, due to acquisitions and the higher dividend distributed.

4. INVESTMENT PORTFOLIO

Alba's investment portfolio at 31 December 2018 was as follows:

Listed companies	Investment (%)	Millions of Euros
Acerinox	18.96	453.4
BME	12.06	245.3
CIE Automotive	10.10	279.3
Ebro Foods	14.00	375.8
Euskaltel	11.00	137.4
Global Dominion	5.00	36.4
Indra	10.52	153.1
Naturgy [1]	5.27	706.0
Parques Reunidos	21.43	186.9
Viscofan	13.00	291.6
Total stock market value		**2,865.1**
Total carrying amount		**3,030.8**
Loss		**(165.7)**

(1) Includes an indirect 5.16% interest through Rioja Bidco and a direct investment of 0.11%.

	Investment (%)	Millions of Euros
Unlisted companies [2]		182.3
Alvinesa	16.83	
in-Store Media	18.89	
Mecalux [3]	24.38	
Monbake	3.70	
TRRG Holding Limited	7.50	
Satlink [4]	28.07	

	Millions of Euros
Buildings	344.0

(2) Through Deyá Capital and Deyá Capital IV.
(3) Includes a direct interest in Alba of 8.78%.
(4) Fully consolidated.

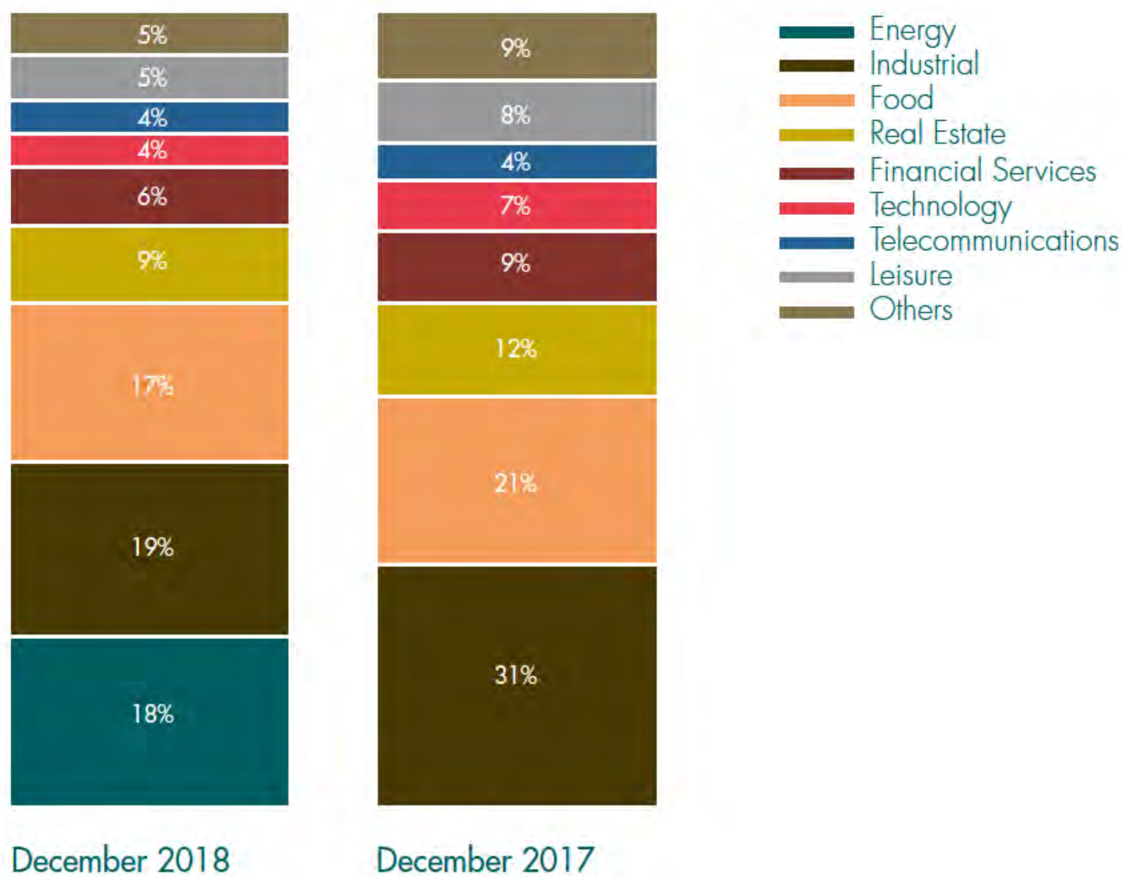
5. NET ASSET VALUE (NAV)

The most representative indicator of a company such as Alba is Net Asset Value (NAV). Calculated based on criteria typically used in the market, the NAV of Alba at 31 December 2018 before taxes amounted to Euros 3,911.9 million or Euros 67.17 per share, which represents a 3.4% decline on the prior year.

Millions of Euros	**31-12-18**	31-12-17
Listed securities	2,865.1	2,440.0
Unlisted securities	182.3	268.4
Buildings	344.0	353.0
Other assets and liabilities	251.1	226.6
Net cash	269.4	761.7
Net asset value (NAV)	**3,911.9**	**4,049.5**
Millions of shares	58.24	58.24
NAV / share	**€ 67.17**	**€ 69.53**

Gascan and Satlink are included at their fair value, and consequently, their assets and liabilities have been eliminated.
Correspondence with the consolidated balance sheet is shown in the footnotes of the balance sheet (page 10).

6. SECTOR DISTRIBUTION OF GROSS ASSET VALUE (GAV) (1)



(1) Market prices of listed companies (closing prices at 31 December 2018) and valuation of non-listed companies and buildings (also at 31 December 2018).

7. CONSOLIDATED RESULTS

Consolidated profit net of taxes amounted to Euros 154.4 million in 2018 compared to Euros 474.1 million in the previous year (-67.4%). The reason for this decline is because profit for 2017 included capital gains obtained on the sale of the remaining interest in ACS.

Income from share of profits in associates came to Euros 161.4 million compared to Euros 118.9 million in 2017 (+35.8%). This increase is largely explained by the first-time consolidation of the investments in CIE Automotive and Naturgy.

Earnings per share in 2018 stood at €2.65 compared to €8.14 the prior year.

CONSOLIDATED INCOME STATEMENT [1]

Millions of Euros	**31-12-18**	31-12-17
Share of net profits of associates	161.4	118.9
Revenues	92.4	64.5
From leases and other	16.5	16.5
From other fully consolidated companies	75.8	48.0
Change in fair value of investment property	0.2	0.9
Gains/(losses) on assets and net finance income(cost)	(2.1)	361.7
Sum	**251.9**	**546.0**
Operating expenses	(75.6)	(61.7)
Alba	(25.2)	(26.8)
Other fully consolidated companies	(50.3)	(34.9)
Amortisation and depreciation	(11.9)	(8.4)
Alba	(1.0)	(0.9)
Other fully consolidated companies	(10.9)	(7.5)
Income tax	(1.9)	1.2
Non-controlling interests	(8.2)	(3.0)
Sum	**(97.5)**	**(71.9)**
Net profit	**154.4**	**474.1**
Earnings per share (€)	**2.65**	**8.14**

(1) Gascan and Satlink are fully consolidated. Gascan left the consolidated group at 31 December 2018.

CONSOLIDATED BALANCE SHEET [1]

ASSETS

Millions of Euros	**31-12-18**	31-12-17
Intangible assets	43.0	77.2
Goodwill	5.0	10.2
Other intangible assets	38.1	67.0
Investment property [a]	327.4	336.5
Property, plant and equipment [a]	7.8	47.0
Investments in associates [b]	2,994.4	2,383.1
Financial instruments at fair value through profit or loss [b]	201.1	154.5
Other investments and other assets	64.0	66.9
Non-current assets	**3,637.6**	**3,065.2**
Non-current assets held for sale	-	88.4
Inventories	6.9	7.3
Receivable from taxation authorities	163.7	168.3
Other financial assets [c]	248.9	602.5
Cash and cash equivalents [c]	142.1	310.0
Receivables and other assets	67.7	32.9
Current assets	**629.3**	**1,209.4**
Total assets	**4,266.9**	**4,274.6**

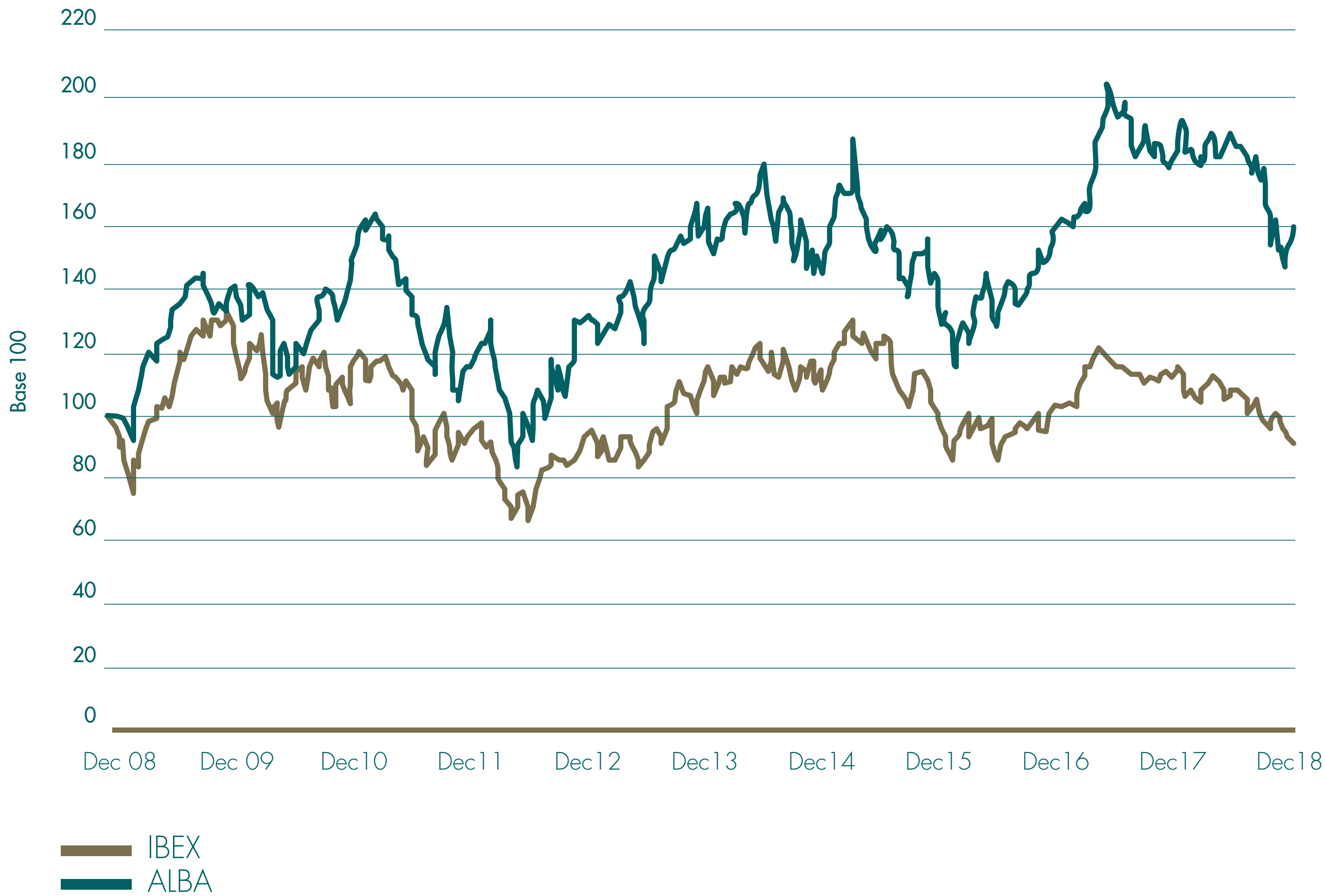
(1) Gascan left the consolidated group at 31 December 2018.
(a) Corresponds to "Buildings" of NAV.
(b) Corresponds to "Listed securities" and "Unlisted securities" of NAV. Satlink and Gascan are included in NAV at fair value, and have been removed from "Other assets and liabilities".
(c) Corresponds to "Net cash" of NAV, net of the effect of Satlink which is included under "Unlisted securities" of NAV.

