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.

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.

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.

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.

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 ANNUAL ACCOUNTS OF CORPORACIÓN FINANCIERA ALBA, S.A AND SUBSIDIARIES FOR 2018

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

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2018 AND 2017

(In millions of Euros)

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

ASSETS	**Note**	**31/12/2018**	**31/12/2017**
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**

EQUITY AND LIABILITIES	**Note**	**31/12/2018**	**31/12/2017**
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 INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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

(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)

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

	Note	2018	2017
CONSOLIDATED PROFIT FROM INCOME STATEMENT, INCOME AND		**162.6**	**477.2**
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

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

(In millions of Euros)

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

	Share capital	Retained earning and other reserves	Own shares	Interim dividend	Equity	Non-controlling interes	Total equity
BALANCE AT 1 JUNUARY 2017	58.3	3,593.5	(2.4)	(29.1)	3,620.3	0.7	3,621.0
Changes in consolidated equity of associates (note 10)	-	(74.9)	-	-	(74.9)	-	(74.9)
Profit for the year	-	474.1	-	-	474.1	3.1	477.2
Total income and expense for the year	-	399.2	-	-	399.2	3.1	402.3
Interim dividend for the prior year (note 3)	-	(29.1)	-	29.1	-	-	-
Dividends paid in the year (note 3)	-	(29.2)	-	(29 1)	(58.2)	(1.7)	(59.9)
Increases/(decreases) due to business combinations	-	-	-	-	-	32.0	32.0
Other movements	-	0.7	-	-	0.7	-	0.7
BALANCE AT 31 DECEMBER 2017	58.3	3,935.2	(2.4)	(29 1)	3.962.0	34.1	3.996.1
Changes in consolidated equity of associates (note 10)	-	(16.5)	-	-	(16.5)	-	(16.5)
Profit for the year	-	154.4	-	-	154.4	8.2	162.6
Total income and expense for the year	-	137.9	0.0	0.0	137.9	8.2	146.1
Interim dividend for the prior year (note 3)	-	(29.1)	-	29.1	-	-	-
Dividends paid in the year (note 3)	-	(29.1)	-	(29 1)	(58.2)	(8.4)	(66.6)
)Transactions with own shares (note 15)	(0.1)	(2.3)	2.4	-	-	-	-
Decrease due to disposal of Energyco Subgroup (note 2.3)	-	-	-	-	-	(16.1)	(16.1)
Other movements	-	(0.2)	-	-	(0.2)	(0.4)	(0.6)
BALANCE AT 31 DECEMBER 2018	58.2	4,012.4	-	(29 1)	4,041.5	17.4	4.058,9

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

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

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

(In millions of Euros)

	Notes	2018	2017
OPERATING ACTIVITIES			
Profit for the year before tax		164.5	476.0
Adjustments for:			
Depreciation and		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**
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

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 account 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) (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, 5ª 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 Luxembourg	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. M arqués 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, 5ª 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, 5ª 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, 5ª planta 28006-Madrid	Venture capital company	2018 2017	100.00 100.00	56.3 39.7	74.9 39.7	22.4 (2.6)
Energyco Subgroup (1) Avda. António José de Almeida, Lisbon - Portugal	Distribution of propane gas	2018 2017	- 40.30	- 13.4	- 33.0	- (0.8)
Satlink Subgroup (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.

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

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

Associate / Auditor	Registered office	Activity	Percentage ownership At 31/12/2018	Percentage ownership At 31/12/2017	Percentage ownership 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 and Solutions and Services (Smart Innovation)	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 Luxembourg	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:		
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 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:

		Cost of commitments recognised in the income statement					
	1 Jan	Cost of services	(Costs)/ Income from net interest	Subtotal included in profit/(loss)	Obligations settled (paid)	Actuarial gains/ (losses)	31 Dec.
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:

Sensitivity level	Discount rate +0.5%	Discount rate -0.5%	Future salary increases +0.5%	Future salary increases -0.5%
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 1/01/2017	349.1
Increases	3.0
Decreases	(16.5)
Changes in fair value	0.9
Balance at 31/12/2017	336.5
Increases	2.3
Decreases	(11.7)
Changes in fair value	0.2
Balance at 31/12/2018	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	18.9	19.3
More than 5	1.1	2.3
TOTAL	35.3	36.2

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

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7. Property, Plant and Equipment

Movement in this balance sheet item is as follows:

	Buildings	Other property, plant and equipment	Total
Cost:			
Balance at 1/01/2017	19.6	2.3	21.9
Increases	-	0.5	0.5
Disposals	-	(1.4)	(1.4)
Business combinations	-	42.6	42.6
Balance at 31/12/2017	19.6	44.0	63.6
Accumulated depreciation:			
Balance at 1/01/2017	(12.4)	(2.0)	(14.4)
Increases	(0.8)	(2.5)	(3.3)
Business combinations	-	1.4	1.4
Balance at 31/12/2017	(13.2)	(3.1)	(16.3)
Provisions:			
Balance at 1/01/2017	(0.5)	-	(0.5)
Decreases	0.1	-	0.1
Balance at 31/12/2017	(0.4)	-	(0.4)
Balance at 31/12/2017	6.0	40.9	46.9
Cost:			
Balance at 1/01/2018	19.6	44.0	63.6
Increases	-	1.2	1.2
Disposals	-	(39.3)	(39.3)
Balance at 31/12/2018	19.6	6.0	25.5
Accumulated depreciation:			
Balance at 1/01/2018	(13.2)	(3.1)	(16.3)
Increases	(0.8)	(0.3)	(1.0)
Balance at 31/12/2018	(13.9)	(3.4)	(17.3)
Provisions:			
Balance at 1/01/2018	(0.4)	-	(0.4)
Reversals	0.1	-	0.1
Balance at 31/12/2018	(0.3)	-	(0.3)
Balance at 31/12/2018	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 01/01/2017	-
Entry of CGU Energyco Group	5.2
Entry of CGU Satlink Group	5.0
Balance at 31/12/2017	10.2
Entry of CGU Energyco Group	(5.2)
Balance at 31/12/2018	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 1/01/2017	-
Additions due to business	67.0
Balance at 1/01/2018	67.0
Additions	0.1
Disposals	(29.0)
Balance at 31/12/2018	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		Estimated useful life
	2018	2017	
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	Consolidate value at 01-01-18	Profit/(loss) of associates	Divideds daccrued and share premium reimbursement	Acquisitions/ (disposals)	Variation in consolidated equity of the associates	Reversal / (impairment)	Consolidated value at 31-12-18	Market value at 31-12-18
Acerinox, S.A.	574.3	44.9	(23.6)	-	10.0	-	605.6	453.4
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	304.8	16.4	(18.0)	-	(2.3)	(22.1)	278.8	245.3
CIE Automotive, S.A.	299.6	39.3	(47.0)	2.7	(5.0)	-	289.6	279.3
Ebro Foods, S.A.	334.4	17.8	(10.6)	53.0	4.3	-	398.9	375.8
Euskaltel, S.A.	166.1	6.9	(5.7)	-	0.1	11.9	179.3	137.4
Indra Sistemas, S.A.	213.7	12.6	-	-	(9.9)	-	216.4	153.1
Parques Reunidos Servicios Centrales, S.A.	241.7	(1.3)	(4.0)	12.0	0.1	-	248.5	186.9
Rioja Luxembourg, S.à.r.l.	-	9.8	(34.6)	521.5	(11.9)	-	484.8	706,0 (*)
Viscofan, S.A.	248.5	15.0	(9.7)	40.6	(1.9)	-	292.5	291.6
TOTALS	2,383.1	161.4	(153.2)	629.8	(16.5)	(10.2)	2,994.4	2,828.8

(*) Reflects the value of the interest in Naturgy

The variations in this item during 2017 were as follows:

Company	Consolidate value at 01-01-17	Profit/(loss) of associates	Divideds daccrued and share premium reimbursement	Acquisitions/ (disposals)	Reversal / (impairment)	Variation in consolidated equity of the associates	Consolidated value at 31-12-18	Market value at 31-12-17
Acerinox, S.A.	608.7	44.4	(23.6)	-	-	(55.2)	574.3	623.6
ACS, Actividades de Construcción y Servicios, S.A.	390.9	-	-	(390.9)	-	-	-	-
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	318.1	18.5	(18.2)	-	(13.9)	0.3	304.8	267.8
CIE Automotive, S.A.	-	-	(3.6)	303.2	-	-	299.6	312.3
Ebro Foods, S.A.	271.9	24.5	(9.3)	62.1	-	(14.8)	334.4	360.5
Euskaltel, S.A.	166.3	2.0	(6.0)	24.8	(20.9)	(0.1)	166.1	133.6
Indra Sistemas, S.A.	193.3	14.5	-	-	5.3	0.6	213.7	212.0
Parques Reunidos Servicios Centrales, S.A.	133.4	1.5	(3.3)	112.1	-	(2.0)	241.7	239.9
Viscofan, S.A.	238.8	13.5	(7.7)	7.6	-	(3.7)	248.5	290.3
TOTALS	2,321.4	118.9	(71.7)	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:

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

	Asset		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, Sàrl							
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:

Energyco II, S.A. ....40.30% Sale

Artá Partners, S.A. .... 0.16% Sale

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

Viscofán, S.A. ....1.68% Purchase

- In 2017 notifications were issued to:

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

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

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

Euskaltel, S.A. .... 1.65% Purchase

CIE Automotive, S.A. ....10.00% Purchase

Ebro Foods, S.A.. 1.99% Purchase

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

Viscofán, S.A. .... 0.30% Purchase

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.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Perpetual growth rate	2.0%	1.5%	2.0%	1.5%	1.5%	1.5%	2.0%
Discount rate (WACC)	8.3%	8.9%	8.9%	7.2%	7.3%	9.0%	8.2%
Capital structure							
Capital	80%	100%	80%	80%	65%	85%	79%
Debt	20%	-	20%	20%	35%	15%	21%
Equity ratio	9.6%	8.9%	10.3%	8.3%	9.5%	10.0%	9.4%
Cost of debt after tax	3.3%	n.s.	3.0%	2.8%	3.1%	3.6%	3.9%
Estimated value in use (€/share)	13.67	27.65	30.40	19.01	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:

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

	Bolsas y M ercados, Sociedad Holding de Mercados y Sistemas	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.

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.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Discount rate or WACC							
Rate used in 2018	8.3%	8.9%	8.9%	7.2%	7.3%	9.0%	8.2%
Rate equal to carrying amount	9.2%	8.9%	11.0%	7.4%	7.3%	96%	8.4%
Perpetual growth							
Rate used in 2018	2.0%	1.5%	2.0%	1.5%	1.5%	1.5%	2.0%
Rate equal to carrying amount	0.5%	1.5%	-0.8%	1.3%	1.5%	0.7%	1.8%
EBITDA margin used to calculate terminal value							
Rate used in 2018	10.5%	61.8%	16.7%	13.7%	49.0%	11.0%	30.0%
Margin equal to carrying amount	9.2%	61.8%	13.3%	13.3%	49.0%	10.1%	29.2%
Variation in total sales to equal carrying amount	-13.7%	-	-15.0%	-2.5%	-	-6.7%	-2.5%
Variation in EBITDA margin to equal carrying amount	-0.5%	-	-1.5%	-0.2%	-	-0.6%	-0.4%

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

In 2017, Alba carried out the following sensitivity analysis:

	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)				
Rate used in 2017	8.9%	7.2%	9.0%	8.2%
Rate equal to carrying amount	8.9%	7.2%	10.8%	9.0%
Perpetual growth				
Rate used in 2017	1.5%	1.5%	1.8%	2.0%
Rate equal to carrying amount	1.5%	1.5%	-0.8%	1.0%
EBITDA margin used to calculate terminal value				
Rate used in 2017	66.2%	48.0%	12.0%	30.0%
Margin equal to carrying amount	66.2%	48.0%	9.6%	26.7%
Variation in total sales to equal carrying amount	-	-	-19.4%	-10.5%
Variation in EBITDA margin to equal carrying amount	-	-	-1.7%	-3.3%

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

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.	Euskaltel, S.A.	Indra Sistemas, S.A.	Parques Reunidos Servicios Centrales, S.A.
Weighted average cost of capital (WACC)							
+ 0.5%	-8.5%	-10.0%	-7.9%	-10.1%	-28.0%	-15.0%	-25.9%
0.5%	9.9%	13.1%	9.1%	12.0%	39.8%	19.7%	36.0%
Perpetual growth							
+ 0.5%	6.7%	4.8%	7.2%	8.4%	15.2%	6.8%	14.0%
0.5%	-5.7%	-4.2%	-6.2%	-7.0%	-12.8%	-5.9%	-11.9%
EBITDA margin							
+ 0.5%	5.8%	1.0%	3.8%	4.9%	4.5%	10.4%	3.6%
0.5%	-5.8%	-1.0%	-3.8%	-4.9%	-4.5%	-10.4%	-3.6%

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

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	-
TRRGHolding Limited (formerly Ros Roca)	7.50	7.5
Non-current, quoted		
Global Dominion Access, S.A.	5.00	-
Dividends collected (millions of Euros)	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 01-01-2017	325.2
Additions	12.6
Sales	(101.1)
Transfers	(88.4)
Changes in fair value	6.2
Balance at 31-12-2017	154.5
Additions	48.7
Changes in fair value	(2.1)
Balance at 31-12-2018	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.

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

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.	Alvinesa, S.A.
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:

	TRR 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)				
+ 5.0%	-9.7%	-5.5%	-5.2%	-
5.0%	11.1%	6.2%	5,5%	-
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:

Other non-current financial assets	2018	2017
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:

	Millions of Euros	
	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
	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:

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

Description	2018 No. of shares	2018 %	2018 Fair value	2017 No. of shares	2017 %	2017 Fair value
Teva Pharmaceutical IN	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:

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

- 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 share 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:

(Days)	2018	2017
Average supplier payment period	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

19. Loans and Borrowings

Non-current and current:

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

	At 31/12/2018		At 31/12/2017	
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:

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

2018

	2020	2021	2022	2023	2024	2025	T OTAL
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	2019	2020	2021	2022	2023	2024	2025	TOTAL
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 1-1-2017	136.6
Business combinations	74.3
Cash flows used in financing activities	(15.6)
Balance at 31/12/2017	195.3
Balance at 1-1-2018	195.3
Derecognition due to the sale of the Energyco subgroup	(40.0)
Cash flows used in financing activities	(13.6)
Balance at 31/12/2018	141.7

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

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
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

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

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.

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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.

<u>Market risk</u>

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.

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- 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.

<u>Liquidity risk</u>

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.

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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 statements of comprehensive income	-	-
Deferred tax related to items recognised directly in equity 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)	(522.0)
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 /(derecognitions)	Sale of business combination	31/12/17	Additions /(derecognitions)	Business combinations	01/01/17
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
Deferres tax liabilities							
Gasins pon investment property	28.5	(0.8)	-	29.3	(3.0)	-	32.2
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

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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	Endo 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 other	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.

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Segment reporting 2018

(In millions of €)

	Property rental	Investments - transferable	Venture capital investment	Income and expenses not allocated to	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)
Impairment	-				0.0
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

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.

Segment reporting 2017

(In millions of €)

	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
Profit attributable to non-controlling interests					(3.1)
Consolidated profit for the year attributable to the 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

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:

DESCRIPTION OF THE TRANSACTION	AMOUNT 2018	AMOUNT 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):

	2018			
	No. of personel	Salaries and other	Alba Board Meetings	Alternative pension plan schemes and insurances
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			
	No. of personel	Salaries and other	Alba Board Meetings	Alternative pension plan schemes and insurances
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:

2018	Fixed remuneration	Variable	Alba Group Board	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

2017	Fixed remuneration	Variable	Alba Group Board	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	18/06/2018	19/06/2017	08/06/2016
Maturity	17/06/2021	18/06/2020	07/06/2019
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%.