EQUITY AND LIABILITIES

Millions of Euros	**31-12-18**	31-12-17
Share capital	58.2	58.3
Reserves and own shares	3,828.8	3,429.6
Profit for the year	154.4	474.1
Non-controlling interests	17.4	34.1
Equity	**4,058.9**	**3,996.1**
Other non-current liabilities	9.8	7.5
Net deferred taxes	37.7	51.1
Loans and borrowings – non-current [c]	128.9	180.8
Non-current liabilities	**176.5**	**239.4**
Loans and borrowings – current [c]	12.8	14.5
Current payables	18.7	24.6
Current liabilities	**31.5**	**39.1**
Total equity and liabilities	**4,266.9**	**4,274.6**

8. SHARE PRICE PERFORMANCE

In 2018, the price of Alba's shares dropped by 10.9% from Euros 47.42 to Euros 42.50, while in the same period, the IBEX 35 slid 15.0% to 8,540 points.



9. EVENTS AFTER THE REPORTING PERIOD

- Purchase of an additional 1.58% stake in Parques Reunidos for Euros 13.4 million, raising the investment in the company to 23.02%.
- Purchase of an additional 0.03% stake in CIE Automotive for Euros 0.8 million, raising the investment in this company to 10.13%.

10. ACQUISITIONS AND DISPOSALS OF OWN SHARES

Details of own shares at 31 December 2018 and 2017 are as follows:

	No. of shares	% of share capital	Acquisition price €/share	Thousands of €
At 1 January 2017	59,898	0.10%	40.29	2,413
Purchases in 2018	102	0.00%	49.50	5
Amortisation in 2018	(60,000)	(0.10%)		
At 31 December 2018	-	-		

11. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group's specific activities mean that direct investments are not necessary in this area.

12. AVERAGE SUPPLIER PAYMENT PERIOD

Details of the average supplier payment period are as follows:

Days	**2018**	2017
Average payment period for suppliers	43	42
Transactions paid ratio	44	45
Transactions payable ratio	41	40

Thousands of Euros	**2018**	2017
Total payments made	30.7	48.8
Total payments outstanding	9.0	14.0

13. RISK MANAGEMENT AND CONTROL POLICY

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

1.Types of risk faced by the Group

Risk is inherent to all business activity 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 to the possibility of threats materialising and opportunities not being taken.

Corporación Financiera Alba engages in two principal activities:

(i) investment 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 operates 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.

  These include risks related to the corporate governance of the Company, its reputation and responsibility, investment and divestment strategies, and market dynamics.

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

  These include risks related, mainly, to revenues, investments and divestments and their monitoring, the acquisition of goods and services, physical 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 reported by the Company.

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

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

  These include 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 established an Integrated Risk Management System mainly focused 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 risk management actions performed by the Company.

- Achieving responsible risk acceptance and reinforcing the responsibility of the Company's employees.

- Ensuring the control systems are aligned with the actual risks of the Company.

- Facilitating and streamlining the application of corrective measures.

The Integrated Risk Management System unites three key components:

(i) The continuous risk management process, understood as the activities performed by all individuals in the Company under the supervision of the Audit and Compliance Committee that are focused on identifying potential risk events, managing the risks identified and providing reasonable assurance that the Company will achieve its goals.

(ii) An organisational focus, with clearly defined and communicated roles and responsibilities. Integrated risk management affects all Company personnel, therefore it is vital to establish an organisational focus on risk management tailored to the organisational structure and corporate culture of the Company.

Although the Integrated Risk Management System affects and involves all Company personnel, 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 monitoring model, which identifies and provides the timely information needed so that all those involved in the risk management process can make informed decisions concerning the risks.

2.1. The Continuous Risk Management Process

By way of a summary, the continuous 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 potential impact and prioritising risks based on these factors.

- Setting the level of risk that is considered acceptable.

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

- Identifying controls.

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

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

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

- Assessing controls.

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

- Designing and implementing action plans in 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 such 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 continuous 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 be effectively used as 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 Indices for the most critical risks, identifying the key risk indicators with their corresponding tolerance levels, the controls associated and, where applicable, the action plans to be implemented. These Indices 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

Although the Integrated Risk Management System affects and involves all Company personnel, 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) Risk Control and Management Department.

The Risk Control and Management Department is expressly tasked with 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 quantified correctly.
- Actively participating in preparing the risk strategy and important decisions concerning risk management.
- Ensuring that the risk control and management systems adequately mitigate risks, as part of the policy established by the Board of Directors.

(iii) Audit and Compliance Committee.

Supervises, pursuant to the Regulations of the Company's Board of Directors, among other matters, the effectiveness of the Company's internal controls and risk management systems.

Likewise, it discusses any significant weaknesses in the internal control system detected during the audit with the auditor.

(iv) Board of Directors.

As indicated previously, the Board of Directors has the power to determine the risk control and management policy, including for tax risks, and is tasked with supervising the internal reporting and internal control systems. With regard 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), defined as an advisory and control body serving 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 duties of the Internal Audit Service include the analysis and proposal of recommendations to improve the risk management processes. The Internal Audit Service also performs independent assessments of the efficiency and effectiveness of internal controls, although this is always in coordination with the Risk Control and Management Department, in order to avoid duplicating tasks and/or areas existing without adequate coverage.

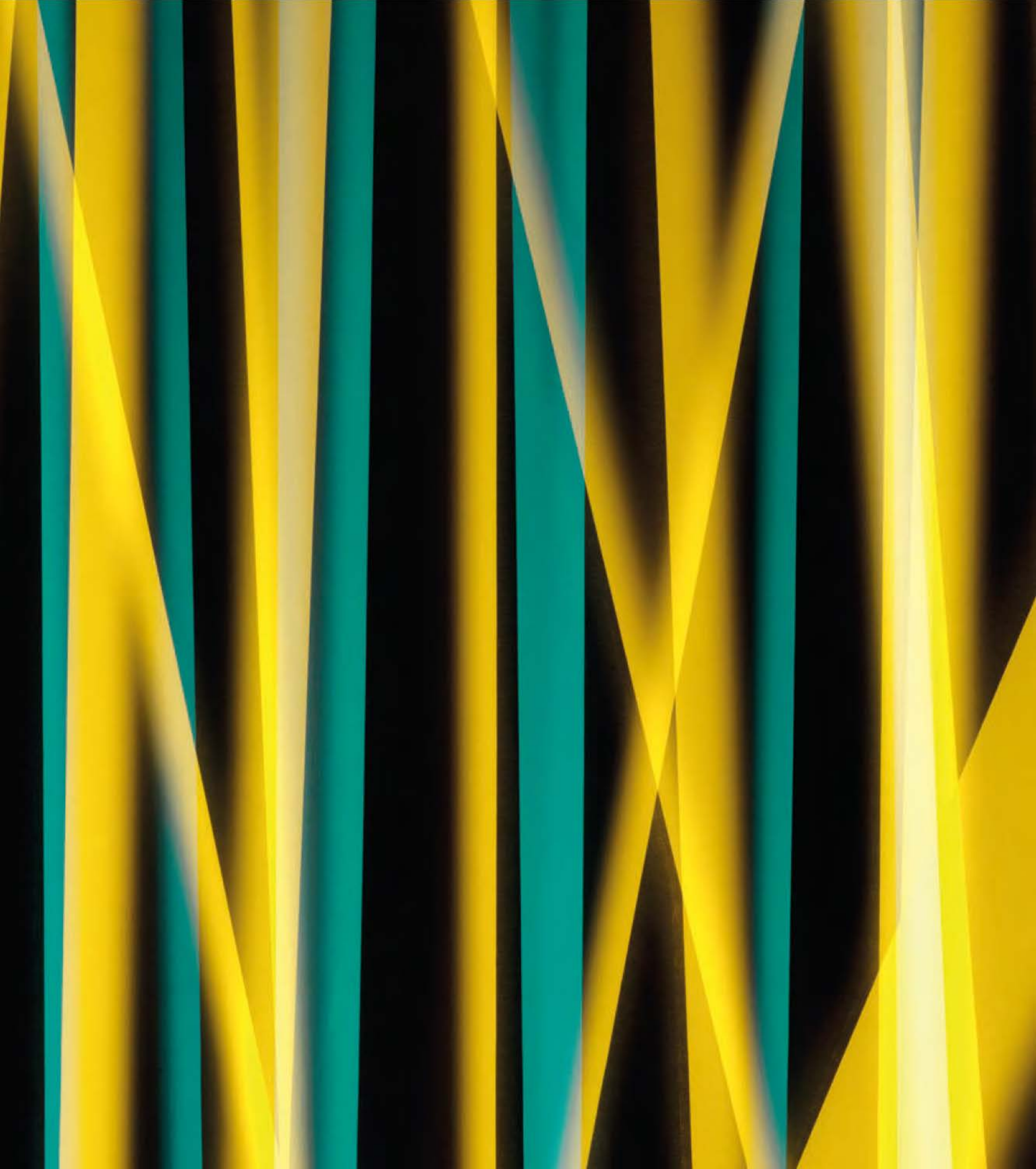
2.3 Monitoring and Reporting Model

The last component of the Integrated Risk Management System is a monitoring and reporting model capable of providing relevant information, in a timely and appropriate manner, to all players involved in the risk control and management process, both upwards and downwards in the hierarchy.

This cross-departmental monitoring model 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, monitoring 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 CHAIRMAN

We hereby present the Annual Sustainability Report of Corporación Financiera Alba for the third year, and with it, the Company's performance on social, environmental and good governance matters.

The 2018 Annual Report captures the performance of the organisation in the current global context of sustainable development, marked by significant changes in social and environmental settings. These changes range from the transformation of the internal processes of entities for value creation, to the application of social responsibility criteria in the configuration of investment portfolios. These transformations demand greater transparency from companies, which must address their triple bottom-line as a requirement to ensure their stable and sustainable growth.

International initiatives – such as the Principles for Responsible Investment, adopted more than a decade ago, the United Nations 2030 Agenda and the Paris Agreement on Climate Change, both of 2015, the Principles for Sustainable Insurance of 2017, or the European Commission's 2018 Action Plan on Sustainable Finance – promote tools capable of leading sustainable development. Nationally, it highlights the approval in 2018 of the Action Plan for Agenda 2030 and the Non-Financial Information Act, applicable to the financial year 2018. Follow-up on these initiatives contributes to responsible decision-making, and allows for stable domestic and international financial systems to be maintained, which are necessary for the economic development of countries.

Corporación Financiera Alba is not obliged to present the state of non-financial information contemplated by law on such subject matters, as it does not exceed the threshold of 500 employees. However, aware of the importance of transparency and good governance for stable growth, and following the recommendations of the Unified Governance Code of Listed Companies, it reports on corporate social responsibility issues, following the methodology of GRI [Global Reporting Initiative] Standards applicable to it, some of which are applicable due to its investment in listed companies.

On the other hand, it reports the development of its activities from the perspective of the Sustainable Development Goals (SDGs), proposed by the United Nations as a call to private companies to help create a global society from a common language. The main SDGs with which Corporación Financiera Alba contributes directly or through their participated companies, have been identified, aligning the sustainability challenges according to the content of the Non-Financial Information Act.

Among the actions on Corporate Social Responsibility during 2018, it highlights the approval of a new Code of Ethics and Conduct, including a Complaints Channel. The Code captures the evolution of legal regulations on criminal liability of legal persons and regulatory changes in market abuse.

The scope of this Report is limited to Corporación Financiera Alba and its subsidiaries, but does not include its investee companies. However, it does focus special attention on the influence over investee companies, in which it encourages the implementation and development of sustainability and corporate governance best practices, in line with the philosophy of Corporación Financiera Alba on active participation, as a key factor in making business decisions, deciding on projects and making investments that generate wealth.

2. COMPANY PROFILE AND PURPOSE OF THE ANNUAL SUSTAINABILITY REPORT

2.1. Company Profile

Corporación Financiera Alba, S.A. ("Corporación Financiera Alba") is an investment company created in 1986, listed on the Spanish Stock Exchange.

Corporación Financiera Alba holds significant interests in different companies with activities in various economic sectors. Property management, under leasing arrangements, and interests in companies via the private equity operations form part of the activities of these companies.

The Company is part of the March Group, one of the main private Spanish family-owned business and financial groups, of which Banca March and the Juan March Foundation are also affiliated.

Banca March, Alba's primary shareholder, is the only 100% family-owned Spanish bank specialising in Private Banking and Corporate Banking, with a business model based on long-term relationships and prudence.

Also, the Juan March Foundation, with which Corporación Financiera Alba collaborates, is a family-owned and equity-based institution with long-term, no-charge programmes. It organises exhibitions, concerts and conferences and promotes scientific research in social sciences and advanced post-graduate training.

2.2. Purpose of Annual Sustainability Report

On 29 December 2018, the legislative Act 11/2018, of 28 December entered into force, by which the Code of Commerce, the Capital Companies Act and the Audit Law were amended in respect of non-financial information and diversity. This law forces companies that meet certain requirements to draw up a statement of their non-financial information, integrated into the performance report, or issued separately. This policy should be applied for financial activities initiated on or after 1 January 2018.

This law transposes the Directive 2013/34/EU, of 26 June, aligning the current trend in reporting methods with the content of what is reported.

Since it does not meet the first requirement of having more than 500 employees, Corporación Financiera Alba is not obligated to present a statement of non-financial information under the Act 11/2018. So, in accordance with good corporate governance recommendations, for another year, it presents its Annual Sustainability Report, where possible, the information required by the abovementioned Act, following the GRI Standards methodology. It is also taken into account that Corporación Financiera Alba hold shares in ten listed companies, with an aggregated stock market value at 31 December 2018 of 2,865 million euros, for which they are obliged to present a statement of non-financial information.

Thus, through this Annual Report, the performance of the Company and its group companies regarding environmental, social and personnel issues, human rights, efforts against corruption and bribery, and information on Company commitments with sustainable development, supply chain and society, is made available to the various stakeholders of Corporación Financiera Alba.

The scope of Annual Report includes Corporación Financiera Alba, S.A., Alba Patrimonio Inmobiliario, S.A.U. and Artá Capital, SGEIC, S.A.U., with which the Group is formed.

3. ANALYSIS OF THE COMPANY ENVIRONMENT: SOCIALLY RESPONSIBLE INVESTING (SRI) SITUATION AND TRENDS

The United Nations 2030 Agenda established the 17 Sustainable Development Goals (SDGs) in 2015, with which it called for both public and private entities and the third industry to promote and make the necessary efforts and to build the alliances that enable them to achieve all of these goals.

The approval of the 2030 Agenda Action Plan in July 2018, the recent Non-Financial Information Act or the European Commission's Sustainable Finance Action Plan of 2018, are clear evidence of the political consensus and social demand that exists in terms of sustainable development. This will lead to the creation of new policies, measures, governance and methods of work that will provide a favourable framework for the increased investment in our country.

The High Commissioner for Agenda 2030 aims to track SDGs in a series of prioritised areas of action and establish policies to achieve them.

These initiatives, together with other international ones, that promote sustainable development-such as the Paris Agreement in the fight against climate change, the Principles for Responsible Investment or the Principles for Sustainable Insurance,constitute reference documents for investment decision making and contribute to the drive for a sustainable financial system.

Financially, the international situation in 2018 was characterised by global geopolitical uncertainties along with other environmental and social sectors that have impacted the national and international economy, with a consequent impact on the Company. In this global picture, it is worth noting that non-economic aspects impact the economy and are drivers of international economic change.

In this context, Spain ended 2018 with a GDP of €1.2 trillion, which was 2.5% up on 2017. However, this growth was lower, by five-tenths, than the GDP growth in 2017 at 3%. This shows us a slowdown in the growth of the Spanish economy after three years in which it has been very high, as a result of factors such as the cyclical push and employment and financial reforms that assisted that growth, along with other circumstantial factors in the economy.

4. CORPORACIÓN FINANCIERA ALBA

4.1. Responsible Business Model and Strategy

Corporación Financiera Alba, which aims to create value in the long term for its shareholders, has an Investment Policy that establishes a responsible investment philosophy based on principles and criteria on which it operates.

One of these principles that guide the actions of the entity is the need to have a high level of knowledge of the investments, both in its initial analysis and in the continuous monitoring of the company in which it invests, the sector in which it performs and the markets in which it operates. Thus, it establishes the most appropriate procedures to understand the quantitative and qualitative aspects that define the activity of companies involved, with the latter particularly relevant in the long-term decisions of Corporación Financiera Alba. To do this, it uses, when necessary, external counselling.

In terms of geographic scope, the need to diversify risk has led the Company to engage in domestic investment – it is in Spain where the entity currently maintains all its investments and where, for its reputation in the market, accesses relevant investment opportunities – as well as in international investment, where the investment is intended to be preferentially done, together with local partners and in companies characterised by their stability, reliability and security.

Active participation in companies and in other assets in which the Company invests, is another key principle of the responsible investment of Corporación Financiera Alba and translates to the establishment of a number of requirements to invest. These include having the sufficient percentage of shareholding required in order to have adequate representation on the Boards of Directors and their committees and the duty of compliance, by the investee companies, with corporate governance standards. Additionally, the responsible modus operandi of the Company is acquired, which translates into a high level of dedication and commitment to the investee companies.

The credibility and reputation of Corporación Financiera Alba is understood from its long-term commitment and its adherence to the principles of Good Corporate Governance and ethical behaviour promoted by the Company.

Therefore, it promotes advanced policies on good governance and environmental, labour, social and tax issues in its investee companies. Potential conflicts of interest among investee companies, as well as investments in potentially conflicting sectors from a legal or social perspective, are also avoided.

Given that economic and political factors can affect the volatility of Alba's market value, the principle of prudence is essential in the business to minimise risks as much as possible. This has implications both for the composition of Corporación Financiera Alba's portfolio, which is must diversify in order to reduce its volatility, and for the level of indebtedness, with liquidity of its assets allowing the Company to quickly execute investment and divestment decisions and maintain a level of coverage to cover financial risks. Diversification also advocates internationalisation of investments, as a way to reduce potential socio-political effects on acquisitions.

4.2. Main Figures of 2018 Activity

During 2018, Corporación Financiera Alba has held direct or indirect shareholding in ten listed companies and, through the vehicles managed by its private equity company Artá Capital, SGEIC, S.A.U., has participated in seven unlisted companies, which at 31 December of 2018 were reduced to six unlisted companies.

It is present in different sectors of activity, as shown below:

Investment sectors	Percentage at 31 December 2018
Industrial	22%
Energy	21%
Food	20%
Property	10%
Financial Services	7%
Leisure	6%
Technology	6%
Telecommunications	4%
Various	4%

Table 1: Main investment sectors as at 31 December 2018.

The investments of Corporación Financiera Alba in 2018 amounted to €639.0 million in shares and sold assets for €139.9 million.

In October 2018, Alba distributed a gross dividend of €0.50 per share to its shareholders, representing a disbursement of €29.1 million.

As at 31 December 2018, the shareholdings portfolio owned by Corporación Financiera Alba consisted of:

Company	Company	Equity Share at 31 December 2018
Listed companies	Acerinox	18.96 %
	BME	12.06 %
	CIE Automotive	10.10 %
	Ebro Foods	14.00 %
	Euskaltel	11.00 %
	Global Dominion	5.00 %
	Indra	10.52 %
	Naturgy	5.27 %
	Parques Reunidos	21.43 %
	Viscofán	13.00 %
Unlisted companies	Alvinesa	16.83 %
	in-Store Media	18.89 %
	Mecalux	24.38 %
	Monbake	3.70 %
	TRRG Holding	7.50 %
	Satlink	28.07 %

Table 2: Portfolio of Corporación Financiera Alba as at 31 December 2018.

Assets by investment type:

Current	Percentage at 31 December 2018
Listed Companies	73%
Treasury and other Assets and Liabilities	13%
Real Estate	9%
Unlisted Companies	5%

Table 3: Asset distribution as at 31 December 2018.

Net asset value at year-end 2018 amounted to 3,912 million.

4.3. Organisational Structure

The organisational structure, which includes the companies Corporación Financiera Alba, S.A., Alba Patrimonio Inmobiliario, SAU and Artá Capital, SGEIC, SAU, is as follows:

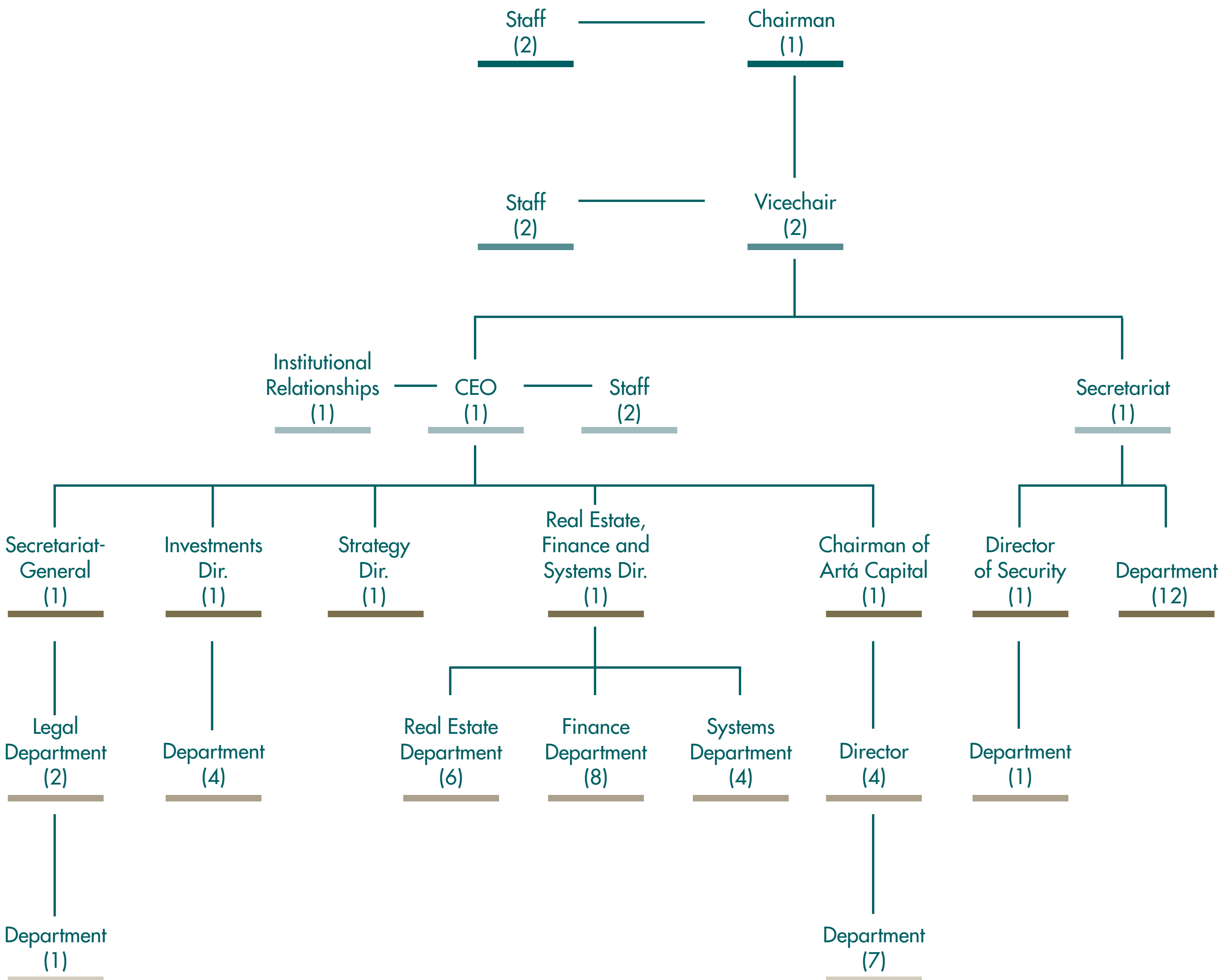


Figure 1: Organisational structure as at 31 December 2018.

4.4. Contribution to society

As part of its Corporate Social Responsibility Policy, Corporación Financiera Alba sets out the principles and areas of scope to help improve the well-being of individuals and to promote economic and social development of the communities in which it is present, and to create value for the various stakeholders, both internal and external.

The Company's main social responsibility is to ensure the utmost diligence and integrity throughout the investment process. To do this, it focuses on three principles that apply to their investments:

- Long-term vision.
- Responsibility for management by selecting assets that have the greatest capacity for influence and transformation.
- Mitigation of non-financial risks, including social, environmental and good government-related risks.

Along with these, they highlight other general principles and Company guidelines, such as the pursuit of excellence and adoption of best practices in corporate governance, respect and promotion of human rights, safe and healthy work environment and the firm commitment to conserving the natural environment.

In addition, Corporación Financiera Alba is focused on its stakeholders and establishes the communication channels necessary in order to address all their needs and expectations. The scope of application of the socially responsible commitments extends to both the Company and its group companies. In addition, the Company strives to extend these guidelines and responsible principles through its representatives to all of the investee companies.

As an investment entity that upholds responsibility in its own management and legislative compliance, Corporación Financiera Alba contributes more directly to the SDG 16, whose goal is to achieve peace, fairness and strong institutions in all countries, and to SDG 17, which encourages alliances to achieve goals, since their aims in society are achieved by collaborating with other partners.

Furthermore, with its active participation in the Boards of Directors and Committees of investee companies, it promotes the SDG 16.

Indirectly, together with the investee companies, it contributes to society through the pursuit of the SDGs of all companies in which it has interests.

	Listed companies in which Corporación Financiera Alba owns shares				
SDG	Acerinox	BME	CIE Automotive	Ebro Foods	Euskaltel
1 No Poverty				√	
2 Zero Hunger			√	√	
3 Good Health and Well-Being			√	√	
4 Quality Education			√		√
5 Gender Equality					√
6 Clean Water and Sanitation	√				
7 Affordable and Clean Energy.	√				
8 Decent Work and Economic Growth	√	√	√	√	√
9 Industry, Innovation and Infrastructure		√	√		√
10 Reduced Inequalities	√			√	
11 Sustainable Cities and Communities				√	√
12 Responsible Consumption and Production	√		√	√	√
13 Climate Action	√	√	√	√	√
14 Life Below Water					
15 Life on Land				√	
16 Peace, Justice and Strong Institutions	√	√	√	√	√
17 Partnerships for the Goal	√	√		√	√

Table 4: Identification of the contribution by Corporación Financiera Alba to SDGs through investee companies.

Global Dominion	Indra	Naturgy	Parques Reunidos	Viscofan
		√		
	√	√		
	√	√	√	
	√	√		
	√	√		√
√	√	√		
√	√	√		
√	√	√		
		√		
√	√	√	√	
√		√	√	√
	√	√		√
		√	√	√
	√	√	√	√
√	√	√	√	
√	√	√	√	

Through investee companies, Corporación Financiera Alba provides social value in some priority areas set out in the 2030 Agenda Action Plan, such as:

- The Circular Economy, which is focused on the change from a linear economy model to the circular model and, above all, ensuring that available resources remain as long as possible in the production cycle. In Spain, it is driven by the "Spanish Circular Economic Strategy".

  Corporación Financiera Alba promotes the optimisation of resource use among its companies, so waste is reduced, recycled, reused and revalued.

  The Circular Economy affects the agro-food sector in particular, in which EBRO Foods belongs, with the aim of this sector, on the one hand, being to reduce the impact of production (in terms of resources used, emissions, waterprints or chemical products), and on the other hand, the results from product consumption. Corporación Financiera Alba is concerned about ensuring that the Company contributes to the sustainable use of natural resources and conservation of nature.

  Furthermore, for Corporación Financiera Alba's investee companies in the industrial sector-plastics, metals, automotive, etc., such as Viscofan, Acerinox or CIE Automotive, particular attention is paid to its approach to waste management and the circular economy and the digital transformation of Spanish industry that, according to the 2030 Spain Circular report, aims to articulate measures for the industrial fabric to benefit from intensive use of information and communications in its production processes, so that resource efficiency is improved and phased into the circular model.

- Climate Change and Energy Transition for compliance with commitments signed by Spain to comply with the Paris Agreement and the energy and climate targets established in the EU framework.

  Corporación Financiera Alba, through its shareholding in Naturgy, supports compliance with this goal set in SDGs 7 and 13.

5. PERFORMANCE AND SUSTAINABILITY

5.1. Corporate Social Responsibility and sustainability

Among the main guidelines in the Corporate Social Responsibility Policy of Corporación Financiera Alba are the Company's commitments to employees, shareholders, the third parties with whom they hire, the community in which Corporación Financiera Alba has presence and, ultimately, all of its stakeholders. With all of them, the Company establishes the right channels to enhance communication and relationship.

Key stakeholders with which they establish communication channels.

Figure 2: Stakeholders.

The following are the commitments Corporación Financiera Alba has with its stakeholders and the dialogue channels it uses:

Stakeholders of Alba	Corporación Financiera Alba's commitment towards its stakeholders	Dialogue channels
Shareholders and Investors	Encourage and develop the mechanisms for building relationships and maintaining dialogue Encouraging the exercise of shareholders' rights through informed participation and transparent communication Ensure accountability through relevant, reliable and rigorous information Seek Financial Gain Provide information on environmental, social and good governance objectives	Website: corporacionalba.es 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 Complaints Channel HR. Ongoing Training Plan

Stakeholders of Alba	Corporación Financiera Alba's commitment towards its stakeholders	Dialogue channels
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	Website: corporacionalba.es Email: alba@corporacionalba.es Post Annual Report Sustainability Report Complaints Channel
Providers	Apply corporate responsibility criteria in management and promote responsible practices in supplier companies Maintain a permanent channel of dialogue	Website: corporacionalba.es Post Email: (personinchargeofcontract) @corporacionalba.es Complaints Channel
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
Company	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	Website: corporacionalba.es Post Email: alba@corporacionalba.es Participation in Social and Environmental Forums Adherence to the UN Global Compact Complaints Channel

In short, Corporación Financiera Alba has intensified its focus in the needs of its stakeholders and in 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 shareholders and investors, suppliers, clients, regulators and society, as befits a listed company that is fully aware of the importance of information and transparency.

Moreover, the Communications Department has smooth 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.

To all of them, Corporación Financiera Alba reports in this Annual Report about their performance on environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery and their contribution to society.

5.2. Corporación Financiera Alba's activity and the Sustainable Development Goals (SDG)

Corporación Financiera Alba is an entity committed to sustainable development, based on sustainable investment, and to raising the awareness among its stakeholders about the impact of their economic activity on society.

Since 2015, it has adhered to the United Nations Global Compact, the largest international voluntary initiative to promote corporate social responsibility in the Signatory Partner category. By adhering to this initiative, Corporación Financiera Alba undertakes a commitment to annually report its performance in relation to the Ten Principles of the Global Compact, addressing topics such as human rights, employment standards, the environment and anti-corruption.

Corporación Financiera Alba is aware of the key role that the private sector plays for achieving the Sustainable Development Goals (SDGs). As a result, the following sections explain how they have aligned their activities and initiatives with the SDGs, depending on their direct contribution to them, or indirect, through their investee companies.

Although it is not obliged to present a statement of non-financial information, the information presented is in line with, to the extent possible, the content of Act 11/2018.

5.2.a. Good Governance, Anti-Corruption and Compliance (SDG 16)

Material topics	Scope	Global Compact Principles	SDG	Contribution
Ethical issues	Good Governance	10	16	Direct
Regulatory compliance	Good Governance	10	16	Direct
Measures taken to prevent corruption and bribery	Good Governance	10	16	Direct
Mechanisms for the management of financial and non-financial risks	Good Governance	10	16	Direct

It is the responsibility of Corporación Financiera Alba to maximise the creation of sustainable value for its shareholders and for other stakeholders, as well as for society. The multiplier effect of the Company's responsible activity not only results in benefiting the entity itself, but also contributes to creating more transparent, fair and better governed markets in which more opportunities for development and economic prosperity are generated.

5.2.a.1. Ethics and Values at Alba

A new Code of Ethics and Conduct was approved by the Board of Directors of 22 October 2018.

This Code is an expression of the values and principles that must govern the conduct of Corporación Financiera Alba and reach all individuals who, in the exercise of their duties, employment, business or professional relationships, relate to the Company.

Its values include:

- Respect for Human Rights and a commitment to the UN Global Compact.

- Ethical and legal conduct.

- Fair and respectful treatment in terms of equal opportunity and non-discrimination.

- Respect for the environment.

- Respect for the interests of other people relating to the Company.

- Prudence when performing activities, assuming risks and in relations with customers.

- Information processing with rigour, integrity and transparency

It establishes mandatory standards of conduct for both employees and members of the management bodies and the Board of Directors of Corporación Financiera Alba and third parties that relate thereto.

All the general standards listed, as well as the spirit thereof, determine the interpretation of any other legislation or regulation dictated by Corporación Financiera Alba.