D. Santos Martínez-Conde Gutiérrez-Barquín, Managing Director, and Ignacio Martínez Santos, CFO, of Corporación Financiera Alba, S.A., certify that the consolidated annual accounts for the year ended 31 December 2018, which are presented to the Company's Board of Directors for authorisation, are complete and give a true and fair view of the consolidated equity and consolidated financial position of the Group at 31 December 2018, as well as of the consolidated results of its operations and changes in consolidated equity and consolidated cash flows of the Group for the year then ended, and that all the above include the financial statements of all consolidated investees, in accordance with applicable mercantile and accounting legislation.

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

CERTIFICATION

The Board of Directors approved the authorisation for issue of these annual accounts at their meeting held on 25 March 2019. The accounts will be subject to verification by the auditor and subsequent approval by the shareholders at their general meeting. They comprise 81 pages, all of which have been signed by the Secretary to the Board and this last page, number 81, has been signed by all the Board Members.

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors of Corporación Financiera Alba, S.A. hereby confirm that, to the best of their knowledge, the individual and consolidated annual accounts for 2018, which were authorised for issue on 25 March 2019 and prepared in accordance with applicable accounting standards, give a true and fair view of the consolidated equity and consolidated financial position of Corporación Financiera Alba, S.A. at 31 December 2018, as well as of the consolidated results of its operations and changes in consolidated equity and consolidated cash flows of Corporación Financiera Alba, S.A. and the companies included in the consolidated group as a whole for the year then ended, and that the individual and consolidated directors' reports include a fair analysis of the business performance and results, as well as of the position of Corporación Financiera Alba, S.A. and the companies included in the consolidated group as a whole, together with a description of the main risks and uncertainties faced.

Mr Carlos March Delgado
Chairman

Mr Juan March de la Lastra
First Vice-chairman

Mr Juan March Juan
Second Vice-chairman

Mr Santos Martínez-Conde Gutierrez-Barquín
Managing Director

Mr José Domingo De Ampuero y Osma
Board Member

Mr RamónCarné Casas
Board Member

Ms Cristina Garmendia Mendizábal
Board Member

Ms María Eugenia Girón Dávila
Board Member

Mr Carlos González Fernández
Board Member

Ms Claudia Pickholz
Board Member

Mr Antón Pradera Jaúregui
Board Member

Mr José Ramón del Caño Palop
Board Member/Secretary

CONSOLDATED DIRECTORS' REPORT OF CORPORACIÓN FINANCIERA ALBA, S.A. AND SUBSIDIARIES FOR 2018

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

CONSOLIDATED DIRECTORS' REPORT FOR 2018

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 3.4 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 prece.ding 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:

	Investment	Millions of Euros
Listed companies		**2,865.1**
	%	
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)**
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	
Buildings		**344.0**

(1) Includes an indirect 5.16% interest through Rioja Bidco and a direct investment of 0.11%.
(2) Through Deyá Capital and Deyá Capital IV.
(3) Includes a direct interest in Alba of 8.78%.
(4) Fully consolidated.

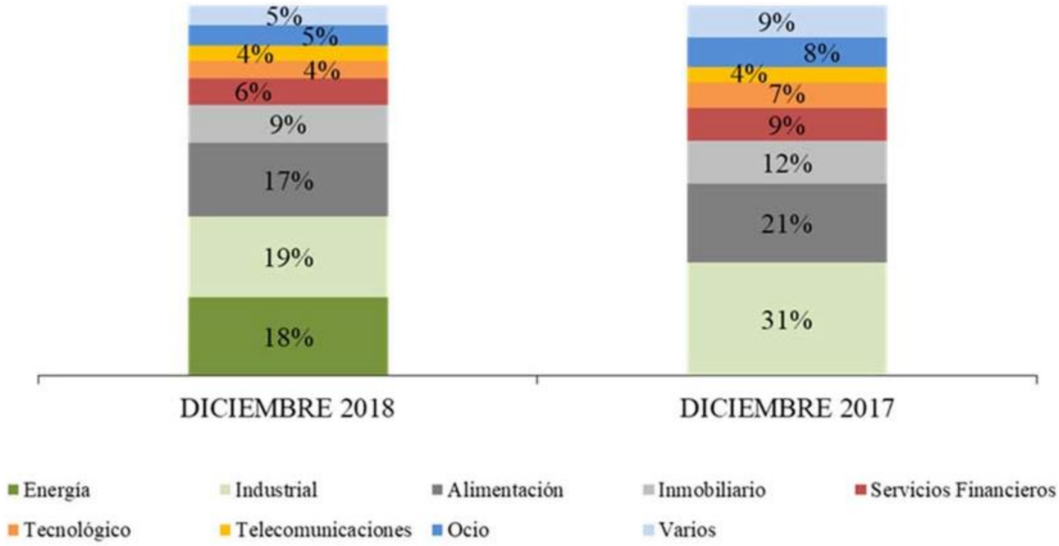
5. Nate asset value (NAV)

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	
	31/12/2018	31/12/2017
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 (1) (GAV)



(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.

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CONSOLIDATED INCOME STATEMENT (1)

	Millions of Euros	
	31/12/2018	31/12/2017
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.

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

CONSOLIDATED BALANCE SHEET (1)

	ASSETS	Millions of Euros	
		31/12/2018	31/12/2017
	Intangible assets	43.0	77.2
	Goodwill	*5.0*	*10.2*
	Other intangible assets	*38.1*	*67.0*
(a)	Investment property	327.4	336.5
(a)	Property, plant and equipment	7.8	47.0
(b)	Investments in associates	2,994.4	2,383.1
(b)	Financial instruments at fair value through profit or loss	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
(c)	Other financial assets	248.9	602.5
(c)	Cash and cash equivalents	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**

	EQUITY AND LIABILITIES	Millions of Euros	
		31/12/2018	31/12/2017
	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
(c)	Loans and borrowings – non-current	128.9	180.8
	Non-current liabilities	**176.5**	**239.4**
(c)	Loans and borrowings – current	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**

(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.

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.

14. . Annual Corporate Governance Report

This is attached as Appendix I.

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

APPROVAL OF THE BOARD

At its meeting held on 25 March 2019, the Board of Directors of Corporación Financiera Alba, S.A. approved this directors' report, written on 17 pages signed by the Secretary of the Board, the last of which is signed by all the members of the Board.

DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors of Corporación Financiera Alba, S.A. declare that, to the best of their knowledge, the individual and consolidated Annual Accounts for 2018, authorised for issue at the meeting held on 25 March 2019, and prepared in accordance with applicable accounting principles, give a true and fair view of the consolidated equity and consolidated financial position at 31 December 2018, and consolidated results of operations, changes in consolidated equity and consolidated cash flows of Corporación Financiera Alba, S.A. for the year ended, and of the consolidated companies taken as a whole, and that the individual and consolidated directors' reports provide a reliable analysis of the performance, results and position of Corporación Financiera Alba, S.A. for the year ended, and of the consolidated companies taken as a whole, as well as a description of the main risks and uncertainties to which the Company is exposed.

Mr. Carlos March Delgado Chairman	Mr. Juan March de la Lastra 1st Vice-chairman
Mr. Juan March Juan 2nd Vice-chairman	Mr. Santos Martínez-Conde Gutierrez-Barquín CEO
Mr. José Domingo De Ampuero y Osma Board member	Mr. Ramón Carné Casas Board member
Ms. Cristina Garmendia Mendizábal Board member	Ms. María Eugenia Girón Dávila Board member
Mr. Carlos González Fernández Board member	Ms. Claudia Pickholz Board member
Mr. Antón Pradera Jaúregui Board member	Mr. José Ramón del Caño Palop Board member and Secretary of the Board

IDENTIFICATION DATA OF THE ISSUER

End date of the period of reference:	31/12/2018
CIF [Tax Identity Number]:	A-28060903

Company Name:

CORPORACION FINANCIERA ALBA, S.A.

Registered Office:

CASTELLO, 77, 5ª PLANTA MADRID

A. STRUCTURE OF THE PROPERTY

A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
18/06/2018	58,240,000.00	58,240,000	58,240,000

Indicate if there are various classes of shares with different rights associated:

[ ] Yes
[✓] No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name or company name of the shareholder	% shares carrying voting rights		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BANCA MARCH, S.A.	15.02	0.00	0.00	0.00	15.02
GLORIA MARCH DELGADO	3.69	0.01	0.00	0.00	3.70
JUAN MARCH DELGADO	11.74	6.98	0.00	0.00	18.72
CATALINA MARCH JUAN	4.27	0.00	0.00	0.00	4.27

Breakdown of the indirect holding:

Name or company name of the indirect shareholder	Name or company name of the direct shareholder	% shares carrying voting rights	% voting rights through financial instruments	% of total voting rights
GLORIA MARCH DELGADO	AGROPECUARIA EL AGUILA, SA	0.01	0.00	0.01
JUAN MARCH DELGADO	SURISLA, SA	0.79	0.00	0.79
JUAN MARCH DELGADO	M.B. DE INVERSIONES, SA	3.95	0.00	3.95
JUAN MARCH DELGADO	FUNDACION JUAN MARCH	0.65	0.00	0.65
JUAN MARCH DELGADO	FUNDACION INSTITUTO JUAN MARCH DE ESTUDIOS E INVESTIGACIONES	1.59	0.00	1.59

State the most significant shareholder structure changes during the year:

Most significant changes
Change 1: Termination of the voting agreement in relation to Banca March, S.A. and which affected Corporación Financiera Alba, S.A., existing between Mr Carlos, Mr Juan, Ms Leonor and Ms Gloria March Delgado (see section A.7 below)

Affected Shareholders 1:

Mr Carlos March Delgado
Mr Juan March Delgado
Ms Leonor March Delgado
Ms Gloria March Delgado

Change 2:

Termination of the voting agreement in relation to Banca March and which affected Corporación Financiera Alba, S.A. (see section A.7. below) and decrease in shareholding by significant shareholder Banca March, S.A. (up from 20.001% to 15.022% in the year)

Affected Shareholders 2:

Banca March, S.A.

Ms GLORIA MARCH DELGADO has a 0.006% indirect shareholding in the share capital through AGROPECUARIA EL AGUILA, S A.

Mr JUAN MARCH DELGADO is Chairman of the Board of Trustees of the JUAN MARCH FOUNDATION and the JUAN MARCH INSTITUTE OF STUD ES AND RESEARCH FOUNDATION

In addition, the following directors are regarded as significant shareholders:
Mr CARLOS MARCH DELGADO, whose shareholdings, direct and indirect, amount to 18 815%.
Mr JUAN MARCH DE LA LASTRA, whose shareholdings, direct and indirect, amount to 6.929%.
Mr JUAN MARCH JUAN, whose shareholdings, direct and indirect, amount to 4.351%.
For more information about their shareholdings, see section A.3. below.

A.3. In the following tables, list the members of the Board of Directors of the company who have voting rights with their shares in the company:

Name or company name of the board member	% shares carrying voting rights		% voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JOSE DOMINGO DE AMPUERO Y OSMA	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MR JOSE RAMON DEL CAÑO PALOP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS CRISTINA GARMENDIA MENDIZABAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JUAN MARCH DE LA LASTRA	5.84	1.09	0.00	0.00	6.93	0.00	0.00
MR CARLOS MARCH DELGADO	17.58	1.23	0.00	0.00	18.81	0.00	0.00
MR JUAN MARCH JUAN	3.10	1.25	0.00	0.00	3.35	0.00	0.00
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR CARLOS GONZALEZ FERNANDEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% total voting rights held by the Board of Directors	30.12

Breakdown of the indirect holding:

Name or company name of the board member	Name or company name of the direct shareholder	% shares carrying voting rights	% voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
MR JUAN MARCH JUAN	PEÑA TAJADA, S.L.	1.25	0.00	1.25	0.00
MR CARLOS GONZALEZ FERNANDEZ	NOBELIUM DE PONTI, S.L.	0.00	0.00	0.00	0.00
MR CARLOS MARCH DELGADO	DOÑA CONCEPCION DE LA LASTRA RAMOS-PAUL	0.42	0.00	0.42	0.00
MR CARLOS MARCH DELGADO	SON DAVIU, S.L.	0.81	0.00	0.81	0.00
MR JUAN MARCH DE LA LASTRA	ATACAMPA, SA	1.09	0.00	1.09	0.00

MR JOSÉ RAMÓN DEL CAÑO PALOP is a direct shareholder of 0.003% of the company.
MR CARLOS GONZÁLEZ FERNÁNDEZ is an indirect shareholder of 0.001% of the company through NOBELIUM DE PONTI, S.L.
MR SANTOS MARTÍNEZ-CONDE GUTIERREZ-BARQUIN is a direct shareholder of 0.003% of the company.
MS CRISTINA GARMENDIA MENDIZABAL is a direct shareholder of 80 shares of the company.

A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
MR JUAN MARCH DELGADO, MS GLORIA MARCH DELGADO	Family-related	MR JUAN MARCH DELGADO and MS GLORIA MARCH DELGADO are brother and sister.
MR CARLOS MARCH DELGADO, MS GLORIA MARCH DELGADO	Family-related	MR CARLOS MARCH DELGADO and MS GLORIA MARCH DELGADO are brother and sister.
MR JUAN MARCH DELGADO, MR CARLOS MARCH DELGADO	Family-related	MR JUAN MARCH DELGADO and MR CARLOS MARCH DELGADO are brothers.
MR JUAN MARCH DELGADO, MR JUAN MARCH JUAN	Family-related	MR JUAN MARCH DELGADO and MR JUAN MARCH JUAN are father and son.
MR JUAN MARCH DELGADO, MS CATALINA MARCH JUAN	Family-related	MR JUAN MARCH DELGADO and MS CATALINA MARCH JUAN and father and daughter.
MR JUAN MARCH JUAN, MS CATALINA MARCH JUAN	Family-related	MR JUAN MARCH JUAN and MS CATALINA MARCH JUAN are brother and sister.
MR CARLOS MARCH DELGADO, MR JUAN MARCH DE LA LASTRA	Family-related	MR CARLOS MARCH DELGADO and MR JUAN MARCH DE LA LASTRA and father and son.

A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
No data		

A.6. Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of the related director or representative	Name or company name of the related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR JUAN MARCH DE LA LASTRA	BANCA MARCH, S.A.	BANCA MARCH, S.A.	MR JUAN MARCH DE LA LASTRA is Chairman of BANCA MARCH, S.A.
MR CARLOS MARCH DELGADO	BANCA MARCH, S.A.	BANCA MARCH, S.A.	MR CARLOS MARCH DELGADO is a Director of BANCA MARCH, S.A.
MR JUAN MARCH JUAN	BANCA MARCH, S.A.	BANCA MARCH, S.A.	MR JUAN MARCH JUAN is a Director of BANCA MARCH, S.A.
MR JUAN MARCH JUAN	MR JUAN MARCH DELGADO	MR JUAN MARCH DELGADO	MR JUAN MARCH JUAN is the

			son of MR JUAN MARCH DELGADO
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	BANCA MARCH, SA	BANCA MARCH, SA	MR SANTOS MARTÍNEZ-CONDE GUTIERREZ-BARQUÍN is a Director of BANCA MARCH, S.A.

MR CARLOS MARCH DELGADO is a significant shareholder of BANCA MARCH, S.A.
BANCA MARCH, S.A. has endorsed MR JUAN MARCH DE LA LASTRA for its representation on the Board of Directors of CORPORACION FINANC ERA ALBA as a Dominical Director.

A.7. State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Capital Companies Act" or "LSC"). If so, describe these agreements and list the party shareholders:

[ ] Yes
[✓] No

Corporación Financiera Alba, S.A. made public on 20 December 2018 (Relevant Event No. 273022) that siblings Leonor, Gloria, Juan and Carlos March Delgado had agreed not to void the clause relating to Corporación Financiera Alba, S.A. contained in the voting agreement on the shares of Banca March, S.A. that were underwritten on 4 December 2014 (Relevant Even No. 216264).

Accordingly, there is no shareholders' agreement at the present time relating to Corporación Financiera Alba, S A. governing the exercise of voting rights at General Shareholders' Meetings or restricting or conditioning the free transferability of its shares.

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes
[✓] No

In the event that, during the financial year, there was any amendment or breach of these agreements, contracts or concerted actions, indicate this clearly:

Corporación Financiera Alba, S.A. made public on 20 December 2018 (Relevant Event No. 273022) that siblings Leonor, Gloria, Juan and Carlos March Delgado had agreed not to void the clause relating to Corporación Financiera Alba, S.A. contained in the voting agreement on the shares of Banca March, S.A. that were underwritten on 4 December 2014 (Relevant Even No. 216264).

Accordingly, there is no shareholders' agreement at the present time relating to Corporación Financiera Alba, S A. governing the exercise of voting rights at General Shareholders' Meetings or restricting or conditioning the free transferability of its shares.

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

[ ] Yes
[✓] No

A.9. Complete the following table with details of the company's treasury shares:

At the close of the fiscal year:

Number of direct shares	Number of indirect shares (*)	% total of share capital
		0.00

The General Shareholders' Meeting of the company held on 18 June 2018 agreed to the amortisation of all of the shares that were currently part of the company's treasury shares (60,000 shares), thereby reducing the amount of share capital. At year-end 2018, the company had no treasury stock shares.

(*) Through:

Name or company name of the direct owner of the stake	Number of direct shares
No data	

Explain any significant changes during the year:

Explain the significant fluctuations

The General Shareholders' Meeting of the company held on 18 June 2018 agreed to the amortisation of all of the shares that were currently part of the company's treasury shares, which amounted to 60,000 shares, thereby reducing the amount of share capital. At year-end 2018, the company had no treasury stock shares.

A.10. Provide a detailed description of the terms and conditions of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

Buyback of shares in the Company is authorised by the General Assembly, up to the maximum permitted by Law, using a sale transaction and subject to the requirements of applicable provisions in this regard.

The authorisation extends to buybacks that, within the limit indicated, are conducted by subsidiaries of Corporación Financiera Alba, S.A., as well as applying the shares bought by virtue of this authorisation and prior authorisations to the execution of the Compensation Plans of Executive Board Members and Directors, which involve the transfer of shares or options on these shares.

The buyback price will be the price listed on the Stock Exchange on the date when the transaction is performed or authorised, where applicable, by the relevant stock exchange authority.

The authorisations in force in 2018 were granted by the General Shareholders' Meetings of 19 June 2017 (until 30 June 2018) and 18 June 2018 (until 18 June 2023).

A.11. Estimated floating capital:

	%
Estimated floating capital	28.16

A.12. State whether there are any restrictions (bylaw, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[ ] Yes
[✓] No

A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a takeover bid pursuant to the provisions of Act 6/2007.

[ ] Yes

[✓] No

Where applicable, explain the measures approved and the terms under which the restrictions may be inapplicable:

A.14. State if the company has issued shares that are not traded on a regulated EU market.

[ ] Yes
[✓] No

If so, please list each type of share and the rights and obligations conferred on each type of share:

B. GENERAL SHAREHOLDERS' MEETING

B.1. State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

[ ] Yes
[✓] No

B.2. State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

[ ] Yes
[✓] No

B.3. State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The procedure for amending by Company's By-laws is regulated in the Capital Companies Act, which requires approval from the General Shareholders' Assembly, with the majorities provided in article 194 of the aforementioned Law, without establishing, in this regard, any specialisation in these Company By-laws.

Amendment of the Bylawsis expressly included among the powers of the Assembly, which are detailed in the Regulation of the General Shareholders' Assembly, without being subject to majorities other than those stipulated in the Law.

B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and of the two previous years:

	Attendance data				
Data of General Shareholders' Meeting	% physical presence	% representation	% remote voting		
			Electronic vote	Other	
08/06/2016	43.15	49.44	0.00	0.00	92.59
Of which floating capital	6.01	3.90	0.00	0.00	9.91
19/06/2017	67.96	24.73	0.00	0.00	92.69
Of which floating capital	0.20	8.71	0.00	0.00	8.91
18/06/2018	67.87	23.24	0.00	0.00	91.11
Of which floating capital	0.11	6.40	0.00	0.00	6.51

B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

[ ] Yes

[✓] No

B.6. State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

[✓] Yes
[ ] No

Number of shares needed to attend the General Shareholders' Meetings	25
Number of shares required for distance voting	25

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

[ ] Yes
[✓] No

B.8. State the address and manner of access to the company's website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website:

Website: www.corporacionalba.es
Access path: Main Menu/Shareholders and Investors.

C. MANAGEMENT STRUCTURE OF THE COMPANY

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the General Shareholders' Meeting:

Maximum number of board members	15
Minimum number of board members	7
Number of directors set by the General Shareholders' Meeting	12

C.1.2 Please complete the following table on members of the Board:

Name of the board member	Representative	Category of the board member	Position on the board	Date first appointed	Date last appointed	Selection procedure
MR CARLOS MARCH DELGADO		Proprietary	CHAIRMAN	22/06/1988	08/06/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR JUAN MARCH DE LA LASTRA		Executive	FIRST VICE PRESIDENT	28/05/2008	08/06/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR JUAN MARCH JUAN		Executive	SECOND VICE PRESIDENT	23/03/2011	10/06/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN		Executive	MANAGING DIRECTOR	27/09/2006	18/06/2018	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR JOSE DOMINGO DE AMPUERO Y OSMA		Independent	INDEPENDENT DIRECTOR-COORDINATOR	29/05/2013	19/06/2017	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MS CRISTINA GARMENDIA MENDIZABAL		Independent	BOARD MEMBER	18/12/2013	19/06/2017	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MS MARÍA EUGENIA GIRÓN DAVILA		Independent	BOARD MEMBER	08/06/2016	08/06/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR CARLOS GONZALEZ FERNANDEZ		Independent	BOARD MEMBER	10/06/2015	10/06/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MS CLAUDIA PICKHOLZ		Independent	BOARD MEMBER	08/06/2016	08/06/2016	GENERAL SHAREHOLDERS'

Name of the board member	Representative	Category of the board member	Position on the board	Date first appointed	Date last appointed	Selection procedure
						MEETING AGREEMENT
MR ANTONIO MARIA PRADERA JAUREGUI		Independent	BOARD MEMBER	10/06/2015	10/06/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR RAMON CARNE CASAS		Executive	BOARD MEMBER	25/05/2011	10/06/2015	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR JOSE RAMON DEL CAÑO PALOP		Executive	BOARD SECRETARY	27/05/2009	19/06/2017	GENERAL SHAREHOLDERS' MEETING AGREEMENT

Total number of board members	12

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of the board member	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR JUAN MARCH DELGADO	Proprietary	11/06/2014	18/06/2018	None	NO
MR JOSE NIETO DE LA CIERVA	Proprietary	10/06/2015	19/03/2018	Audit and Compliance Committee	YES

Reason for leaving and other observations
Mr Juan March Delgado: No renewal after completion of mandate Mr José Nieto de la Cierva: New professional activities and personal reasons

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE BOARD MEMBERS		
Name or company name of the board member	Position on the company's organisational chart	Background
MR JUAN MARCH DE LA LASTRA	FIRST VICE PRESIDENT	Bachelor's degree in Business Administration and Management from University Carlos III of Madrid. Master's degree in Global Markets (JP Morgan New York). He is currently President of Banca March, S.A. He is entrusted with the representation of Banca March, S.A. on the Board of Directors of Corporación Financiera Alba as a Proprietary Director. He is also a member of the Board of Directors of Viscofan, S.A. He began his professional activity at JP Morgan and has been Managing Director and President of March Gestión de Fondos SGIIC, S.A. and of March Gestión de Pensiones SGFP, S.A.

MR JUAN MARCH JUAN	SECOND VICE PRESIDENT	Bachelor's degree in Business Administration and Management from CUNEF and Executive MBA from IESE. He is currently a Director and member of the Delegated Committee of Banca March, S.A. and Vice-Chairman of Artá Capital, SGEIC, S.A.U. He is currently a member of the Board of Directors Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and of Mecalux. He previously conducted his professional activity at Goldman Sachs, London in the department offering consultancy service for the Natural Resources and Energy, Industry, Transportation and Infrastructure sectors. He was a member of the Boards of Directors of Cobra and of the Pepe Jeans/Hakectt Group, among others.
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	MANAGING DIRECTOR	Civil Engineer. Master's degree in Business Administration and Management from ICADE. Diploma in Nuclear Technology from ICAI. He has been Managing Director of Corporación Financiera Alba, S.A. since 2006. He is currently a Director of Banca March, S.A. He is also a Director of Artá Capital, SGEIC, S.A.U., of Deyá Capital SCR, S.A. and of Deyá Capital IV, SCR, S.A. Prior to joining the March Group, he developed his career at Sener Técnica Naval e Industrial, S.A., Técnicas Reunidas, S.A., Bestinver, S.A., Corporación Borealis, S.A. and Banco Urquijo, S.A. He is also a member of the Boards of Directors of Acerinox, S.A., Indra Sistemas, S.A., Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and CIE Automotive, S.A.
MR JOSE RAMON DEL CAÑO PALOP	BOARD SECRETARY	State Attorney (not practising). He has been Secretary of the Board and Director of Legal Services of the National Securities Market Commission and the Bank of Spain, as well as a member of various working groups of the European Commission and the European Central Bank. Secretary of the Board of Corporación Financiera Alba, S.A. and its Committees, and member of the Board of Directors of various companies of the March Group.
MR RAMON CARNE CASAS	BOARD MEMBER	Industrial Engineer from the Polytechnic University of Barcelona and MBA from INSEAD. He is currently President and Director General of Artá Capital, SGEIC, S.A. He has previously worked at Procter & Gamble, Torras Papiers France and was a member of Mercapital (from 1992 to 2011). He is a member of the Board of Directors of Mecalux, Terberg Ros Roca Ltd, Satlink, Alvinesa and Energyco/Gascan. He has previously been a member of the Board of ACS Services, Communications and Energy, Continental Auto, Roads and Constructions, Yoigo, Wineries Lan, Lasem Group, Emergia, Quirón Hospital Group, Pepe Jeans, Flex and Panasa.

Total number of executive board members	5
% of the total board	41.67

During 2018 MR JUAN MARCH DE LA LASTRA was regarded as Executive Director, but is also entrusted with the representation of BANCA MARCH, S.A. at Corporación Financiera Alba, S.A. and is a significant shareholder.
DON JUAN MARCH JUAN is regarded as Executive Director but is also a significant shareholder.

EXTERNAL PROPRIETARY BOARD MEMBERS		
Name or company name of the board member	Name or company name of the significant shareholder represented or that proposed their appointment	Background
MR CARLOS MARCH DELGADO	MR CARLOS MARCH DELGADO	Bachelor of Laws Director of Banca March, S.A., Vice-Chairman of the Board of Trustees of the Juan March Foundation and the Juan March Institute of Studies and Research. He has been a Director of the Group of Carrefour, S.A., Chairman of the Spanish section of the Association for the European Monetary

EXTERNAL PROPRIETARY BOARD MEMBERS		
Name or company name of the board member	Name or company name of the significant shareholder represented or that proposed their appointment	Background
		Union, Founding Partner and First Chairman of the Institute of Economic Studies, Chairman of the Spanish Group at the Trilateral Commission, member of the International Committee of JP Morgan and the Columbia University International Advisory Board. He was awarded the Legion of Honour by the Government of France.

Total number of proprietary board members	1
% of the total board	8.33

During 2018 MR JUAN MARCH DE LA LASTRA was regarded as Executive Director, but is also entrusted with the representation of BANCA MARCH, S.A. at Corporación Financiera Alba, S.A. and is a significant shareholder.
DON JUAN MARCH JUAN is regarded as Executive Director but is also a significant shareholder.

EXTERNAL INDEPENDENT BOARD MEMBERS	
Name or company name of the board member	Background
MR JOSE DOMINGO DE AMPUERO Y OSMA	Industrial Engineer (Bilbao ES de Ingenieros) and Master of Business Administration (University of Southern California). He has, among other positions, been a Board Member of San Telmo Ibérica Minera, Vice-Chairman of Naviera Vizcaína, President of S.A. de Alimentación, Vice-President of BBVA Bancomer, President of Bodegas y Bebidas, Vice-President of Banco Bilbao Vizcaya Argentaria, Vice-President of Iberdrola, President of Cementos Lemona, as well as Spokesperson for the Management Board of the Asociación para el Progreso de la Dirección [Association for the Progress of Management] y member of the Board of Directors of Círculo de Empresarios Vascos [Circle of Basque Businesspeople]. He is currently President of Autopista Vasco-Aragonesa S.A., Executive President of Viscofan, S.A., a board member at Tubacex, S.A. and member of the Spanish-US Council Foundation.
MS CRISTINA GARMENDIA MENDIZABAL	Biologist, specialising in Genetics. PhD in Molecular Biology (Centro de Biología Molecular Severo Ochoa, CSIC). MBA at the IESE Business School at the University of Navarra. Former Minister of Science and Innovation (2008-2011). In 2001, she participated in founding the biotech group Genetrix. She is also a founding member of Ysios Capital Partners, which manages two funds specialising in Life Sciences & Healthcare. She has been Executive Vice-President and Finance Director of the Amasua Group, and President of the Asociación de Empresas Biotecnológicas [Association of Biotechnology Companies] (ASEBIO), serving on the Board of Directors of CEOE. She chairs the listed Spanish-German company EXPEDION AG. She serves on the Board of Directors of Mediaset Comunicación España, S.A., Compañía de Distribución Integral Logista Holdings, S.A. Everis Spain, S.L.U., Ysios Capital Partners and Pelayo Mutua de Seguros. She is a member of the professional council of ESADE, de la Fundación Mujeres por África and of the Social Council of the Universidad de Sevilla. President of the COTEC Foundation and owner of the Fundaciones Pelayo y SEPI.
MS MARÍA EUGENIA GIRÓN DAVILA	Advanced Industrial Engineer at ICAI and Masters in Business Administration from Harvard Business School. She began her career at First National Bank of Chicago (Spain), where she went on to Solomon R. Guggenheim Foundation and Estée Lauder Companies, Inc. From 1992 to 1997, she was Director of the Strategy and International Divisions at Loewe S.A., from 1996 part of the LVMH Moët Hennsessy Louis Vuitton group. In 1999, she led the purchase of Carrera y Carrera, S.A. alongside 3i, and was the Managing Director of the company for six years. In 2012, she became president of Le Chameau SAS, after the acquisition of Silvercloud Investments. A Member of the International Board of Oceana, of the Advisory Board of Suarez, of Pedro García and of South Summit, of the Patronatos de la Real Fábrica de Tapices and of IE University, President of the Fundación Diversidad and member of YPO (Young Presidents Organizations), WCD (Women Corporate Director), IWF (International Womens Forum), Go Beyond Early