In the new Code approved in 2018, it was taken into account, in particular, the evolution of the legal regulation of responsibility of legal persons and other regulatory changes, such as community regulation on market abuse, conflicts of interest and insider trading.

In addition, given the importance of internal complaint channels, it regulates a more detailed procedure for handling complaints which allows to communicate, in a confidential manner, any acts or conduct committed that may be contrary to applicable regulations or the Code of Ethics and Conduct within the Company, in the performance of third parties that are in contract with the Company or to its detriment.

The Complaints Channel may be used by all internal and external persons to the Company, including within the latter to the suppliers, contractors and collaborators of Corporación Financiera Alba.

It also affects any person who becomes aware of a reportable fact in relation to the Alba Code of Ethics and Conduct.

The Audit and Compliance Committee has a role in monitoring compliance with this Code, and its performance is, among others, in the area of compliance with legal ordinance and internal regulations, reflecting their actions in relation to the Code of Ethics and Conduct in the Audit and Compliance Committee Performance Report.

The Company reminds the persons affected by this about the validity of the Code of Ethics and Conduct. This reminder of 2018 informs about the general rules of conduct to be followed, the functions of the Monitoring Committee, the procedure for monitoring compliance with the Code and any new developments in relation to the Complaints Channel.

In addition, the confidentiality of the process was emphasised so that the covered person can make reports of acts that are illegal or contrary to the Code of Ethics via the Corporación Financiera Alba website, email or postal address, ensuring the confidentiality of the reporter's identity.

At least annually, the Audit and Compliance Committee and the Board of Directors are informed about the degree of follow-up on the Code of Ethics and Conduct, the reminder to the affected persons of the main obligations arising out of that Code and whether communications from alleged irregularities or violations of the Code of Ethics and Conduct have been received.

The Company's contracts include a stipulation by which the supplier, contractor, customer or colleague agrees to use the Complaints Channel of Corporación Financiera Alba, S.A. to report any improper behaviour of which he/she has reasonable knowledge or indication of acts that are illegal or contrary to what is expected in the Code of Ethics and Conduct by the Company's employees in relation to such third party.

No reports were received during 2018, nor does it have any suggestions or inquiries related to the Code of Ethics and Conduct.

5.2.a.2. Regulatory Compliance

Responsibility and commitment to good government leads Corporación Financiera Alba to maintain a constant willingness to adapt to new regulatory requirements and best practices in the market.

Thus, for example in 2018, in compliance with the LSC (art. 529 novodecies and concordance), the Remuneration Policy for the Board of Directors was approved by the General Shareholders' Meeting of 18 June. This Policy expressly includes provisions that the remuneration of the Directors must be compatible with the company strategy, objectives, values and long-term interests and be based on moderation and balance with adequate and effective risk management. The remuneration of the Directors must reflect a reasonable proportion in relation to the importance of the Company, the economic situation and comparable business market standards.

Moreover, the regulatory environment is increasingly complex, and companies are increasingly exposed to reputational risks and economic damages resulting from potential regulatory compliance.

Projects conducted by Corporación Financiera Alba over the past few years in response to these regulations include the creation and commissioning of the Internal Audit Service, the creation of the Risk Management Unit and the Crime Prevention Model.

It is also important to note that in 2016, a Legal Compliance Unit was set up to coordinate, standardise and monitor the activities and efforts that the entity is doing in this regard. And in March 2018, the Corporación Financiera Alba's Board of Directors approved the Charter of the Legal Compliance Function and entrusted the Secretary of the Board of Directors to oversee the Legal Compliance Unit with the collaboration of an external advisor.

With regard to the financial year 2018, a Compliance Analysis was conducted according to the obligations of each of the major areas of business activity (Human Resources Management, Legal Consultancy, Internal Audit, Risk Management, Compliance and Crime Prevention, Tax and Accounting, Real Estate, Investment in Private Equity, CNMV Requirements and LOPD [Spanish Data Protection Law] Compliance

Systems). Of the 95 identified requirements, 78 have been satisfactorily met, and the remaining 17 requirements have not been applied during the year.

5.2.a.3. Corruption Prevention

The Company complies with its obligation, in respect of its stakeholders, to establish necessary measures to ensure that Corporación Financiera Alba complies with its monitoring duties to prevent any kind of crimes from being committed.

Ethical values and responsible behaviour are present in the day-to-day activity of all people who are part of Corporación Financiera Alba. To safeguard these values and in particular to fight corruption in any way, the Board of Directors approved the Criminal and Fraud Prevention Policy in 2015.

This Policy establishes a Criminal Prevention Model, which comprises a number of effective measures aimed at preventing, detecting and acting against criminal behaviour. It applies to Board Members, executives and employees integrated in the companies of the group, and allows it to control potential situations where irregularities may arise.

This Policy is based on principles – coordination and involvement of all group professionals, transparency and communication, effective action, training, etc. – ensuring proper implementation, tracking and improvement of the Model.

Together with the Crime Prevention Model, Corporación Financiera Alba has a Crime Prevention Manual, updated in 2017, aimed at the Directors, executives and employees of the Company, the importance of regulatory compliance, and in particular, on the prevention of criminal risks.

Likewise, contracts with third parties are also 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.

Semi-annually follow-up reports are issued on the effectiveness of the Prevention Model, which is given to the Audit and Compliance Committee and to the Board. They report on the results of follow-up and compliance with the recommendations of previous revisions, if issued.

With regard to the financial year 2018, a positive report was issued on the compliance of all aspects under internal control, with only two recommendations being made.

Two training sessions in criminal and fraud prevention have been conducted in 2018, aimed at the different career categories within the Company and its group. These sessions also gave a special relevance to the Code of Ethics and Conduct approved in 2018. In total, 18 people participated.

5.2.a.4. Risk Analysis and Risk Management Model: Key Risks and Mitigation Measures

Corporación Financiera Alba, as part of the good corporate governance competencies, has approved a Risk Management Policy, whereby it compiles data from systems of the prevention, evaluation and control of risks to which the Company is exposed.

The main activities of the Company (investment in listed and unlisted companies as well as in real estate for property management) determine the types of risks, financial and non-financial, to which it is exposed.

These risks highlight the strategies relating to the corporate governance of the Company and its reputation; the operational strategies that relate to external or internal economic losses, financial strategies and those of regulatory compliance arising from potential violations of laws and regulations or breach of the Code of Ethics and Conduct and other internal regulations of Corporación Financiera Alba.

Risk control is secured by the Company's Integrated Risk Management System, which is characterised by a continuous process of identifying and managing potential risks, by its organisational approach adapted to the organisational structure and corporate culture, and by the follow-up model that provides the necessary information to make the right decisions.

5.2.b. Diversity in Governing Bodies (SDGs 5 and 10)

Material topics	Scope	Global Compact Principles	SDG	Contribution
Diversity	Good Governance	6	5, 10	Direct/ Indirect
Equal opportunities	Good Governance	6	10	Direct/ Indirect

5.2.b.1. Diversity and Equal Opportunities

Act 11/2018 has introduced amendments to the Capital Companies Act, adapting the selection of Board Members to Directive 2014/95/EU, of the European Parliament, which among other matters refers to information about diversity that companies must provide. Consequently, the Board of Directors is entrusted to oversee "that their procedures for selecting their members favour diversity with regard to matters such as age, gender, disability or professional training and experience". It is also encouraged to ensure that these processes do not involve discrimination and that they facilitate the balanced presence of Board Members.

For the selection of candidates to the Board, since 2015 Corporación Financiera Alba has followed a Selection of Candidates for Director Policy, which is based on the prior analysis of the Company's needs conducted by the Board of Directors and on the advice and reporting from the Appointments and Remuneration Committee that defines the necessary roles and skills of candidates who must cover each vacancy and assess the time and dedication required to effectively perform their duties.

The selection of Board Members is considered a key element in the Company's corporate governance strategy as, in good measure, the sustainability and good performance of the Company is due to the incorporation of appropriate candidates to properly lead the Company.

Therefore, this Policy aims to ensure that it promotes diversity in terms of knowledge and experience, providing pluralistic points of view, and that the selection process does not lead to any gender discrimination.

No new Board Members were appointed in 2018, and at year's end the Board was composed of twelve members, with fifteen being the maximum number allowed under Articles of Association. At 31 December 2018, the Company had a Proprietary Director, six Independent External Directors and the remaining five were executive members[1].

Of the total number of Board Members, 25% are women. Corporación Financiera Alba aims to raise this percentage to 30% by 2020. 50% of Independent Directors are women.

(1) During 2018, one of the Executive Directors has held the representation of Banca March, S.A. at Corporación Financiera Alba, S.A.

5.2.c. Environmental Concerns (SDGs 6, 7, 12, 13, 14 and 15)

Material topics	Scope	Global Compact Principles	SDG	Contribution
Pollution	Environment	7, 8, 9	13	Indirect
Circular Economy	Environment	7, 8, 9	12	Indirect
Sustainable use of resources	Environment	7, 8, 9	6, 7, 12	Direct/Indirect
Climate Change	Environment	7, 8, 9	13	Indirect
Biodiversity Protection	Environment	7, 8, 9	14, 15	Indirect

Among the values presented in the Corporación Financiera Alba's Code of Ethics and Conduct, are respect for the environment, both in terms of its direct activity and commitment to investment in environmentally responsible companies.

Together with this, one of the general principles of the Corporate Social Responsibility Policy is to "Maintain a firm and preventive commitment to conservation and improvement of the natural environment, minimising any undesired effects of its operation with a particular focus on climate change and the preservation of biodiversity. To this end, the actions of the Company will aim to prevent pollution, achieve rational and sustainable resource usage and proper waste management".

These values and guidelines were drawn up in 2017 with the approval of the Investment Policy in which criteria for assessing environmentally responsible investments were introduced.

In fact, among the Spanish companies who formed a part of the Dow Jones Sustainability World Index in 2018, developed by S&P Dow Jones Indices and RobecoSAM, there were two of Corporación Financiera Alba's investee companies, namely Indra and Naturgy.

This way, although the environmental impact of the Company is not significant, the impact it has through its investee companies is significant. So, the contribution to the environment is made through their various shareholding involvement, and where applicable, in the governing bodies of such companies.

In this regard, the main SDGs that contribute through their publicly traded investments have been identified as follows: an indirect contribution to renewable energy generation and energy efficiency (SDG 7), sustainable and efficient management of natural resources and waste management through prevention, reduction, recycling and reuse (SDG 12), measures to tackle climate change and pollution (SDG 13) as well as measures taken to conserve and sustainably use the seas and oceans (SDG 14) and to protect, restore and promote terrestrial ecosystems (SDG 15).

Company	SDG 6	SDG 7	SDG 12	SDG 13	SDG 14	SDG 15
Acerinox	√	√	√	√		
BME				√		
CIE Automotive			√	√		
Ebro Foods			√	√		√
Euskaltel			√	√		
Global Dominion		√	√	√		
Indra	√	√		√		√
Naturgy	√	√	√	√	√	√
Parques Reunidos			√		√	√
Viscofan	√		√	√	√	√

5.2.c.1. Resource use and measures to improve energy efficiency

In terms of any direct impact on the environment, in addition to regulatory compliance Corporación Financiera Alba takes into account other aspects such as the savings and efficiency of the resources used, as well as the proper management of waste resulting from its activity.

Corporación Financiera Alba calculates its carbon footprint (in which it takes into account its air transport and electrical consumption from its offices), to track its impact and be able to take steps to minimise it.