EXTERNAL INDEPENDENT BOARD MEMBERS	
Name or company name of the board member	Background
	Stage Investments and of Rising Tide, as well as a member of the Management Board of the Instituto de Consejeros y Administradores [Institute of Board Members and Directors]. She has also authored various books on the premium sector and is a faculty member at IE and other business schools.
MR CARLOS GONZALEZ FERNANDEZ	Bachelor of Economic and Business Sciences from the University of Bilbao and a Chartered Accounts. He spent 35 years of his career with Arthur Anderson, a firm that merged with Deloitte in 2003. He was appointed a member in 1985 and, after occupying various management positions, was elected as the President of Arthur Andersen in 2000, directing the merger with Deloitte in 2003 and being confirmed as Chairman of the new firm after the merger. He has served on the Global Board of Deloitte and the European Executive Committee. He has been on the Management Board of organisations such as Círculo de Empresarios, la Asociación para el Progreso de la Dirección and the Instituto de Estudios Económicos, and has also been a member of Trusts of foundations such as the Príncipe de Asturias, Cotet and Albéniz. In 2009, he left Deloitte and, since then, has worked on the Advisory Boards or Board of Directors of various companies, for example, the Board of Directors of Novagalicia Banco and of NH Hoteles, where he was Chairman of the Audit Committee. He is currently a Director of the Board of Directors of Cosentino S.A.
MS CLAUDIA PICKHOLZ	An American citizen, she received a degree in Economics from Rutgers University (New Brunswick, USA), an MBA from Harvard School of Business Administration (Boston, USA) and took the TCL Programme at INSEAD (Fontainebleau, France). She began work at the Irving Trust Company, as an analyst for Europe and Latin America, then joining McKinsey & Company as a Consultant. In 1987, she moved to SC Johnson Wax Española, S.A., becoming the Marketing Director. Then, in 1994, she joined Coca Cola, first in Spain, as the Marketing Director and the Director of Planning and Control. Later, in the United Kingdom, at Coca Cola as the Director of Marketing for European Customers. She was the Managing Director of McCann-Erickson Madrid, joining Kodak, S.A. in 2003, where she undertook responsibilities as the Marketing and Communications Director and the Strategic Products Director for Europe, Africa and the Middle East. Most recently, she has been the General Director for Spain and Latin America of Elsevier, S.A. and currently is an independent Director of Quabit Inmobiliaria, S.A. and General Director for the Iberian Peninsula and Latin America of TCC (The Continuity Company).
MR ANTONIO MARIA PRADERA JAUREGUI	Civil Engineer. In 1979, he began work as the director of Banco Bilbao, where he remained until 1985. In 1988, he was appointed the Executive Director of Nerisa, where he remained until 1993. In 1993, he moved to SEAT as the Director of Strategy. In 1995, he played an important role in creating the Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (INSSEC), becoming the Managing Director and remaining in the position until 2010. He is currently Chairman of the Board of Directors of Cie Automotive, S.A. and President of Global Dominion Access, S.A. and a Board Member of Tubacex, S.A.

Total number of independent board members	6
% of the total board	50.00

Indicate if any board member, described as being independent, collects any sum or bonus from the company, or from their own group, from a source other than the board member's compensation, or does or has maintained, during the last financial year, a business relationship with the company or with any company in the group, either in their own name or as a significant shareholder, board member or senior executive of an organisation that does or has maintained this business relationship.

Where applicable, an analytic statement by the board on the reasons why it considers that said director can perform his duties as an independent director will be included.

Name or company name of the board member	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL BOARD MEMBERS			
The other external board members will be identified and the reasons why they cannot be considered as proprietary or independent members as well as their links, either with the company, its directors or its shareholders will be detailed:			
Name or company name of the board member	Reasons	Company, Director or shareholder to whom the director is linked	Background
No data			

Total number of other external board members	N/A
% of the total board	N/A

Indicate the fluctuations which, where applicable, occurred during the period in the category of each board member:

Name or company name of the board member	Date of change	Previous category	Current category
No data			

C.1.4 Complete the following table with information relating to the number of female board members at the close of the past 4 years, as well as the category of each:

	Number of female board members				% of the total board members of each category			
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Female Executives					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	3	3	3	1	50.00	50.00	42.86	20.00
Other External					0.00	0.00	0.00	0.00
Total	3	3	3	1	25.00	21.43	20.00	7.69

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

[✓] Yes
[ ] No
[ ] Partial Policies

If yes, please describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of board members.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

In the Selection of Candidates for Director Policy approved by the Board of Directors in its session of 26 October 2015, among the objectives and principles of candidate selection, it is stipulated that individuals must be selected whose appointment encourages diversity of knowledge, experience and gender within the Board. Likewise, it is stipulated that, as part of candidate selection, efforts will be made to achieve a proper equilibrium on the Board as a whole which improves decision-making and contributes a variety of perspectives to debating the matters under its responsibility.

The Appointments and Remunerations Committee, in its session of 26 October 2015, approved the requirements that candidates for the various classifications of Board Members of Corporación Financiera Alba, S.A. must meet:

1. Executive Board Members will be selected bearing in mind their knowledge of the activities of the company, their professional background and experience, which will be suited to performing executive duties in the company.

2. In order to elect proprietary board members, who are appointed on the proposal of the significant shareholder, gender diversity must be respected, avoiding gender discrimination and candidates must also have a suitable professional background and experience for the company.

3. In the case of independent Board Members, the professional background and experience of the candidate must be taken into account, ensuring that it is different from the other Board members. It is expressly stipulated that gender and nationality or habitual residence are kept in mind if this is relevant for offering the Board a different point of view.

During 2018 the Appointments and Remuneration Committee has made the corresponding follow-up of the Selection of Candidates for Director Policy, without the selection of any new member of the Board of Directors during this year.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female board members and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of measures

In 2015, the Appointments and Remuneration Committee, set the guidelines identified for reaching the target for the presence of Female Board Members on the Board of Directors, which involved:

- Including female candidates in all the Board Member selection processes.

- Including, to the extent possible, a comparable number of candidates of each gender in the selection process.

- When the quality of the candidates is the same, in terms of training and experience, provided the representation target has not been met, the selection of female candidates will be prioritised.

These guidelines were ratified by the Appointments and Remuneration Committee in its meeting of 24 October 2016.

Similarly, in 2015 the Appointments and Remuneration Committee set a target for representation for the least represented gender on the Board of Directors as well as guidelines for reaching this target. In 2016, the Appointments and Remuneration Committee agreed to set, as the target representation for the least represented gender, 30% of all members for 2020.

In 2018, the number of three female Board Members on the Board of Directors was maintained.

In cases when, where applicable, in spite of the measures adopted, there are few or no female board members, explain the reasons justifying this:

Explanation of reasons

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C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for board members. Specifically, explain how this policy is advancing the objective that the number of female board members should represent, at least, 30% of the total number of members on the Board of Directors in 2020.

The Selection of Candidates for Director Policy of Corporación Financiera Alba was approved by the Board of Directors in its session of 26 October 2015. However, this Policy essentially formalised criteria and practices that were already being followed in the Company for the selection of candidates for Board Members of the Company.

In this regard, the findings of the Appointments and Remuneration Committee concerning the compliance of the Board Member selection process is that the policy has been adequately followed, both in terms of the targets and criteria of the selection process, as well as the procedural aspects and the attributes that the candidates should possess.

Regarding the objective that in 2020 the number of female Directors represent at least 30% of the total number of Board members, it was set at the meeting of the Appointments and

Remuneration Committee of 24 October 2016.

C.1.8 Explain, where applicable, the reasons proprietary board members were appointed at the request of shareholders whose equity stake is below 3% of the capital:

Name or company name of the shareholder	Reason
No data	

Indicate if formal requests for presence on the board from shareholders whose equity stake is equal or greater than that of others at whose request proprietary board members were appointed were not granted. Where applicable, explain the reasons why these were not granted:

[ ] Yes
[✓] No

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to board members or Board committees:

Name or company name of the board member or committee	Brief description
SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	The managing director has powers that have been delegated and that involve the staff of the company, as well as extensive powers to represent the company, for procurement and for investment and disinvestment, subject to certain limits.
OPERATIONS COMMITTEE	The Operations Committee has delegated the responsibility to adopt investment or divestiture decisions within certain limits, and in case of emergency the adoption of those investment or divestiture decisions that are competition of the Board of Directors, requiring to be ratified by the Board.

C.1.10 Identify any members of the Board who are also board members or representatives of board members in other companies of the group of which the listed company is a member:

Name or company name of the board member	Company name of the organisation of the group	Position	Do they have executive-level duties?
MR JUAN MARCH JUAN	ARTÁ CAPITAL, SGEIC, S.A.U.	VICE-CHAIRMAN	YES
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	DEYÁ CAPITAL, SCR, S.A.U.	CHAIRMAN	NO
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ARTÁ CAPITAL, SGEIC, S.A.U.	BOARD MEMBER	NO
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ARTA PARTNERS, S.A.	CHAIRMAN	NO
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	DEYÁ CAPITAL IV, SCR, S.A.U.	CHAIRMAN	NO
MR RAMON CARNE CASAS	ARTÁ CAPITAL, SGEIC, S.A.U.	CHAIRMAN	YES
MR RAMON CARNE CASAS	ARTA PARTNERS, S.A.	BOARD MEMBER	NO
MR RAMON CARNE CASAS	DEYA CAPITAL II SCR, S.A.	BOARD MEMBER	NO

Name or company name of the board member	Company name of the organisation of the group	Position	Do they have executive-level duties?
MR JOSE RAMON DEL CAÑO PALOP	DEYÁ CAPITAL, SCR, S.A.U.	BOARD SECRETARY	NO
MR JOSE RAMON DEL CAÑO PALOP	ARTÁ CAPITAL, SGEIC, S.AU.	BOARD SECRETARY	NO
MR JOSE RAMON DEL CAÑO PALOP	ARTA PARTNERS, SA	BOARD SECRETARY	NO
MR JOSE RAMON DEL CAÑO PALOP	ALBA PATRIMONIO INMOBILIARIO, SAU.	BOARD MEMBER	NO
MR JOSE RAMON DEL CAÑO PALOP	DEYÁ CAPITAL IV, SCR, SAU.	BOARD SECRETARY	NO
MR JOSE RAMON DEL CAÑO PALOP	ALBA EUROPE, S.A.R.L.	BOARD MEMBER	NO

C.1.11 List any legal-person board members or legal entity board member representatives of your company who are members of the Board of Directors or legal entity board member representatives of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name or company name of the board member	Name of the listed company	Position
MR JUAN MARCH DE LA LASTRA	VISCOFAN, SA	BOARD MEMBER
MR JUAN MARCH JUAN	BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A.	BOARD MEMBER
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	ACERINOX.S.A.	BOARD MEMBER
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	INDRA SISTEMAS, S.A.	BOARD MEMBER
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, SA	BOARD MEMBER
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	CIE AUTOMOTIVE, S.A.	BOARD MEMBER
MR JOSE DOMINGO DE AMPUERO Y OSMA	TUBACEX, SA	BOARD MEMBER
MR JOSE DOMINGO DE AMPUERO Y OSMA	VISCOFAN, SA	CHAIRMAN
MR ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, SA	BOARD MEMBER
MR ANTONIO MARIA PRADERA JAUREGUI	CIE AUTOMOTIVE, S.A.	CHAIRMAN
MR ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, SA	CHAIRMAN
MS CRISTINA GARMENDIA MENDIZABAL	MEDIASET ESPAÑA COMUNICACIÓN, SA.	BOARD MEMBER
MS CRISTINA GARMENDIA MENDIZABAL	COMPAÑIA DE DISTRIBUCION INTEGRAL LOGISTA HOLDINGS, SA.	BOARD MEMBER

C.1.12 State whether the company has established rules on the number of boards on which its board members may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[✓] Yes
[ ] No

Explanation of the rules and identification of the document where this is regulated
According to the provisions of Article 41 of the Board of Directors Regulation of Corporación Financiera Alba, Board Members must be adequately dedicated to their duties and, to this end, the maximum number of Boards of other companies on which the Board Members may serve is six, even if the Board Members consider all positions on the boards of a single group of companies or organisations in which one of these companies has a significant stake as a single position.

C.1.13 State the total remuneration received by the Board of Directors:

Remuneration accrued in the year by the Board of Directors (thousands of euros)	3,916
Amount of rights accumulated by current board members in terms of pensions (thousands of euros)	
Amount of rights accumulated by former board members in terms of pensions (thousands of euros)	

According to the Board of Directors Remunerations Policy, of which an amendment was approved by the General Assembly held on 19 June 2017, the remuneration collected by all Board Members, regardless of the type of Board Member, is 65,000 euros per year each. The additional remuneration collected by Co-Presidents is 78,000 euros per year each. The additional remuneration for Board Members who belong to the Audit and Compliance Committee and the Operations Committee is 15,000 euros per year, and for those belonging to the Appointments and Remuneration Committee, to the Operations Committee or to any new committee that is created, is 10,000 euros per year.

There are no "rights accumulated by Board Members in terms of pensions". However, in the Annual Report on Board Member Compensation (Section C.1.a.-iii- Long term savings schemes) the figure of the mathematical provisions which apply on the reference date of the report is included as "accumulated funds".

C.1.14 Identify senior management staff who are not also executive directors and state their total remuneration accrued during the year:

Name or company name	Position(s)
MR NICOLAS JIMENEZ-UGARTE LUELMO	BOARD MEMBER
MR ANDRES ZUNZUNEGUI RUANO	BOARD MEMBER
MR IGNACIO MARTINEZ SANTOS	BOARD MEMBER
MR JAVIER FERNANDEZ ALONSO	BOARD MEMBER
MR CARLOS ORTEGA ARIAS-PAZ	BOARD MEMBER

Total senior management compensation (in thousands of euros)	2,424

C.1.15 State whether the Board rules were amended during the year:

[ ] Yes
[✓] No

C.1.16 Specify the procedures for selection, appointment, re-election and removal of board members. Detail the competent bodies, the formalities to be followed and the criteria to be used in each of the procedures.

Selection and Appointment:
In relation to the appointment of Directors, the Board approved a selection policy for candidates during its meeting 26-10-2015, in which reference is made to the selection targets and principles, the selection process, the qualities the candidates must have and the limits on applying as a candidate.

Moreover, Article 16 of the Board Regulation contains the following provisions:
1. The Board Members will be appointed by the General Shareholders' Meeting or, on a temporary basis, by the Board.
2. The proposals for Board Member appointments submitted by the Board to the General Shareholders' Meeting and the appointment agreements adopted by this body by virtue of the co-opting powers must respect the provisions of the Regulation with regards to the distribution of Board Members among executives and external Board Members and, among these, between proprietary and independent board members. Likewise, the Board will ensure the selection procedures promote diversity in terms of gender, experience and

knowledge and that they do not include implicit biases which could imply any discrimination.
3. Once there is a vacancy, the Chairman or any Board Member may propose candidates, whose selection will be deliberated by the Board. Proposals for appointment or re-election of Board Members which are made by the Board to the General Assembly, as well as their temporary appointment for co-opting, will be approved by the Board:
a) As proposed by the Appointments and Remuneration Committee, in the case of Independent Directors.
b) Following a report from the Appointments and Remuneration Committee for the remaining Directors.
The proposal must be accompanied by an explanatory report from the Board (for the General Assembly) and from the Appointments and Remuneration Committee.

Re-election:
According to art. 17 of the Regulation of the Board of Directors, the re-election proposals for Board Members which the Board decides to submit to the General Shareholders' Meeting must undergo a formal preparation process, which will include the report from the Appointments and Remuneration Committee and deliberations, by the Board, of the quality of work and dedication to the post during the preceding mandate, whose deliberation will be carried out in the absence of the Board Director affected by the re-election.