- **Fuels:**

  The internationalisation strategy launched in 2017 and maintained in 2018 entails a need to fly to other countries to examine possible partners and investments. Nevertheless, good practices are promoted to minimise the 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 fleet of vehicles already includes a hybrid (petrol-electric) vehicle.

The table below shows the total litres consumed by the fleet in 2018 compared to that in 2017, as well as the total kilometres travelled on business trips.

The use of air and land transport led to the emission of a carbon footprint of 59.93 Tn CO_2. Specifically, there was a 3% increase in the TN CO_2 derived from land travel while air transport emissions increased by 37%. This is due to the increased activity of the Company.

	Unit	2018	2017
Business fleet consumption broken down by fuel type	L	11,392	9,986
Petrol	L	8,416	7,739
Diesel	L	2,976	2,247
Kilometres travelled on business trips (plane and train)	Km	303,000	241,000
Total Km by plane	Km	274,000	200,000
Total Km by train	Km	29,000	41,000

Table 5: Fuel consumption and kilometres travelled on company trips. 2017-2018 comparison.

- **Electrical Energy:**

Energy consumption in Corporación Financiera Alba buildings comes mainly from lighting systems, air conditioning systems and ICT equipment.

A series of reforms were performed in 2018 to achieve greater energy efficiency. In this sense, energy-efficient LED lights and efficient appliances were incorporated into Corporación Financiera Alba.

In total, energy consumption from non-renewable sources in 2018 was as follows:

	Unit	2018	2017
Electrical energy consumed (non-renewable source)	KwH	304,175	317,503
CO_2 emitted	Tn	85.2	88.9

Table 6: Electric energy consumption and CO_2 emitted. 2017-2018 comparison.

- **Water:**

  In the reforms indicated above, sanitary fittings of low water consumption were also installed.

  It is worth noting that in the offices of Corporación Financiera Alba, the water used in the washrooms is reused and consumption water is bottled in plastic, allowing for selective collection where it can then be recycled.

- **Paper and Waste Management:**

  In 2018, the practice of replacing printed papers with digital documents and reducing the number of prints has been maintained, which has allowed reduced paper consumption by 5% compared to the use in 2017. In addition, all the paper used is certified with the FSC (Forest Stewardship Council) environmental seal.

  The Company is aware of the importance of continuing to take measures that benefit the environmental impact and as stated, has incorporated practices for the differentiated treatment of waste occurring in Company offices (coffee capsules, plastics, batteries, etc.).

  In 2018 144 plastic bottles, 7 Tetra Brik cartons, 4 can of soft drinks and 60 coffee capsules were recycled daily.

  Printer toner cartridges are also recycled.

5.2.d. Social and personnel issues (SDGs 4, 8 and 10)

Material topics	Scope	Global Compact Principles	SDG	Contribution
Creation and stability of employment	Relative to staff	1	8	Direct/ Indirect
Work organisation and reconciliation	Relative to staff	1	8	Direct/ Indirect
Talent attraction and retention: training	Relative to staff	1	4, 8	Direct/ Indirect
Equal opportunities	Relative to staff	6	10	Direct/ Indirect

Both directly, in the Company, and indirectly through the investee companies, Corporación Financiera Alba promotes the values and ethics required to form full and competent teams working to achieve the sustainability of companies.

This commitment to its personnel is evident in the creation of stable jobs, supporting career development of its employees, facilitating a healthy working environment where diversity, equal opportunities and work-life balance is respected.

Corporación Financiera Alba's commitment to employment is directly translated into the number of employees they have, and indirectly in the total number of jobs created, both direct and indirect, in all of its investee companies, as well as promoting good practices in human resources.

It is worth noting the positioning of some the investee companies of Corporación Financiera Alba, such as Naturgy or Indra, on the Merco Talent ranking in 2018, which assesses the ability of companies to attract and retain talent.

Participation on the Boards of Directors of the investee companies is also addressed from the perspective of contributing to the creation of stable employment and personal development.

In relation to the Company's team of human resources, social and personnel issues are detailed in the following sections.

5.2.d.1. Employment, equality and organisation of work

Staff turnover (of only 7.4%) and the high average time of remaining at the Company show the favourable working conditions for employees at Corporación Financiera Alba.

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.

Corporación Financiera Alba and the other two companies listed above – Alba Patrimonio Inmobiliario, S.A.U. and Artá Capital, SGEIC, S.A.U. – closed 2018 with 67 employees, the same as in 2017. 100% of its employees are permanent.

Of the total workforce, 32.8% are women, same as in 2017.

	2018	2017	2016
Men	45	45	42
Women	22	22	19
Total	**67**	**67**	**61**

Table 7: Gender employee distribution. 2016-2018 comparison.

In 2018, those leaving the Company have been voluntary and retirement related, and the latter have accounted for 66% of the total leaving figure. All leavers have been covered, 66% of them women.

The chart below shows the distribution of employees by age and gender.

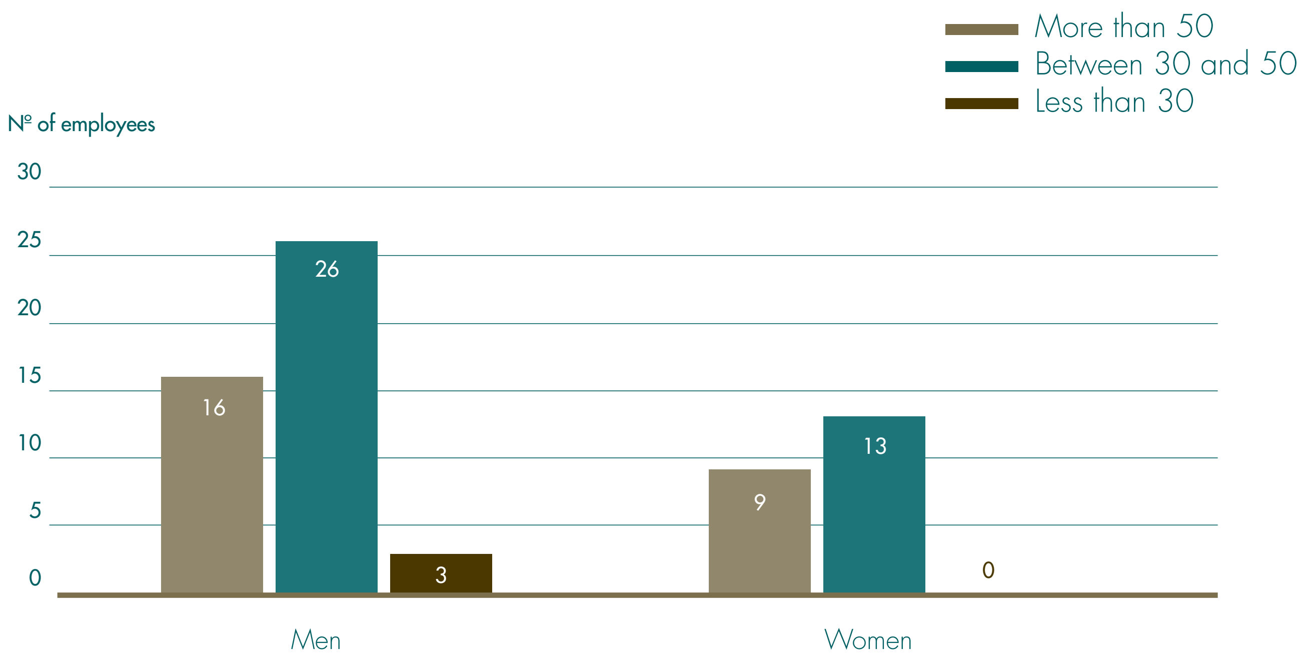


Figure 3: Distribution employed by age and gender as at 31 December 2018.

Corporación Financiera Alba applies measures aimed at facilitating the enjoyment of family reconciliation that promote the need for balance between the personal and professional life of its employees, in order to provide more options for the responsible exercise of rights of parents.

5.2.d.2. Health and Safety

The Code of Ethics and Conduct captures the Company's commitment to ensuring health and safety. To comply with this, Corporación Financiera Alba has an occupational health and safety policy, as well as risk preventive measures and insurance policies for health and accidents that cover all employees – as part of their remuneration in kind.

Employees also have an obligation to know and comply with all the rules that affect them. These rules are available to all of them in the "Office Work Health and Safety Manual" that everyone must know and comply with.

The annual medical reviews of the workforce are part of the occupational health and safety policy.

Moreover, in terms of occupational safety, 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.

5.2.d.3 Training: Career Development and Talent Retention

The talent of Corporación Financiera Alba is managed in a personalised manner, identifying employee training needs from departments in which they operate, thus achieving the career development required to meet the demands of a global marketplace and characterised by new growth models that affect the stability of investments.

The total hours of training received by employees in 2018 were 673 hours, an increase of 17% from the 2017 training sessions.

Departments	No. of hours 2018	No. of hours 2017	No. of hours 2016
Real Estate	84	190	433
Administration	253	150	150
Investments	69	81	75
Legal	105	72	70
Systems	142	60	32
Communications	20	21	20
Total	**673**	**574**	**780**

Table 8: Comparison of training by area. 2016-2018 comparison.

TRAINING BY DEPARTMENT IN 2018

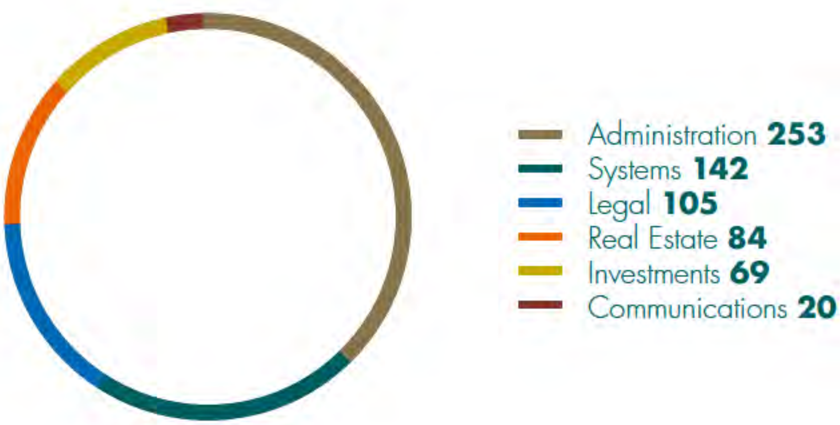


Figure 4: Training by departments in 2018.

5.2.e. Relating to Human Rights (SDG 16)

Material topics	Scope	Global Compact Principles	SDG	Contribution
Respect and promotion of Human Rights	Human Rights	1, 2	16	Direct / Indirect

Among the general principles comprising the framework of the Company's Corporate Social Responsibility Policy is the commitment to Human Rights. Not only to respect compliance but to promote them in the sphere of influence across all group companies, following and supporting the United Nations Global Compact and ensuring workers' rights and avoiding any practice against the dignity of people. This same outlook is contained in the Company's Code of Ethics and Conduct.

It also respects and promotes these rights throughout the supply chain through contracts that it subscribes to with its suppliers, customers and partners.

It is very noteworthy that all listed companies in which Corporación Financiera Alba invests are committed to the 10 principles of the Global Compact and as indicated in their Codes of Ethics.