Evaluation:
The evaluation process of the Board and its Committees is conducted annually by preparing a questionnaire which is sent to the Board Members and which addresses matters related both to the powers of these bodies and to their actions. The questionnaires are answered by the Board Members and their answers serve as the basis for the Board's assessment, which is prepared by the Appointments and Remuneration Committee and referred to the Board for its approval. Furthermore, based on the recommendations of the Code of Good Governance for Public Companies of the CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission]) of 2015, every three years, in addition to completing a questionnaire, the company has the Board assessed by an external consultant, and Board Members are interviewed by the consultant. The last assessment by an external consultant was conducted in 2017 in reference to 2016.
The areas assessed in 2018 were as follows: Corporate Governance in general; composition and diversity of the Board; powers of the Board; frequency of the meetings, progress and attendance at the meetings; dedication of the Board Members; reporting to the Board Members; actions of the Chairman, of the Managing Director and the Secretary of the Board; performance of the Board Members; Committees on the Board; training of the Board Members; application of the Code of Ethics and Conduct and the Internal Regulation for Conduct on the Securities Market and the Criminal and Fraud Prevention Policy.

Termination:
Art. 19 of the Board Regulation contains the following provisions concerning termination of the Board Members:
1. Board Members will leave their position once the period for which they were appointed has passed, or when decided by the General Shareholders' Meeting.
2. Board Members must leave their position vacant for the Board and formalise, if the Board considers this appropriate, the corresponding resignation, in the following cases:
a) When the Board Member reaches 70 years.
b) When they are affected by any of the cases of incompatibility or prohibition provided by law.
c) When affected by circumstances that may impair the company's credit and reputation.
c) When they are seriously admonished by the Audit Committee on the grounds that they violated their obligations as Board Members.
e) When the reasons for which they were appointed are no longer relevant and, specifically, when an Independent Board Member or a Proprietary Board Member loses their respective status.
3. Once external Board Members, both proprietary and independent, have been elected by the General Shareholders' Meeting, the Board will not propose their termination before reaching the statutory period for which they were appointed, except for just cause, deemed as such by the Board itself, and first informing the Appointments and Remuneration Committee.
4. Board Members must inform the Board of the criminal cases in which they are involved as defendants, as well as subsequent procedural events.
If a Board Member was prosecuted or an order to proceed to a public hearing was issued against this Board Member for any of the crimes indicated in article 213 of the LSC (Ley de Sociedades de Capital [Capital Companies Act]), the Board will assess the case as soon as possible and, in light of the specific circumstances, will decide whether or not the Board Member should remain in their position. All this will be reported in the IAGC (Informe Anual de Gobierno Corporativo [Annual Corporate Governance Report]).
5. When a Board Member leaves their position before the end of their mandate, either due to resignation or any other reason, the Board Member will explain the reasons in a letter sent to all members of the Board. Nonetheless, this termination will be reported as a significant event, and the grounds for the termination will be reported in the IAGC.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
Based on the self-assessment performed by the Board of Directors, changes to the internal organisation or to the procedures applicable to their activities were not considered necessary, without prejudice that some recommendations for improvement were implemented during the 2018 fiscal year.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, from external advisors, regarding the function and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
The assessment process of the Board and its Committees in 2018 was conducted under the coordination of the Chairman of the Board, with the participation of the Board Members (by answering questions prepared to address this matter), the various Committees (by preparing reports concerning their activities) and the Appointments and Remuneration Committee. The questionnaire sent to the Board Members addresses matters related both to the function and the composition of these bodies and to their actions. The questionnaires were answered by the Board Members and their answers were used for the Board's assessment, which is prepared by the Appointments and Remuneration Committee and referred to the Board for its approval. The areas assessed were as follows: Corporate Governance in general; composition and diversity of the Board; powers of the Board; frequency of the meetings, progress and attendance at the meetings; dedication of the Board Members; reporting to the Board Members; actions of the Chairman, of the Managing Director and the Secretary of the Board; performance of the Board Members; Committees on the Board; training of the Board Members; application of the Code of Ethics and Conduct and the Internal Regulation for Conduct on the Securities Market and the Criminal and Fraud Prevention Policy.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

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C.1.19 State the situations in which board members are required to resign.

Board Members, according to the provisions of the Board Regulation, must leave their position vacant for the Board and formalise, if the Board considers this appropriate, the corresponding resignation, in the following cases:

a) When the Board Member reaches 70 years.
b) When they are affected by any of the cases of incompatibility or prohibition provided by law.
c) When they are affected by circumstances that could prejudice the credibility and reputation of the company and, specifically, when they are prosecuted for an alleged crime or are undergoing disciplinary proceedings for serious or very serious misconduct brought by the authorities supervising the Securities Market.
c) When they are seriously admonished by the Audit Committee on the grounds that they violated their obligations as Board Directors, and
e) When the reasons for which they were appointed are no longer relevant and, specifically, when an Independent Board Member or a Proprietary Board Member loses their respective status.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

[ ] Yes
[✓] No

If so, please describe any differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to board members, to be appointed as chairman of the Board of Directors:

[ ] Yes
[✓] No

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of board members:

[ ] Yes
[✓] No

As a general rule for all Board Members, when they reach 70 years of age, they must make their position available to the Board, and the Board may ask them to formalise their resignation.

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits or any other stricter requirements for independent board members in addition to those required by law:

[ ] Yes
[✓] No

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a board member may have, as well as if any limit regarding the category of board member to whom votes may be delegated and whether a board member is required to delegate to a board member of the same category. If so, please briefly describe the rules.

Board Members may delegate their representation and voting rights to another Board Member in the event that they are absent at the Board's sessions. These rights must be delegated in a letter sent to the Chairman.

A maximum number of proxies per Board Member has not been established. Non-executive Board Members may only delegate their representation rights to another non-executive Board Member.

C.1.25 State the number of meetings held by the Board of Directors during the year. Also indicate, where applicable, occasions when the board met without the Chairman in attendance. Board Members represented with specific instructions will be counted as being in attendance.

Number of meetings of the board	9
Number of meetings of the board without the attendance of the Chairman	0

Also indicate, where applicable, occasions when the board met without the Chairman in attendance. Board Members represented with specific instructions will be counted as being in attendance.

State the number of meetings held by the coordinating board member with the other board members, where there was neither attendance nor representation of any executive director:

Number of meetings of the board	1

Indicate the number of meetings held during the financial year by the various committees of the board:

Number of meetings held by the AUDIT AND COMPLIANCE COMMITTEE	8
Number of meetings held by the APPOINTMENTS AND REMUNERATION COMMITTEE	7
Number of meetings held by the OPERATIONS COMMITTEE	3
Number of meetings held by the INVESTMENT MONITORING COMMITTEE	4

C.1.26 State the number of meetings held by the Board of Directors during the year and the data on its members' attendance:

Number of meetings with physical attendance by at least 80% of board members	9
% face-to-face attendance based on total votes during the financial year	96.55
Number of meetings with face-to-face attendance, or representations made with specific instructions, from all board members	9
% of votes issued with face-to-face attendance and representations made with specific instructions about the total number of votes during the year	100.00

Of the Members on the Board of Directors, nine Board Members attended all the meetings, two missed only one meeting, and only one missed two meetings. In each case, those absent delegated representation to another Board Member, with instructions. On the other hand, it is also worth mentioning that no meeting was held with this body in the absence of the Chairman or the Managing Director.

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

[✓] Yes
[ ] No

Identify, where applicable, the person or people that certified the company's individual and consolidated annual accounts for presentation to the board:

Name	Position
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	CHIEF EXECUTIVE OFFICER
MR IGNACIO MARTINEZ SANTOS	CHIEF FINANCIAL OFFICER

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Among its various functions, the Audit and Compliance Committee liaises with the External Auditors and, as part of this work, it must monitor that the opinion of the audit report on the annual accounts does not contain any kind of reservations. The audit reports concerning the company's annual accounts have never contained reservations.

C.1.29 Is the secretary of the Board also a board member?

[✓] Yes
[ ] No

If the secretary is not a board member, please complete the following table:

C.1.30 State, the specific measures established by the company to ensure the independence of its external auditors, as well as, if any, the measures to preserve the independence of the financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

It is the responsibility of the Audit and Compliance Committee, among other tasks and according to the Law, to ensure the independence of external Auditors and, especially, to receive information concerning matters which could jeopardise their independence.

In this sense, the Audit and Compliance Committee is responsible for the selection process of the auditors and to receive written confirmation of the auditors on their independence and to issue a report on the Committee's opinion in this regard. It also authorises the provision of services other than legal audit in accordance with the Policy on the External Auditor's Provision of Services other than the Legal Audit that it approved in 2017.

On the other hand, the Company fully respects, as it respects to it, the prohibitions and incompatibilities stipulated in the Audit Law, after the promulgation of Law 22/2015 of 20 June.

With regards to financial analysts and investment banks, at this time, there is no established procedure aimed at guaranteeing the independence of these bodies, though the company has always acted transparently with them.

With regards to rating agencies, this is not applicable as at this time there is no relationship with any of them.

C.1.31 State whether, during the fiscal year, the Company has changed its external auditor. Where applicable, identify the incoming and outgoing auditor:

[ ] Yes
[✓] No

In the event that there were disagreements with the outgoing auditor, explain these disagreements:

[ ] Yes
[✓] No

C.1.32 State whether the audit firm performs other tasks for the company and/or its group other than auditing assignments and, if so, declare the sum of the fees received for these tasks and the percentage this represents of the fees invoiced to the company and/or its group:

[✓] Yes
[ ] No

	Company	Group companies	Total
Amount of assignments other than auditing (thousands of euros)	12	0	12
Amount of assignments other than auditing/ amount of auditing assignments (in %)	23.07	0.00	11.32

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to the shareholders at the General Shareholders' Meeting to explain the content and extent of the aforementioned qualified opinion or reservations.

[ ] Yes
[✓] No

C.1.34 State the number of consecutive years the current audit firm has been auditing the individual and/or consolidated financial statements of the company. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of uninterrupted financial years	2	2

	Individual	Consolidated
No. of financial years audited by the current audit firm/No. of financial years for which the company or its group has been audited (in %)	6.06	6.06

C.1.35 State whether there is a procedure whereby board members have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

[✓] Yes
[ ] No

Explanation of procedure
It is the responsibility of the Chairman, Chief Executive Officer and the Board Secretary to prepare and facilitate the rest of the Directors all information necessary for the adoption of the proposed agreements in the agenda of each Board of Directors meeting, in advance of at least three business days from the date of the respective meeting. Furthermore, the board members have a duty to request and the right to collect from the Company the appropriate and necessary information for the fulfilment of its obligations and shall be channelled through the Chairman. They may also obtain any advice they may need about any aspect of the Company. This is channelled through the Chairman. The External Board Members may mutually agree on the engagement of the expert Company, which shall be communicated to the Company President and shall be implemented by the Managing Director, and may be vetoed by a majority of two-thirds of the Board if it is not deemed accurate for the performance of its duties or is not reasonable. In the Audit and Compliance Committee, the Secretary shall provide its members with the resources and documentation to fulfil their duties and it is also anticipated that external information and advice may be collected on any aspect of the Company, in this latter case by prior communication and approval by the Chairman, which will not be rejected except for justified reasons.

C.1.36 State whether the company has established rules whereby board members must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation:

[✓] Yes
[ ] No

Explain the rules

Board Members must inform the Board of the criminal cases in which they are involved as defendants, as well as subsequent procedural events.

If a Board Member is prosecuted or an order to proceed to a public hearing was issued against this Board Member for any of the crimes indicated in article 213 of the Capital Companies Act, the Board will assess the case as soon as possible and, in light of the specific circumstances, will decide whether or not the Board Member should remain in their position. All this will be reported, in a logical manner, in the Annual Corporate Governance Report.

C.1.37 State whether any member of the Board of Directors has notified the company that he/she has been tried or notified that legal proceedings have been filed against him/her, for any offences described in Article 213 of the LSC:

[ ] Yes
[✓] No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The company has not adopted any agreement coming into force in case of a change of control of the company as a result of a takeover bid.

C.1.39 Identify individually for board member, and generally in other cases, and provide detail of any agreements made between the company and its board members, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	12
Type of beneficiary	**Description of the agreement**
Executive Board Members and Directors	The compensation payable in the event that the relationship with the Directors and Board Members performing executive duties at Corporación Financiera Alba, S.A. ends, at the request of the Company, will not be below the fund established or mathematical provision as a pension supplement or the amount of a one-year instalment of all the compensation items, plus one twelfth of this yearly instalment for each year that passed since the date of seniority at the group, whichever is greater.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General assembly
Body authorising the clauses	✓	

	Yes	No
Is the general assembly informed of the clauses?	✓	

The contracts that must be approved by the company's bodies are those of the executive Board Members. In the Board of Directors Remuneration Policy approved by the General Shareholders' Meeting of 18 June 2018, there is still a section concerning the basic conditions of the contracts of these Board Members, including a section concerning compensation for early cancellation or termination of the contractual relationship between the company and the Board Member

However, according to the provisions of article 249 bis. h) and 529 quindecies 3.e) and g) of the Capital Companies Act, as well as articles 5 2.1. h) and 36. e) and g) of the Regulation of the Board of Directors of Corporación Financiera Alba, S.A., it is the responsibility of the Board of Directors, after informing the Appointments and Remunerations Committee, to appoint and dismiss Directors who reported directly to the Board or any of its members, as well as establishing the basic condition of their contracts and the compensation policy applicable to these Directors. The Board of Directors of Corporación Financiera Alba, S.A., in its meeting of 18 June 2018, approved the basic conditions and the Remuneration Policy for the Directors of the Company, following the Remuneration Policy of the Board of Directors approved by the General Shareholders' Meeting on that same date.

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external board members that comprise them:

AUDIT AND COMPLIANCE COMMITTEE		
Name	Position	Category
MR CARLOS GONZALEZ FERNANDEZ	CHAIRMAN	Independent
MS CLAUDIA PICKHOLZ	MEMBER	Independent
MS MARÍA EUGENIA GIRÓN DAVILA	MEMBER	Independent

% executive board members	0.00
% of proprietary board members	0.00
% of independent board members	100.00
% of other external board members	0.00

In 2018, faced with the departure a member of the Audit and Compliance Committee, the substitution system agreed by the Board of Directors in its meeting of 19 June 2017 was used.