Corporación Financiera Alba undertakes through its active participation to implement due diligence policies to prevent potential risks of human rights infringement. In addition, it establishes the procedures necessary to be able to secure them in all communities where it is present, directly or through their investee companies.

5.2.f. Company: Commitment to Sustainable Development (SDGs 11, 16 and 17)

Material topics	Scope	Global Compact Principles	SDG	Contribution
Impact on territory in which it is present	Social	1, 2,10	11,16	Direct / Indirect
Relationships, dialogue with local communities	Social	2, 3	16, 17	Direct / Indirect

Depending on business models and the countries in which they operate, companies in which Corporación Financiera Alba invests contribute more directly to some SDGs.

Company	SDG 11	SDG 16	SDG 17
Acerinox		√	√
BME		√	√
CIE Automotive			√
Ebro Foods		√	√
Euskaltel	√	√	√
Global Dominion	√	√	√
Indra	√	√	√
Naturgy	√	√	√
Parques Reunidos	√		√
Viscofan	√	√	

5.2.f.1. Impact on communities where it is present: Commitment to art (SDG 11) and education (SDG 4)

In addition to strengthening contribution in local communities through investee companies, the organisation itself also contributes to social, artistic and financial education initiatives. These contributions are made through economic donations, provision of services to society or active volunteering.

The organisation collaborates with the Juan March Foundation to hold exhibitions that contribute to the cultural and artistic education of society. These free exhibitions benefit hundreds of thousands of people each year. To this end, it supports the SDG 11, which aims to redouble efforts in protecting and safeguarding the world's cultural heritage, among its various objectives.

Financial Education Initiatives (SDG 4)

2018 was the second consecutive year in which Corporación Financiera Alba joined Banca March for a new edition of the *Your Finances, Your Future* Programme, driven by the Spanish Banking Association (Asociación Española de la Banca, AEB) and the Junior Achievement Foundation. In this program, financial education has been imparted to young people aged between 13 and 15 years across different cities.

In 2018, Corporación Financiera Alba supported the initiative *Vis-à-vis financial education*, an educational experience that is promoted by BME, one of its investee companies. The seminar was conducted in the cities where the four Spanish Stock Exchanges are located (Madrid, Barcelona, Bilbao and Valencia) on 2 October 2018, Financial Education Day. Throughout the day, those interested had the opportunity to ask questions on matters related to investment in the Stock Exchange and other securities markets.

Moreover, BME 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 among 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.

5.2.f.2. Promoting Dialogue with Local Communities

Corporación Financiera Alba is a member of the Board of Directors of FEDEA [Fundación de Estudios de Economía Aplicada (Foundation of Applied Economics Studies)].

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.

Employees are encouraged to participate in forums in the different investee Company-related sectors.

5.2.f.3. 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, as well as with their direct and active involvement. In 2018, it collaborated extensively with Cáritas.

Furthermore, in December 2018, employees of Corporación Financiera Alba participated in the "2018 Company Races" that promote healthy living habits, with sport as a key health lever, in which values of effort and teamwork are promoted.

THE TEN PRINCIPLES
of the United Nations Global Compact

HUMAN RIGHTS

LABOUR

ENVIRONMENT

ANTI-CORRUPTION

1. Support and respect the protection of internationally proclaimed human rights.
2. Not be complicit in human rights abuses.
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Support the elimination of all forms of forced and compulsory labour.
5. Support the effective abolition of child labour.
6. Support the elimination of discrimination in respect of employment and occupation.
7. Support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Work against corruption in all its forms, including extortion and bribery.

6. GRI TABLE OF CONTENTS

Organisation profile

GRI Standards	Description	Reference in Annual Sustainability Report
102-1	Organisation name	Paragraph 2.2.
102-2	Activities, brands, products and services	Paragraphs: 2.2, 3.1 and 3.2
102-3	Location of headquarters	C/ Castelló, 77 - 5ª planta 28006 MADRID
102-4	Location of operations	Operations are carried out domestically 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 domestically and internationally
102-7	Scale of the organisation	Paragraph 4.2
102-8	Information about employees	Paragraph 5.2.d.
102-10	Significant changes in the organisation and its supply chain	Indicated in the Annual Report
102-11	Precautionary principle or approach	Paragraph 4.1.
102-12	External initiatives	Paragraph 5.2.f.
102-13	Membership of associations	Paragraph 5.2.f.

Strategy and analysis

GRI Standards	Description	Reference in Annual Sustainability Report
102-14	Statement by senior decision-maker of the organisation on the relevance of sustainability to the organisation and the strategy for addressing this issue.	Letter from the Chairman of the Board
102-15	Impacts, risks and opportunities	Paragraph 5.2.a.4.

Governance

GRI Standards	Description	Reference in Annual Sustainability Report
102-18	Corporate governance	Paragraph 5.2.b.1.
102-19	Process of delegation of authority of the Board of Directors	Paragraphs 5.2.b.1 and 4.3.
102-22	Composition of the Board of Directors and its committees	Paragraph 5.2.b.1.
102-23	Chairperson of the Board of Directors	Mr Carlos March Delgado
102-24	Appointment and selection of members of the Board of Directors	Paragraph 5.2.b.1.
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 Board of Directors in the selection of purposes, values and strategy	Paragraph 5.2.a.1.
102-29	Identification and management of economic, environmental and social impacts	Paragraph 5.2.a.4.
102-30	Efficiency in risk management processes	Paragraph 5.2.a.4.
102-31	Evaluation of economic, environmental and social issues	Paragraph 5.2.a.4.
102-35	Remuneration policies	Paragraph 5.2.a.2.

Participation of stakeholders

GRI Standards	Description	Reference in Annual Sustainability Report
102-40	List of stakeholders	Paragraph 5.1.
102-41	Percentage of employees covered by collective agreements	100%
102-42	Identification and selection of stakeholders	Paragraph 5.1.
102-43	Approach for the participation of the stakeholders	Paragraph 5.1.
102-44	Key issues and concerns mentioned	Paragraph 5.2.: a, b, c, d, e and f.

Material aspects and coverage

GRI Standards	Description	Reference in Annual Sustainability Report
102-45	Entities included in the consolidated financial statements	16,includes Group companies, associates and subsidiaries
102-46	Definition of the contents and scope of the report	Paragraphs 2.1. and 2.2.
102-47	List of material topics	Paragraph 5.2.: a, b, c, d, e and f.
102-49	Changes in drafting of reports	Paragraph 5.2.
102-50	Period covered by the report	Financial Year 2018
102-51	Date of last report	2017
102-52	Report drafting cycle	Calendar Year
102-53	Point of contact for questions regarding this report	alba@corporacionalba.es
102-54	Declaration of drafting the report in accordance with gri standards	Some GRI-related content has been used in the preparation of the report
102-55	Gri table of contents	Paragraph 6
102-56	External verification	Not applicable

Economic performance

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the material topic and its coverage	Paragraph 4.1.
	103-2	Management focus	Paragraph 4.1.

Ethics and integrity in business

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2. a.1.
	103-2	Management focus	Paragraph 5.2.a.1.
Anti-Corruption	205-2	Communication and training on anti-corruption policies and procedures	Paragraph 5.2.a.3.

Good governance

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2.a.
	103-2	Management focus	Paragraph 5.2.a.

Energy

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2.c.1.
	103-2	Management focus	Paragraph 5.2.c.1.
	302-1	Energy consumption	Paragraph 5.2.c.1.
	302-4	Reduction of energy consumption	Paragraph 5.2.c.1.

Water

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2.c.1.
	103-2	Management focus	Paragraph 5.2.c.1.
	303-3	Reused water	Paragraph 5.2.c.1.

Emissions

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2.c.1.
	103-2	Management focus	Paragraph 5.2.c.1.

Social action programmes

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2. f
	103-2	Management focus	Paragraph 5.2. f
	413-1	Participation in the community	Paragraph 5.2. f

Quality of employment, stability and work/life balance

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2.d
	103-2	Management focus	Paragraph 5.2.d.
	401-1	New employee recruitment and staff rotation	Paragraph 5.2.d.1

Occupational health and safety

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2.d.2.
	103-2	Management focus	Paragraph 5.2.d.2.

Diversity and equal opportunities

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2.: b1 and d1
	103-2	Management focus	Paragraph 5.2.
	405-1	Diversity in governing bodies	Paragraph 5.2. b.1.

Training and development

GRI Standards	Contents	Description	Reference in Annual Sustainability Report
Management Focus	103-1	Explanation of the topic and scope	Paragraph 5.2.d3
	103-2	Management focus	Paragraph 5.2.d.
	404-1	Average training hours per year per employee	Average: 10 hours/year

CORPORATE GOVERNANCE REPORT

TO GO TO THE CORPORATE GOVERNANCE REPORT PLEASE CLICK ON THIS LINK

REPORT ON ACTIONS

OF THE AUDIT AND COMPLIANCE COMMITTEE FOR THE YEAR 2018

REPORT ON ACTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

I. INTRODUCTION

This report on the functions and activities of the Audit and Compliance Committee of Corporación Financiera Alba, SA is prepared following the recommendations on good corporate governance of listed companies and, in particular, those included in the Good Governance Code of Listed Companies, approved by the National Securities Market Commission – Comisión Nacional del Mercado de Valores ("CNMV") – on 18 February 2015, in line with what was already provided for in the Unified Good Governance Code of Listed Companies, approved by the CNMV on 22 May 2006, as well as the CNMV 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" (Good Governance Code).

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, SA modified its Bylaws and its Regulations of Board of Directors, 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 Audit Law, the Spanish Securities Market Act, 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 Capital Companies Act to improve Corporate Governance, introduced into the Capital Companies Act – Ley de Sociedades de Capital ("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 LSC, 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, in 2017 the Board of Directors 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, SA, 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 Committee 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) Submit to the Board of Directors proposals for the selection, appointment, re-appointment and replacement of the accounts auditor, taking responsibility for the hiring process, in accordance with the provisions of Article 16 Sections 2, 3 and 5, and Article 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 16 April, 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, its Bylaws and its Regulations of the Board of Directors and, in particular, on:

    1.º The financial information that the Company must publish periodically,

    2.º The creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; and

    3.º 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 LSC, 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, and all of them are independent.

REPORT ON ACTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

The composition of this Committee as of 31 December 2018 was as follows: Mr Carlos González Fernández as Chairman, and Ms Claudia Pickholz and Ms María Eugenia Girón Dávila as members. All of its members have the status of Independent Directors, with Mr González having been appointed in 2015, Ms Pickholz in 2016 and Ms Girón in 2018.

In accordance with the recommendations of the Unified Good Governance Code of Listed Companies, the information on the profile of all the Directors of Corporación Financiera Alba is made available on the company's website. 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 Ms Girón has extensive experience in the business world, strategy formulation, brand creation, international expansion and sustainable development.

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 the year 2018, the Audit and Compliance Committee held eight 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 audit of the financial statements and relations with the external auditors.

- Risk identification and internal control system.

- Internal audit.

- Review of non-financial information.

- 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 four meetings. As for the internal auditors, in 2018 they were invited to participate in two sessions of the Audit and Compliance Committee.

In connection with the management of risks that may affect the Company, the Audit and Compliance Committee regularly includes a point in the agenda of its meetings dedicated to this matter, either to conduct the relevant monitoring of risks or to have the person in charge of this area within the company present the this to the Committee. During 2018, six of their meetings addressed issues related to the management and monitoring of risks.

At the end of each year, the Audit and Compliance Committee approves its Activities Schedule for the next year, in relation to the areas mentioned above and follows these up accordingly.