Explain the duties exercised by this committee, other than those that are established by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe its most important actions during the year and how it has exercised in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

Since 2017 (Recommendation 19 of the CNMV Technical Guide 3/2017) the Audit and Compliance Committee has its Regulation.
a) Duties: 1. Informs the General Shareholders' Meeting about issues in relation to matters within its competence and, in particular, the result of the audit and how this has contributed to the integrity of the financial information and its function in that process. 2. Supervises the effectiveness of the company's internal control, internal audit and risk management systems, discussing with the auditor any significant weaknesses in the internal control system detected in the audit, without impinging upon their independence, and may present recommendations or proposals to the Board and timeframes for monitoring it. 3. Oversees the development and presentation of financial information, and submits recommendations or proposals to the Board to safeguard its integrity. 4. Refers proposals for selection, appointment, re-election and replacement of the accounts auditor to the Board, and is responsible for the selection process, the conditions for its procurement and gathers information concerning the audit plan and its execution from the auditor, in addition to preserving the auditor's independence in the exercise of their duties. 5. Establishes appropriate relations with the external auditor in order to receive information concerning matters that could threaten its independence, for examination by the Committee, and any other Committee involved in the account audit process, as well as on the authorisation of services, other than those prohibited, in the independence system, as well as other communications provided in account auditing legislation and in audit standards. Receives annually the declaration of their independence from the external auditors in relation to the entity or entities linked to it directly or indirectly, and the detailed and individualised information of the additional services of any kind rendered and the corresponding fees received. 6. Issues annually, prior to the account audit report, an opinion report on whether the independence of auditor of accounts or companies is compromised, and with the assessment of the provision of the additional services referred, individually considered and collectively, and in relation to the regime of independence or the regulation of the auditing activity. 7. Informs the Board in advance about the matters set forth in the Law, articles of association and Board Rules, and in particular, the financial information to be published periodically; the creation or acquisition of interests in special purpose entities or domiciled in countries or territories that are considered tax havens; and related parties. 8. Supervises the compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy.
b) Composition and organisation: A minimum of 3 and up to 5 members, chosen between external or non-executive board members. Most must be Independent Directors, as well as the Chairperson, and one of them, at least, designated in consideration of accounting and auditing. As a whole, it will have relevant technical knowledge concerning the area of activity of the Company. Its Secretary will be from the Board, whether or not he/she is a member. Substitutes may be appointed from among the cited Board Members, in case of vacancies, absences or conflicts of interest. The post lasts until the mandate as board member is terminated, and there is a possibility of re-election. It will be summoned in advance with a minimum of five days' notice and will include the agenda. For it to be validly in session, the majority of its members, present or represented, may be convened and represented by another member. Agreements are adopted based on a majority of those present or represented. The Chairperson has a vote in the event of a tie. It periodically informs the Board, via its Chairperson, of its activities, and advises and proposes measures within the scope of their duties.
c) Actions: In 2018, it had 3 members and held 8 meetings. During 2018, the following Committee actions are highlighted in the following areas: 1. Review of periodic financial information: it made suggestions and intended to publish them on the Company's website. 2. External audit and relations with the auditors: t was briefed on Annual Accounts for the year, about the review of the first half of 2018 financial statements and the 2018 audit planning. It assessed the external auditor and reported on its independence. 3. Risk identification and internal control system: Six meetings addressed risk management and monitoring, examining follow-up reports, or being informed by the company's persons in charge of risk management. 4. Internal audit: It approved its Activities Plan for 2018, was informed of its duties and reported to the Board as well as the follow-up of the SCIIF. Evaluated the Internal Audit Service. 5. Review of non-financial information: It favourably reported the Sustainability Report 2017. 6. Regulatory compliance and others: It was informed of the adaptation to the new Data Protection Regulation. t strongly reported the new Code of Ethics and Conduct and the Compliance Function Charter. Examined Compliance Follow-up reports. Monitored the effectiveness of the Crime Prevention Model. Issued the Related Operations Report in 2017 and examined the Annual Corporate Governance Report project. t assessed its performance in 2017, without changes in the internal organisation and company procedures. Its action report is published with the summoning of the General Shareholders' Meeting.

Identify the board members who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Names of board members with experience	MR CARLOS GONZALEZ FERNANDEZ

Date of appointment of the chairperson	30/09/2015

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Category
MS CRISTINA GARMENDIA MENDIZABAL	CHAIRMAN	Independent
MS MARÍA EUGENIA GIRÓN DAVILA	MEMBER	Independent
MR CARLOS MARCH DELGADO	MEMBER	Proprietary

% executive board members	0.00
% of proprietary board members	33.33
% of independent board members	66.67
% of other external board members	0.00

Explain the duties exercised by this committee, other than those that are established by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe its most important actions during the year and how it has exercise in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

a) Duties.

According to the provisions of the Board Regulation, the main duties of the Appointments and Remuneration Committee are as follows:

- Assessing the skills, knowledge and experience needed on the Board of Directors. To this end, it will define the duties and abilities needed in the candidates who must fill vacant positions and will assess the time and dedication needed so that they can efficiently perform their tasks.
- Establish a representation target for the least represented gender on the board of directors and prepare guidelines on how to reach this target.
- Refer proposals for the appointment of independent Board Members to the Board of Directors, for their appointment by co-opting, or to submit them for a decision by the General Shareholders' Assembly, as well as proposals for re-election or dismissal of these board members by the General Shareholders' Meeting.
- Announce proposals for the appointment of remaining Board Members for their appointment by co-opting or to submit them for a decision by the General Shareholders' Meeting, as well as proposals for re-election or dismissal of these board members by the General Shareholders' Meeting.
- Announce proposals for the appointment and dismissal of senior executives and the basic conditions of their contracts.
- Examine and organise the succession of the Chairman of the Board of Directors and the company's top executive and, where applicable, make proposals to the board of directors so that this succession occurs in an orderly and organised fashion.
- Propose, to the Board of Directors, the remuneration policy for the board members and general directors, or individuals performing senior management duties, reporting directly to the Board, Executive Committees or Managing Directors, and individual compensation and other contractual conditions of the executive Board Members, ensuring these are observed.
- Periodically review the remuneration policy applied to Board Members and senior executives, including share-based remuneration systems and their application, in addition to guaranteeing that their individual remuneration is proportional to what is paid to other Board Members and senior executives of the company.
- Announce the appointment and separation proposal for the Secretary of the Board.
- Examine the information provided by the Board Members concerning their other professional obligations, in case these interfere with the level of dedication required.
- Review the ranking of the Board Members on an annual basis.
- Check information concerning the remuneration of Board Members and senior executives contained in the various corporate documents, including the annual report concerning Board Member remuneration, and ensure the compensation is transparent and that it is included in the Annual Report of information concerning Board Members' compensation.
- Ensure any conflicts of interest do not jeopardise the independence of the external advice provided to the Committee.

b) Composition and organisation

The Appointments and Remuneration Committee will be comprised of a minimum of three and a maximum of five Board Members, all external or non-executive, appointed by the Board of Directors from among its members. At least two of its members will be independent board members. The Board will appoint the Chairman. The Board Secretary will act as the Secretary. The Board may also appoint substitutes from among the Board Member categories indicated, in case of vacancies, absences or conflicts of interest.

The duration of the position will be for the period remaining up until the termination of the mandate as a Board Member, however re-election is possible.

The Committee will meet as many times as it is convened based on an agreement of the Committee or its Chairman and at least once per year.

Valid establishment requires that the majority of its members to be present or represented. Each Committee member may confer his/her rights of representation to another member.

Agreements will be adopted based on a majority of members that are present or represented. In case of a draw, the Chairman will have a casting vote.

c) Actions:

In 2018, the Appointments and Remuneration Committee was comprised of three members and met seven times.

The Appointments and Remuneration Committee has made proposals and has issued reports concerning the matters falling under its responsibility. Thus, during 2018 it reported the following issues: review of the remuneration of the Executive Directors and the Directors; the Remuneration Policy followed in 2017, the Annual Remuneration Report for that year, and the transparency of information on the Remuneration of the Directors in the Annual Accounts; the new Directors' Remuneration Policy applicable since July 2018 and the establishment of a variable remuneration plan; Directors' renewal, Directors' category, composition of Committees, and new members and renewals; the Board's self-assessment in 2017 and the Committee's activity in that year; the new Basic Terms and Conditions of the Contracts and the Remuneration Policy of the Directors. A summary of its activities is included in the corresponding report on the actions of the Appointments and Remuneration Committee, which is made public with the call to meeting of the company's General Shareholders' Meeting.

OPERATIONS COMMITTEE		
Name	Position	Category
MR ANTONIO MARIA PRADERA JAUREGUI	CHAIRMAN	Independent
MR CARLOS GONZALEZ FERNANDEZ	MEMBER	Independent
MS MARÍA EUGENIA GIRÓN DAVILA	MEMBER	Independent
MR JUAN MARCH DE LA LASTRA	MEMBER	Executive
MR JUAN MARCH JUAN	MEMBER	Executive
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	MEMBER	Executive

% executive board members	50.00
% of proprietary board members	0.00
% of independent board members	50.00
% of other external board members	0.00

Explain the duties assigned to this committee, describe the procedures and rules for organisation and operation of the committee. For each one of these duties, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the articles of association or other corporate resolutions.

a) Duties

The Operations Committee will be given the following duties:

- Reporting on the Company's investment strategy.

- Reporting on the investment or disinvestment decision which fall under the responsibility of the Board of Directors in a plenary session.
Investments or disinvestments of more than 200 million euros are considered to fall under the responsibility of the Board of Directors in a plenary session.

- Make investment and disinvestment decisions when these exceed the following amounts, and the amount provided in the section above is not reached:

(i) Investment or disinvestments in securities issued by entities which, at all times, form a direct or indirect part of the securities portfolio: 25 million euros.

(i) Investments in securities issued by entities which do not form a direct or indirect part of the securities portfolio: 10 million euros.

(iii) Property investments or disinvestments: 25 million euros.

- Make investment or disinvestment decisions which fall under the responsibility of the Board of Directors, in a plenary session, in emergencies. These decisions must be ratified by the Board of Directors in the first session of the Board held after adoption of the decision.

- Any other duties related with matters falling under its responsibility which are requested by the Board of Directors or by its Chairperson.

b) Composition and organisation

The Operations Committee will be comprised of a minimum of three and a maximum of six Board Members appointed by the Board of Directors and who have the knowledge, abilities and experience of the Board Members and the tasks of the Committee. And other Board Member who so desires may attend the session's Committee and may have a voice but no vote.

The Board of Directors will appoint the Chairman of the Committee from among its members and the Secretary of the Board of Directors or, failing this, the person appointed by the Committee for each session will act as the non-member Secretary.

The duration of the mandate of the members of this Committee will be of two years, unless the period remaining until termination of the mandate as a Board Member is less than two years, in which case the duration of the mandate will be the same as this period. Board Members may be re-elected to the position.

The Operations Committee will meet as many times as it is convened, based on an agreement of the Committee itself or its Chairman, with at least 24 hours' notice. Any person in the Company that the Committee considers appropriate may be. The meetings of the Operations Committee will normally take place at the corporate office, but can also be held in any other location determined by the Chairman and indicated in the call to meeting. Meetings may also be held by conference call or video conference, provided the Board Members have the technical resources required and no Board Member opposes this.

Likewise, in order to better perform its duties, the Committee may solicit the advice of external professionals, first informing the Chairman of the Board of Directors and receiving the Chairman's approval.

The valid establishment of the Committee requires the majority of its members to be present or represented at the meeting. Each Committee member may confer his/her rights of representation to another member. This power of representation must be granted in writing. A fax or email sent to the Chairman of the Committee will be acceptable.

Agreements will be adopted based on a majority of members that are present or represented. In case of a draw, the Chairman will have a casting vote.

The Secretary of the Committee will prepare minutes of each of the sessions held which will be approved in the same session or the session immediately after. A copy of the minutes of the sessions will be sent to all Board Members.

c) Additional regulation

Matters not specifically stipulated by other provisions and which concern the operation of the Operations Committee itself may be regulated by the Operations Committee. The provisions of the Regulation of the Board of Directors concerning operation of the Board are also, in addition, applicable.

d) Actions

On 31 December 2018, the Operations Committee was comprised of six members, and had met on three occasions in 2018.

The Exchange Committee, within the scope of its competencies reported the Company's Investment Policy, and during 2018 it approved a proposed investment in a publicly traded company as well as increased shareholdings in some of its participated companies. A summary of its activities is included in the corresponding report on the actions of the Exchange Committee, which is made public at the General Shareholders' Meeting.

INVESTMENT MONITORING COMMITTEE		
Name	Position	Category
MR JOSE DOMINGO DE AMPUERO Y OSMA	CHAIRMAN	Independent
MS CRISTINA GARMENDIA MENDIZABAL	MEMBER	Independent
MS CLAUDIA PICKHOLZ	MEMBER	Independent
MR JUAN MARCH DE LA LASTRA	MEMBER	Executive
MR JUAN MARCH JUAN	MEMBER	Executive
MR SANTOS MARTINEZ-CONDE GUTIERREZ-BARQUIN	MEMBER	Executive

% executive board members	50.00
% of proprietary board members	0.00
% of independent board members	50.00
% of other external board members	0.00

Explain the duties assigned to this committee, describe the procedures and rules for organisation and operation of the committee. For each one of these duties, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the articles of association or other corporate resolutions.

a) Duties

As provided by the Board of Directors in its resolution of constitution, adopted on 27 March 2017, the Investment Monitoring Committee has the following functions:

- Receiving information concerning changes in the entities in which Corporación Financiera Alba, S.A. has an ownership interest, with a view to tracking its strategy, compliance with its business plans and budgets and general changes to the entities and their sectors.
- Tracking the investments made in order to check that they comply with the targets and principles of the Investment Policy approved by the Board of Directors.
- Analysis and assessment of significant milestones, both internal and external, affecting the value of the entities in which the company has an ownership interest and their activities, as well as tracking exceptional events or situations which could have a significant impact on the entities and the main decisions made by their management bodies.
- Measures or decisions proposed which are considered fitting for optimising the profitability of the investments.

b) Composition and organisation

The Investment Monitoring Committee will be comprised of a minimum of three and a maximum of six Board Members who have the knowledge, abilities and experience of the Board Members and the tasks of the Committee. The Board will appoint the Chairman of the Committee and the Secretary of the Board of Directors or, failing this, the person appointed by the Committee for each session will act as the non-member Secretary.

The duration of the position will be for the period remaining up until termination of the mandate as a Board Member, however re-election is possible.

The Investment Monitoring Committee will meet as many times as it is convened based on an agreement of the Committee or its Chairperson.

Valid establishment of the Committee requires the majority of its members to be present or represented at the meeting. Each Committee member may confer his/her rights of representation to another member.

Agreements will be adopted based on a majority of members that are present or represented. In case of a draw, the Chairman will have a casting vote.

c) Additional regulation

Matters not specifically stipulated by other provisions and which concern the operation of the Investment Monitoring Committee itself may be regulated by the Investment Monitoring Committee. The provisions of the Regulation of the Board of Directors concerning operation of the Board are also, applicable in addition,.

d) Actions

As at 31 December 2018, the Investment Track Committee was composed of six members and convened four times throughout the year.

The Investment Monitoring Committee has reported on matters falling under its responsibility. Thus, during 2018, it examined investments in five unlisted companies and a publicly traded company in the investment portfolio, and analysed the Committee's operations, establishing criteria for tracking investments. A summary of its activities is included in the corresponding report on the actions of the Investment Monitoring Committee, which is made public with the call to meeting of the General Shareholders' Meeting.

C.2.2 Complete the following table with information concerning the number of female board members on the committees of the Board of Directors at the close of the last four financial years:

	Number of female board members							
	Fiscal Year 2018		Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2015	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	2	66.66	1	33.33	1	33.33	1	33.33
APPOINTMENTS AND REMUNERATION COMMITTEE	2	66.66	2	66.66	1	33.33	1	33.33
EXCHANGE COMMITTEE	1	16.66	1	16.66	2	33.33	1	20.00
INVESTMENT MONITORING COMMITTEE	2	33.33	2	33.33	N/A	N/A	N/A	N/A

C.2.3 State, where applicable, the existence of regulation for the committees of the board, the location where they may be consulted and the amendments made during the financial year. In turn, an indication will be given as to whether any annual report concerning the activities of each committee was voluntarily prepared.

The regulation of the Audit and Compliance Committee is contained in the Regulation of the Board of Directors and in its own regulation, which was approved by the Board of Directors in its meeting of 23 October 2017, following Recommendation number 19 of the Technical Guide of the CNMV 3/2017 concerning Audit Committees in Public Interest Entities.

The regulation of the Appointments and Remuneration Committee is included in articles 35 and 36 of the Regulation of the Board of Directors.

The regulation of the Operations Committee is contained in the resolution creating and delegating the powers of this Committee, adopted at the meeting held on 23 March 2015.