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 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).

This analysis is carried out by the Company's Chief Financial Officer, who is responsible for the preparation of the information mentioned above, in order to explain to the Commission the accounting process followed to prepare said financial information, and the decisions and criteria adopted.

The Commission gave its approval to this 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 2017 financial year and the Financial Statements for said year. The External Auditors reported at length to the Committee, as they did at the Board meeting in which annual accounts were drawn up, on their auditing work performed, 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 2018 was also explained.

External auditors submitted to the Audit and Compliance Committee the limited review of the financial statements in the first half of 2018 and the audit planning for the fiscal year 2018.

In addition, and in accordance with the provisions of Article 529 quaterdecies of the Capital Companies Act, 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.

Likewise, in accordance with the Policy for the provision of services other than legal auditing by the external auditor, during 2018 the Committee approved a service other than the legal auditing and has accounted for two different audit services of the ones outlined as pre-approved in the cited Policy. None of these services were incompatibility nor did they pose any threat to the independence of the auditor.

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.

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, in the Additional Report that the auditor submitted to the Audit and Compliance Committee for the year 2017, it was stated that while undergoing the risk assessments due consideration was given to the internal control with regard to the company's preparation of their annual accounts and the accounting system, in order to design adequate auditing procedures and not to express an opinion on the effectiveness of the internal control of the company. However, it was noted that there were no internal control deficiencies assessed as significant or which needed to be reported to the company.

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 Monitoring 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 2018, two Business Risk Monitoring Reports were prepared and presented (corresponding to the second half of 2017 and the full year and the first half of 2018, 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 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. In 2017 the Audit and Compliance Committee agreed to provide a favourable report of the internal audit function to the firm Ernst & Young, S.L., with the Secretary General assuming the task in coordination with the Company, under the supervision of this Committee, which was 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 2018, in accordance with the Audit and Compliance Plan that was submitted to the Audit and Compliance Committee, some internal procedures were audited, no significant issues were found, and suggestions for improvement were made for some of them.

Likewise, in relation to the Company's Internal Control over Financial Reporting (ICFR) Manual, its forecasts were followed during 2018 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) Review of non-financial information

The Audit and Compliance Committee has overseen the Corporate Social Responsibility Policy and in this area, pursuant to Recommendation 55 of the Code of Good Government of the Listed Companies, since 2016 the Company has been reporting on corporate social responsibility issues through the Sustainability Annual Report, which is reported by the Audit and Compliance Committee prior to its approval by the Board of Directors and made available to the convening of the General Shareholders' Meeting.

By Royal Decree Act 18/2017 of November on non-financial information and diversity, applying to the fiscal years started on 1 January 2017, several precepts of the Code of Commerce, the Capital Companies Act and the Audit Law were changed, entering the obligation to include a non-financial information status if the companies met a number of requirements.

As Alba was not eligible to prepare the statement of non-financial information, for the year 2017 it continued to publish the Sustainability Annual Report, which was reported favourably by the Audit and Compliance Committee.

The 2017 Sustainability Annual Report, to a large extent, although the Company is not obligated to do so, compiles the content of the statement of non-financial information required by the regulations reviewed. Thus, reference is made to the following: the business model, the alignment with international sustainability standards; Alba's commitment to its stakeholders and the channels of dialogue with them; the commitment to shareholders and investors; the commitment to employees, and the commitment to society.

The Sustainability Annual Report also describes the Corporate Policies that apply and management and control of non-financial risks.

The Sustainability Annual Report is compiled in accordance with the ten principles of the UN Global Compact, to which Alba is signatory since 2015, and is based on one of the world's most widely used global regulatory frameworks, as is the Global Reporting Initiative (GRI).

f) 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.

REPORT ON ACTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

In this sense the Committee has been informed of the tasks undertaken by the Company to adapt to the new Regulation on data protection, which came into effect on 25 May (EU Regulation 2016/679, of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR), effective as of 25 May 2018.

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, when required and 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.

In the same sense, in 2016 the Company formalised and implemented a function of the Compliance Regulation, and in terms of health and safety it has a Crime Prevention Manual since 2015. More detailed information is provided in later sections of this Report.

On the other hand, during 2015 the Company adopted or updated, following a report from this Committee, the following policies, which are planned for various provisions or recommendations of good corporate governance: Corporate Governance Policy; Corporate Social Responsibility Policy; Communication Policy; Dividend Policy; Treasury Policy (also modified, following a report from this Committee, on 14 November 2016); Investment Policy (modified on 23 October 2017); Tax Policy; Board of Directors Remuneration Policy (modified on 18 June 2018); Selection of Candidates for Director Policy; Risk Management Policy; and Criminal and Fraud Prevention Policy.

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 529m. 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 Internal Control over Financial Reporting (ICFR), Risk Management Methodology and Monitoring Model and Crime Prevention.

A new Code of Ethics and Conduct has been approved in 2018 that has taken into account, in particular, the updates in the legal regulation of the responsibility of legal persons. In addition, given the importance of internal reporting channels, an annex to the Code of Ethics and Conduct approved in 2018 is now included, which outlines a more detailed procedure for handling reports that allows you to communicate, in a confidential manner, any acts or conduct committed that may be contrary to applicable regulations or the Code of Ethics and Conduct within the company, in the performance of third parties that are in contract with the company or to its detriment. During 2018 there were no reports submitted.

In addition, since 2016, the company has a new Internal Rules of Conduct related to the Securities Market, adapted to market abuse regulations.

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.

REPORT ON ACTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

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; 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 2018, the Regulatory Compliance Monitoring Reports for the second half of 2017 and the full year were prepared, as well as for the first half of 2018. In the last of these periods it has been verified that, in relation to the 95 requirements identified, 78 of them have been met and the remaining 17 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.

In 2018, in a further step of action and compliance culture in the Company's activity, with the favourable report of the Audit and Compliance Committee, the Company's Board of Directors has approved the Regulatory Compliance Function Charter, and has mandated the Secretary of the Board of Directors, the Management of the Regulatory Compliance Unit, reporting to the Audit and Compliance Committee and with the external collaboration of Ernst & Young, S.L.

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.

In 2018, the effectiveness of the Crime Prevention Model was monitored accordingly, with two reports being submitted, one for the full year 2017 and another in the first half of 2018, resulting in an overall situation of compliance regarding the risks analysed, with some recommendations being put forward. The Audit and Compliance Committee has considered the monitoring to be satisfactory.

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 Good Governance Code of Listed Companies (recommendation 6), the Audit and Compliance Committee approved a report on the aforementioned transactions with related parties and published it on the company's website.

Other

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 Rules of Conduct, the Code of Ethics and Conduct and the Crime Prevention Manual on the actions taken to comply with them.

A specific reference should be made to monitoring the tax risk, which has resulted in the Company's tax status being examined by the Audit and Compliance Committee.

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 2018, an internal audit of the relations process with the CNMV was carried out, without any issues having been identified in this process.

REPORT ON ACTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

It also reported, on three occasions, in relation to the creation or acquisition of shares in special purpose entities, as a consequence of investments that were expected to be made.

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.

Assessment of the External Audit, the Internal Audit and the Audit and Compliance Committee

Following the Recommendation 71 of the CNMV Technical Guide 3/2017, the Audit and Compliance Committee evaluated the external auditor, reviewing its submissions to the Committee and the various reports issued, with consideration given to the fact that during 2017 the external auditor successfully completed its role in compliance with the Plan established for the year, without any incidents and contributing to the integrity of the Company's financial information.

In connection with the internal audit, and following Recommendation 58 of the CNMV Technical Guide 3/2017, the Committee has assessed this area of the company, and in view of the work submitted and the Annual Report of the Internal Audit Service, it has considered that during 2017 the Internal Audit Service successfully completed its function, meeting the objectives of the Plan established for the year and no incidents occurred. In addition, the Internal Audit Officer has been deemed to have properly performed his role.

Following Recommendation 76 of the CNMV Technical Guide 3/2017, as part of the Board's annual assessment (compiled in the Board's Evaluation Questionnaire and its Evaluation Report), the Audit and Compliance Committee evaluated its performance in 2017. The Board's Evaluation Questionnaire contained the opinion of all Directors on the performance of this Committee, informing the Board of the assessed aspects and the outcome thereof. The assessment of the Audit and Compliance Committee has not resulted in any changes to the internal organisation and procedures of company.

V. CONCLUSIONS

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.

In addition, it considers the Company to have adequate mechanisms for the Audit and Compliance Committee to properly exercise the functions it has legally assigned and in the internal regulations of the company, in connection with periodic reporting of financial information, the external audit, internal audit, non-financial information and the internal control and risk identification systems, and that compliance on behalf of the Company in relation to these matters is satisfactory.

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 of Corporación Financiera Alba, S.A. submits to the Annual General Shareholders' Meeting the following proposal of resolutions for its consideration:

1. Examination and approval, if applicable, of the annual accounts, both individual and consolidated, for the financial year ending 31 December 2018.

2. Approval of the management by the Board of Directors during the same financial year.

3. Approval of the distribution of profit and payment of dividends proposal.

4. Empowerment to 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 "flexible dividend".

5. Definition of the number of Directors at thirteen. Approval of the appointment of Ms. María Luisa Guibert Ucín and Ms. Ana María Plaza Arregui as Independent Directors. Approval of the re-election of Mr. Ramón Carné Casas, as Executive Director, Mr. Juan March Juan, as Proprietary Director and Mr. Antón Pradera Jáuregui, as Independent Director.

6. Approval, in an advisory capacity, the Remuneration Report of the Board of Directors for the year 2018.

7. Approval of the proposed Directors´ Remuneration Policy and the maximum amount of the annual remuneration of the company´s directors (just in that capacity) in €2,500,000.

8. Approval, pursuant to Article 219 of the Spanish Corporate Enterprises Act and Article 39 of the Bylaws, of a variable remuneration tied to the value of the Company's shares for the executive directors and personnel determined by the Board of Directors, in order to bind them directly to the shareholder value creation process.

9. Authorisation for the acquisition of treasury stock, within the maximum limits permitted at a given time and in compliance with the requirements established in the Spanish Corporate Enterprises Act, and the use of the shares acquired by virtue of this

authorisation and prior authorisations, for the allotment of remuneration plan of executive directors, executives and employees consisting of the delivery of shares or options thereon, and authorise the Board of Directors to reduce the share capital, where applicable.

10. Empowerment to the Board of Directors to increase capital pursuant Article 297.1.b) of the Spanish Corporate Enterprises Act, even excluding the pre-emption rights according to Articles 308 and 506 of the Spanish Corporate Enterprises Act, up to a maximum of 50% of the corporate capital.

11. Delegation of entitlement to issue fixed-income securities, including those that may be converted and/on swapped for shares, even excluding the pre-emption rights, pursuant to the provisions of Article 511 of the Spanish Corporate Enterprises Act.

12. Authorisation to the Board of Directors to execute the resolutions adopted at the Annual General Meeting.

13. Approval the minutes of the Annual General Meeting.

A copy of this Report in PDF format is available to download in the website of CORPORACIÓN FINANCIERA ALBA, S.A.: www.corporacionalba.es

Edition:
CORPORACIÓN FINANCIERA ALBA, S.A.

Design, layout and production:
laofficinacorporativa.es

D.L.: M-18516-2019

Note on images:
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

ALBA
GRUPO MARCH

corporacionalba.es