The regulation of the Investment Monitoring Committee is contained in its founding resolution, adopted in a session of 27 March 2017.

The Regulations of the Board of Directors and the Audit and Compliance Committee are available on the company's website (www.corporacionalba.es) as well as at the company's headquarters.

The resolution creating and delegating the powers of the Operations Committee is registered with the Commercial Register.

The Audit and Compliance Committee, Appointments and Remuneration Committee, Operations Committee and Investment Monitoring Committee submitted a report on their activities in the previous year.

D. RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1. Explain, where applicable, the procedure and competent bodies for approving transactions with related parties and intragroup transactions.

Report of the Audit and Compliance Committee and approval by the Board of Directors.

D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name or company name of the significant shareholder	Name or business name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
BANCA MARCH, S.A.	CORPORACIÓN FINANCIERA ALBA, S.A	Corporate	Dividends and other gains distributed	11,661
BANCA MARCH, S.A.	ARTÁ CAPITAL, SGEIC, S.A.U.	Contractual	Other	707

All transactions made with Banca March, S A. constitute the company's ordinary traffic and are performed under normal market conditions.

D.3. Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and board members or directors of the company:

Name or company name of board members or managers	Name or company name of the related party	Relationship	Type of transaction	Amount (thousands of euros)
No data				N/A

D.4. Report any significant transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, any intragroup transaction made with entities established in countries or territories that are considered a tax haven will be reported:

Company name of the organisation in the group	Brief description of the transaction	Amount (thousands of euros)
MARCH ASSET MANAGEMENT, SGIIC, SA	OPERATIONAL LEASE AGREEMENT	193
MARCH-JLT, CORREDURIA DE SEGUROS Y REASEGUROS, SA	PROVISION OF SERVICES	2,033
MARCH VIDA, SA DE SEGUROS Y REASEGUROS	INSURANCE PREMIUMS	808
MARCH GESTION DE PENSIONES, SGFP, SA	OPERATIONAL LEASE AGREEMENT	48
FUNDACIÓN JUAN	Partnership agreement	300

MARCH		

D.5. State the amount of any transactions conducted with the company or entities of the group or other related parties that have not been reported in the previous sections:

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N/A

D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its board members, senior management or significant shareholders.

According to the provisions of the Board Regulation, Board Members cannot directly or indirectly make professional or commercial transactions with the entity or with any of its subsidiary Companies, unless they inform the Board of Directors of these subsidiaries in advance and the Board of Directors, first informing the Audit and Compliance Committee, approves the transaction.

On the other hand, in the event of public requests to delegate voting powers made by the Board of Directors or any of its members, the direction in which the representative will vote must be indicated in the event that no instructions have been given by the shareholder. Furthermore, in case of a public request to delegate voting powers, the Director cannot exercise the voting power for the shares represented concerning matters on the agenda where there is a conflict of interest.

D.7. Is there more than one company in the group listed in Spain?

[ ] Yes
[✓] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk:

The ALBA Group has defined an Integrated Risk Management System which focuses mainly on:

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

This Integrated Risk Management System was implemented at a corporate level to mitigate the risks encountered by the Group, given the nature and degree of complexity of its transactions and the environment in which it operates. This System unites three key components:

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

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.
• Determine the level of risk that is can be tolerated, by defining key risk indicators (KRIs) for each critical risk and establishing tolerance levels for these risks.
• Identifying checks.
• Identifying the processes in which these risks and controls occur.
• Assessing the effectiveness of the checks in mitigating the risks identified.
• Design and implementation of action plans, as a response to the risks.

In this regard, the Alba Group has prepared the company's Risk Map, which shows, the company's key risks based on their impact and probability. In order for this map to effectively become a management tool that allows the company to make informed decisions, the map is reviewed and updated periodically to adjust it to the Company's current circumstances. In 2017, the company's Risk Map was updated, in accordance with the Audit and Compliance Committee as well as the Board of Directors. In 2018, the Risk Map was revised by concluding that the assessment of critical risks accurately reflects ALBA's situation, and no modification or update is necessary.

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

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

Though the Integrated Risk Management System affects and involves all Company staff, the main participants, as are described in the next section (E 2), are as follows: risk managers, the Risk Control and Management Department, the Audit and Compliance Committee and the Board of Directors.

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

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

These components combine to form a model which allows appropriate management of risks and checks to mitigate risks at a corporate level.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The Alba Group's Integrated Risk Management System involves all the Company's staff, though the main parties responsible for the System are as follows:

a) Board of Directors.
The Board of Directors has reserved the right to determine the risk control and management policy, including for tax risks, and to supervise the internal reporting and control systems.
In this regard, the Board of Directors is the main body responsible for the risk management system, since it develops the mechanisms needed so that all the relevant risks involved in the activities and business dealings of the Group are adequately identified, managed and controlled within the limits established.

b) The Audit and Compliance Committee.
The Audit and Compliance Committee, which has been entrusted, among other duties, with supervising the effectiveness of the company's internal checks, internal audits and risk management systems. It assesses whether or not the Group has the organisation, staff, policies and processes needed to identify and control its main risks.

c) The Risk Control and Management Department.
The Risk Control and Management Department is under the direct supervision of the Audit and Compliance Committee and has been expressly given the following duties, which are included in its Articles of Association, and which have been approved by the Board of Directors:

• Ensuring the smooth running of the risk control and management systems and, specifically, that all the important risks affecting the company are identified, managed and appropriately quantified.
• Actively participating in preparing the risk strategy and important decisions concerning its management.
• Ensuring that the risk control and management systems appropriately mitigate risks, as part of the policy identified by the Board of Directors.

c) 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.

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), which is defined as an advisory and control body in the service of the Audit and Compliance Committee, that is independent within the organisation as regards its actions, aimed at assessing the various areas and functional activities of the Company, as is stipulated in the Charter of the Internal Auditing Service.

The analysis and proposal of recommendations for improving the risk management processes, as well as performing independent assessments concerning the effectiveness and efficiency of internal checks are included among the duties entrusted to the Internal Audit Service, which works in partnership with the Risk Control and Management Department in order to avoid duplicating tasks and/or areas without sufficient coverage.

Likewise, and as regards crime prevention, Corporación Financiera Alba, S.A. has an Organisation and Management Model for preventing the commission of crimes, alongside the Crime Prevention Manual and the Risks and Controls Matrices, which were updated in 2017.

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:

The Group is subject to various risks inherent to the different sectors and markets in which it or its associated companies or companies in which it has holdings operate, and which could prevent it from achieving its targets and successfully executing its strategies.

As indicated above, the Alba Group has a Risk Map, which is a tool that makes it possible to put the risks that could affect corporate targets into context, in addition to identifying and prioritising the most relevant and critical risks, making it possible to make decisions concerning steps to take to mitigate these risks.

The Group has a risk tracking and updating system which makes it possible to identify and incorporate any new risk identified during the financial year in the company's map. Likewise, the system ensures that all key risks are reviewed at least twice per year. As a result of this review and analysis process, in 2017, three new risks were incorporated in the new corporate Risk Map, and three with a more moderate impact were removed.

As a result, in the process of identifying and assessing risks affecting the Group, the following risk factors were considered to inherently be the most relevant (in other words, before applying the checks established):

• Failure of the IT systems to adequately protect the critical data and infrastructures when faced with occurrences such as theft, corruption, unauthorised use of passwords, virus, sabotage or physical damage to these systems.
• Existence of macroeconomic and socio-political factors that could affect the Company's ability to maintain or increase profits.
• Failure or errors in the planning, execution and/or execution of specific investments/divestitures related activities that leverage the potential of the investments.
• Failure in evaluating and executing tax planning strategies that minimise tax obligations and are consistent with overall business targets.
• Failure or inability of management in evaluating (analysis, studies, due diligence) and adequately projecting possible investments/divestitures affecting the decisions and the performance of the Company.
• Failure or incompetence in tracking and periodically assessing the profitability, effectiveness and continuity of the investment criteria defined by the Company.
• Failure in defining and coordinating mechanisms for responding to and compensating for interruptions to the normal course of business and damage to the Company's assets due to natural catastrophes, terrorism or other such occurrences.
• Failure to make advantageous transactions involving property due to analysis/appraisal errors, a lack of organisational streamlining and/or poor communication.
• Failure to comply with the requirements established in applicable regulation of the CNMV, with regard to operations, communications and reporting, which could lead to penalties or damage the Company's reputation.
• Failure or incompetence in tracking and periodically assessing the profitability, effectiveness and conditions for maintaining and managing property, which could lead to losses for the Company.

The Crime Prevention Manual, by identifying criminal risks subject to affecting the Company, can detect crimes of corruption in business dealings, among other offences. Based on the risk tracking reports, there do not appear to be any in significant corruption risks affecting the Company. In addition, the Code of Ethics and Conduct, which has been approved in 2018, taking into account, in particular, the evolution of the legal regulation of criminal liability of legal persons, formally expresses the Company's conviction against any form of corruption.

E.4. State whether the entity has risk tolerance levels, including tolerance for tax compliance risk:

The Group's risk assessment and management model categorises risks into four classifications, based on the impact of the risk and the probability of occurrence, as well as the perceived degree of internal control mitigating these risks.

Based on these parameters, the risks are classified as:

• Minor risks: Risks whose inherent criticality is medium-low and whose perceived degree of internal control is medium-high. These risks are managed with a view to rationalising the efforts made to mitigate these risks, without this causing appreciable damage to the perceived degree of internal control.
• Average risks: Risks whose inherent criticality is medium-low and whose perceived degree of internal control is medium-low. These risks are tracked with a view to confirming that they maintain a medium-low level of inherent criticality, otherwise, the corresponding corrective measures will be taken.
• High risks: Risks whose inherent criticality is medium-high and whose perceived degree of internal control is medium-high. For this type of risk, the associated checks are assessed in order to confirm the effectiveness of their design and method, and to confirm that the checks adequately mitigate the risks.

• Critical risks: Risks whose inherent criticality is medium-high and whose perceived degree of internal control is medium-low. These risks are continually monitored by the Group's Management and action plans will be established to increase their degree of internal control, where necessary.

The Alba Group has identified Key Risk Indicators (KRIs) for all risks categorised as high and critical and has established tolerance levels for each of the risks. The results are periodically assessed and reported in the Group's Integrated Risk Management System tracking model (see detailed explanation in section E.6).

E.5. State which risks, including tax compliance risks, have materialised during the year:

During the 2018 financial year, the most relevant risks for the ALBA Group did not materialise.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise:

As stated in the previous sections, the Alba Group has appointed a Risk Manager for each risk assessed as being critical or high. The Risk Manager is responsible for monitoring each risk assessed and for informing the Risk Control and Management Department of relevant information concerning such risks, basically:

• Changes in the perception of the risk level.
• Effective operation of the checks identified for mitigation of these risks (and, where applicable, the potential effects).
• Values collected using the indicators and comparison with established tolerance levels.
• Status of the actions plans underway (if there is an action plan for this risk) and, where applicable, proposal of new action plans.

The effective operation of this key process of the Integrated Risk Management System is based on the existence of a Tracking Model (as indicated in section E.1) which is a cross-sectional component that allows the System to have dynamic behaviour and, above all, to anticipate risks, allowing for risk management and control within the limits set by the Group. Based on the same, persons in charge of risk management periodically provide relevant information to the Risk Unit, which conducts an independent and informed assessment of the Risk Unit and prepares the relevant risk report for the Audit and Compliance Committee, which is assigned to, among others, the role of monitoring the effectiveness of internal control of the company, internal audit and risk management systems.

The Integrated Risk Management System, alongside the Group's policies and management and control systems, have made it possible to identify risks and new threats sufficiently in advance, which are the focus of the tracking report that is submitted for inspection to the Board of Directors.

In 2016, a Regulatory Compliance assignment was formalised and implemented, with a view to coordinating, systematising and monitoring the various actions and efforts in this regard. The Board of Directors approved the compliance model established and its tracking. In 2018, tracking reports were drawn up and submitted to the Board of Directors, which has given their approval of them.

The Integrated Risk Management System (described in section E.1), together with the Risk Management Policy, the Risk Management and Control Function Charter, and the remaining elements of that System, such as the ongoing risk management process, the main participants (section E 2) allow the Board of Directors to identify and respond to issues arising in relation to the risks that may affect the Company.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (SCIIF)

Describe the mechanisms comprising the risk control and management systems with regards to your entity's process for publishing financial information (SCIIF).

F.1. The entity's control environment.

Report, according to its main characteristics, on the following, at the very least:

F.1.1 Which bodies and/or units are responsible for: (i) the existence and maintenance of an appropriate and effective SCIIF; (ii) its establishment; and (iii) its supervision.

The Internal Control over Financial Reporting (SCI F) is part of the Group's risk management and control system, whose purpose is to ensure reasonable security over the reliability of the financial information that Corporación Financiera Alba, S.A. (hereinafter, "ALBA" or the "Group"), as a listed company, distributes to the stock markets.

The bodies in the Group responsible for the existence and maintenance of an appropriate and effective SCIIF, as well as its duties, are as follows:

The Board of Directors, which has ultimate responsibility in this regard, according to the provisions of article 5 section 2.2.b) of the Regulation of the Board of Directors.

The Audit and Compliance Committee, for its part, is responsible for supervising the effectiveness of the company's internal checks and audit services, as well as supervising the process of preparing and presenting regulated financial information and the company's internal control systems in this regard. Following Recommendation number 19 of the Technical Guide of the CNMV 3/2017, on Audit Committees of Public Interest Entities, the Board of Directors, at its meeting held on 23 October 2017 approved the Regulations of the Audit and Compliance Committee.

According to this Regulation, the Audit and Compliance Committee is responsible for:

- "Periodically reviewing the internal control and risk management systems, so that the main risks are identified, managed and suitably reported."

- "Reviewing the process for preparing the Company's financial information, in order to establish its integrity, technological quality and internal check quality, compliance with regulatory requirements, proper delimitation of the consolidation perimeter, proper application of generally accepted accounting principles and standards, which are duly documented in an Accounts Plan, and compliance with remaining legal requirements concerning this information."

- "Ensure the independence of the department assuming internal audit duties."

- "Review updates to financial information on the Company's website".

The Audit and Compliance Committee is supported by the Internal Audit Service ("SAI"), which is responsible for, among other matters, the preparation and execution of an annual action plan; ensuring compliance with established standards and instructions; assessing the sufficiency and application of internal checks; informing the Audit and Compliance Committee of irregularities detected and tracking accepted recommendations. These responsibilities are formalised in the Charter of the Internal Audit Service, which were updated in the session of the Board of Directors of 13 November 2017.

On the other hand, Financial Management is responsible for designing, establishing and operating the SCIIF, as well as identifying and assessing risks and determining the checks to be established.

F.1.2 If these exist, especially as regards the process of preparing financial information, the following items:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining lines of responsibility and authority, with proper distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for proper distribution throughout the entity:

The Board of Directors, as established in its Regulation:

• Is responsible for approving the definition of the structure of the Group of companies, as well as the corporate governance policy. Additionally, on the suggestion of the company's top executive, the Board decides to appoint and potentially to dismiss the Group's senior executives.

• Likewise, the Board reserves, as part of its duties, the right to approve the company's general Policies and strategies and, in particular, the strategic or business Plan, as well as management targets, the Group's investment and financing Policy, determination of

the Risk and Management Policy and the determination of the company's tax strategy. The Board also reserves the power to supervise and check that Management has met the targets set and is respecting the Company's purpose and corporate interests.

Financial Management is principally responsible for preparing the financial information. This Management department establishes the structure of those responsible for financial information and the status of the internal control system for financial information, in addition to coordinating and supervising its actions.

The Board of Directors, via the corresponding areas and departments, distributes relevant information concerning the Company including, but not limited to, information concerning the summons of the general shareholders' assembly, its agenda, relevant events, internal corporate governance regulation and the Annual Report, among other information.

The distribution media used ensures unrestricted communication, in time and form, including its possible publication on the website and/or intranet, having approved and published a company communication Policy.

- **Code of conduct, approval body, degree of distribution and instruction, principles and values included (indicating if there are specific mentions in the register of operations and preparation of financial information), body responsible for analysing compliance failures and proposing corrective measures and penalties:**

The ALBA Group has had a Code of Ethics and Conduct since December 2011.

Following the favourable report from the Audit and Compliance Committee, the Board of Directors on 22 October 2018, approved a new Code of Ethics and Conduct, which has taken into account, in particular, the evolution of the legal regulation of criminal liability of legal persons.

The Code of Ethics and Conduct of Corporación Financiera Alba, S.A. and the companies in its Group is a formal expression of the values and principles which must govern the conduct of the entities in the ALBA group and the individuals accountable to the Group in the performance of its activities and duties, its labour, commercial and professional relations, with a view to achieving a universally accepted corporate ethic.

The Board of Directors is responsible for reviewing and updating the Code of Conduct and for enhanced supervision of effective compliance with the Code of Conduct, in addition to the adoption of measures which may be required to make the Code consistent with other corporate governance regulations and procedures.

The Code of Ethics and Conduct has been sent individually to all persons to whom the Code applies, by sending the Code to its recipients. The Code was accepted in writing and is available on the company's intranet and on the corporate web page.

Training concerning the Code is mainly provided with the training on criminal prevention and using reminders or digital communications concerning its most relevant aspects. In 2018, a reminder of the main points of the Code was sent to recipients of the Code. Likewise, a copy of the Code is given to new hires for their written adherence.

The Group's Code of Conduct is based on the following values:

- Supporting and respecting internationally recognised human rights.
- Ethical and legal conduct.
- Fair and respectful treatment with employees and co-workers, ensuring equal opportunities and non-discrimination of individuals.
- Respect of the interests of others related to the Company, including customers, suppliers, authorities, shareholders and other stakeholders.
- Professionalism and correction of conduct in the development of business in accordance with corporate policies.
- Prudence when performing activities, assuming risks and in relations with customers and suppliers.
- Commitment to the United Nations Global Compact.
- Respect toward the environment.
- The treatment of information with rigour, integrity and transparency.

Likewise, it addresses matters of:

- Conflicts of interest and provides guidelines for reporting such conflicts.
- Improper use or application of goods, business opportunities, confidential information and privileged information.
- Obligation to internally report possible failures to comply with the Code, or alternatively to use the Complaints Channel.
- Relationships with shareholders, government agencies, and Suppliers, contractors and collaborators as well as the defence of competitors.
- Bribes and gifts.
- Preventing money laundering and terrorism financing.
- Dedication and incompatibilities.

Furthermore, section 6.14 of the Code expressly stipulates that: "ALBA considers the veracity of information as a basic principle of its actions, as a result, Affected Persons must truthfully convey information they must report, both internally and externally, and, under no circumstances will they knowingly provide incorrect or inaccurate information which may cause errors or confusion.

The economic and financial information will faithfully reflect the economic, financial and equity circumstances of ALBA, according to generally accepted accounting principles and international financial information standards that apply. To this end, no Affected Person will conceal or distort the information on ALBA's accounting registers or reports, which will be complete, accurate and true."

For its part, sections 6.17 and 6.19 provide that:

"The information sent to shareholders will be true and complete and will provide an adequate reflection of the Company's circumstances."

"Correspondence concerning financial information or other matters sent on behalf of ALBA will, under no circumstances, contain misleading or fictitious data or data which has not been thoroughly checked."

The body responsible for ensuring compliance with the Code and proposing corrective measures, where applicable, is the Tracking Committee of the Code of Ethics and Conduct.

- **A complaints channel allowing people to inform the audit committee of financial and accounting irregularities, in addition to any failures to comply with the code of conduct and irregular activities in the organisation, stating, where applicable, if this information is confidential:**

The 2011 Code of Ethics and Conduct contemplated a "confidential complaints channel," which was effectively implemented.

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 complaints that allows one to confidentially report 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 description of the operations of the channel includes the identity of the individuals to whom these complaints can be sent (these are the Chairman of the Audit and Compliance Committee or the Monitoring Committee of the Code of Ethics and Conduct) and the options for sending this complaint (email or ordinary post sent to the address of the managers indicated).

Preliminary examination for the admission or filing of the complaint is commissioned to the Chairman of the Audit and Compliance Committee. The complaints will be processed by the Monitoring Committee of the Code of Ethics and Conduct, unless the complaints are against one of its members, in which case the Chairman of the Audit and Compliance

Committee will carry out the preliminary inspection and handle the complaint.

This Monitoring Committee is comprised of the Secretary of the Board, the Chief Financial Officer, the Director of Investments and a member of the Legal Department.

In addition, the Crime Prevention Model, updated in 2017, can also be referenced and which aims to:

- Raise awareness among and training Board Members, Directors and employees of the Group concerning the importance of regulatory compliance, especially the prevention of criminal proceedings.
- Inform employees of the consequences of violating the provisions of the Code of Ethics and Conduct and the Crime Prevention Manual.
- Expressly record the clear condemnation of Corporación Financiera Alba, S.A. of any illegal conduct which, in addition to contravening legal provisions, is contrary to the Group's values.

In 2018, the Audit and Compliance Committee considered appropriate the monitoring of the Crime Prevention Model for the first half of 2018.

- Periodical training and updating programmes for staff involved in preparing and reviewing financial information, as well as the assessment of the SCIIF, covering, at the very least, accounting, audit, internal control and risk management regulation:

Staff involved in preparing and reviewing financial information, as well managing and supervising the SCIIF, receives, based on their various responsibilities, periodical training concerning accounting, auditing, internal control and risk management regulation.

In this manner, Financial Management periodically makes training efforts for staff involved in preparing the Financial Statements and managing the Group's SCI F. These training actions are primarily focused on deepening knowledge and update to International Financial Reporting Standards (IFRS) and legislation and other regulations concerning Internal Control of Financial Information.

Likewise, the staff of the Internal Audit Service is updated on a continued basis concerning changes to Internal Controls, especially Financial Information and Risk Management.

Additionally, Financial Management and other areas involved in the preparation, review and reporting of financial information have received various publications updating accounting, financial, internal control and tax regulation.

F.2. Assessment of financial information risks.

Report the following, at the very least:

F.2.1 Describe the main characteristics of the risk identification process, including risks associated with errors or fraud, with regard to:

- Whether the process exists and is documented:

In fiscal year 2011, the Group undertook an examination process for identifying business risks of all kinds (operational, technological, financial, legal, reputational, environmental etc.) that could affect the achievement of its targets. The result of this was an initial version of the Risk Map for this which was duly documented, examined by the Audit Committee and approved by the Board of Directors.

The Risk Map is periodically revised. As a result, in 2016, it was revised and in 2017, it was updated.

In 2018, the Risk Map was revised by concluding that the assessment of critical risks accurately reflects ALBA's situation, and no modification or update is necessary.

Likewise, the ALBA Group has a process for identifying and assessing specific risks concerning financial information, both in terms of its consolidated accounts, the entity and business processes. The process is updated annually at the very least.

The process is based on the consolidated financial information and uses this information to categorise accounting headings and notes, as well as identifying those which are the most relevant, according to quantitative (material aspects) and qualitative criteria.

The categorised headings and notes are associated with the Group's processes or business areas, in order to classify these processes or business areas in terms of their relevance in generating financial information.

The most important processes or areas are analysed and documented). These documents identify and analyse transaction flows, possible risks of error or fraud in the financial information, associated checks which mitigate these risks and features such as Integrity, Existence & Occurrence, Rights & Obligations, Measurement & Valuation and Presentation.

The process and criteria used for assessing these risks are documented in the "ALBA Group's Internal Control System on Financial Information (SCIIF) Manual".

- If the process covers all targets associated with financial information (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), if it is updated and how frequently:

As discussed above, the significant processes or areas generating financial information are analysed on an annual basis at a minimum, in order to identify possible risks of error or fraud involving the financial information, and as regards its objectives of Integrity, Existence & Occurrence, Rights & Obligations, Measurement & Valuation and Presentation.

- The existence of an identification process for the consolidation perimeter, bearing in mind, among other aspects, the possible existence of complex corporate structures, instrumental or special purpose entities:

Financial Management is responsible for analysing the companies that are included and those that are no longer part of this perimeter, as well as any change to the percentage ownership interest in these companies. Both the establishment and acquisition of ownership interests in companies and the sale of these interests or the liquidation of these interests are subject to internal authorisation processes that make it possible to clearly identify incoming items, outgoing items and changes to the consolidation perimeter.

The consolidation perimeter of the Alba Group is submitted to the Management Committee and the Audit and Compliance Committee every six months.

The main duties of the Audit and Compliance Committee are to review the "process for preparing the Company's financial information, with a view to confirming its integrity, technological quality and for internal control, as well as compliance with regulatory requirements, proper delimitation of the consolidation perimeter, proper application of generally accepted accounting principles and standards, and compliance with remaining legal requirements concerning this information."

- If the process takes other types of risks into account (operational, technological, financial, legal, fiscal, reputational, environmental etc.), to the extent that these affect the financial statements:

The process for identifying risks of error or fraud in the financial information takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental etc.), to the extent that these affect the financial statements. These risks are assessed and managed by the Company (according to the description in Section E of this Report).

- What governance body in the entity supervises the process:

F.3. Control activities.

Report, indicating its main characteristics, if it has at least:

F.3.1 Procedures for reviewing and authorising financial information and the SCIIF description which will be published on the stock markets, indicating those responsible for this information, as well as documents describing the flows of activities and checks (including those associated with the risk of fraud) of the various types of transactions that can have a material effect on the financial statements, including the closing of accounts procedure and specific reviews of opinions, estimates, valuations and relevant forecasts

According to the provisions of the Regulation of the Board of Directors:

• The approval of financial information to be made periodically is the responsibility of the Board of Directors (including the description of the Group SCIIF).

• Likewise, when the financial statements are submitted for deliberation by the Board of Directors, they must first be certified with regard to their accuracy and integrity, by the Managing Director and the Chief Financial Officer.

Likewise, according to the provisions of the Regulation of the Audit and Compliance Committee:

• The main duties of the Audit and Compliance Committee are to review the "process for preparing the Company's financial information, with a view to confirming its integrity, technological quality and for internal control, as well as compliance with regulatory requirements, proper delimitation of the consolidation perimeter, proper application of generally accepted accounting principles and standards, and compliance with remaining legal requirements concerning this information."

The information review process takes the following flow:

The ALBA Group has a procedure for closing the accounts and performs a specific review of opinions, estimates, valuations and relevant forecasts. The respective units make the estimates, ratings or projections of those aspects that they are competent and the reasonableness of them is valued by the Financial Management; they are subsequently submitted to the Audit and Compliance Committee and the Board of Directors, as part of the exposure of the financial statements.

The Group publishes financial information on a quarterly basis. This information is prepared by Financial Management which performs, as part of the account closure process, the control activities identified in the process, as well as analysing and reviewing the information prepared. The information prepared is then sent to the Audit and Compliance Committee for its supervision.

The six monthly financial reports and the individual and consolidated annual accounts of ALBA, the Report and the Annual Corporate Governance Report (which includes, by way of additional information, a description of the SCIIF) are reviewed by the Audit and Compliance Committee before being reviewed by the Board of Directors. Likewise, the Audit and Compliance Committee reviews the remaining financial information and any other relevant information before submitting this information to the markets or to the supervisory bodies.

The Group has an internal financial information control system based on the COSO [Committee of Sponsoring Organisations of the Treadway Commission] model, which provides reasonable certainty with regards to achieving the targets of this system, in other words: effectiveness and efficiency of the operations, safeguard of the assets, reliability of the financial reports and compliance with the applicable laws and regulations.

The principles and criteria for defining and managing the SCIIF are documented in the Group's SCIIF Manual. The Group has documents describing the flows of activities and checks (including those associated with the risk of fraud) of the various kinds of transactions that can have a real impact on the financial statements. These documents include the significant and matrix processes for risks and checks.

According to the SCI F Manual, Financial Management is responsible for identifying and documenting these significant processes in addition to being responsible for managing the internal SCIIF certification process for evaluating its efficiency.

F.3.2 Internal control policies and procedures for information systems (among others, concerning security of access, change control, operation of these changes, operational continuity and segregation of duties) which support the relevant processes of the entity with regard to preparing and publishing financial information.

Among the checks considered for mitigating or managing risks of error in the financial information, there are some related to more relevant IT applications, such as checks of user access permits or those related to the integrity of the transfer of information between applications.

Additionally, the Group has guidelines or regulations and internal control procedures on information systems regarding software acquisition and development, system infrastructure acquisition, software installation and testing, change management, service level management, third-party service management, system security and access, incident management, operations management, operations continuity and segregation of duties.

These guidelines and procedures are applied to all the information systems, including those that support the relevant financial information generation processes, and on the infrastructure needed for its operation.

This entire internal network of IT infrastructure is controlled by a Department of internal professionals responsible for defining and executing the Group's IT strategy, as well as supporting users, operating the system and IT security.

Likewise, the ALBA Group has systems security and contingency programmes.

The ALBA Group's SCIIF Manual provides that, on an annual basis, the systems manager of the ALBA group certifies the effectiveness of the internal checks established for the IT systems.

Likewise, the ALBA Group has systems security and contingency programmes.

F.3.3 Internal control policies and procedures intended to supervise management of the activities subcontracted to third parties, as well as those assessment, calculation or valuation matters entrusted to independent experts that could have a material impact on the financial statements.

Generally speaking, the ALBA Group does not subcontract important duties to third parties that have a direct impact on the financial information, evaluations, calculations or valuations that could have a material impact on the financial statements, with the exception of the valuation of its investments in property and actuarial valuation of pensions.

There are internal checks for selecting the property valuation provider, which include the following supervisory criteria: Type and frequency of the reports; competence and independence of the provider; methodology and validation of the information and database used for the analysis; reasonability of the hypotheses and criteria applied; methodology for reviewing the findings and Reports prepared.

With regard to the actuary valuation of pensions, the existence of the policies used as well as the coherence and consistency of the databases used is checked.

F.4. Information and communication.

Report, indicating its main characteristics, if it has at least:

F.4.1 A specific service responsible for defining and keeping accounting policies up-to-date (accounting policies area or department), as well as resolving doubts or conflicts associated with their interpretation, maintaining smooth communication with those responsible for operations in the organisation, as well as an updated accounting policies manual that is sent to the departments through which the entity operates.

Financial Management is responsible for defining and keeping accounting policies up-to-date as well as resolving doubts or conflicts associated with their interpretation and maintaining smooth communication with those responsible for operations in the organisation. To this end, accounting changes are periodically identified and communicated to the various Management supervisors. Likewise, in the event that application queries arise, these are referred to and resolved by the Head of Administration and the Chief Financial Officer.

The ALBA Group considers that accounting standards are directly applicable, given the low level of complexity of its transactions. Accounting standards are kept up-to-date and are at the disposal of Financial Management staff.

F.4.2 Mechanisms for capturing and preparing financial information in coherent formats that are applicable to and can be used by all the departments of the entity or group that support the main financial statements and the notes, as well as the information detailed concerning the SCIIF.

The ALBA Group has mechanisms for capturing and preparing financial information, with suitable formats and applications, which is used by all the departments. Centralised and uniform IT systems are used for the Group. Likewise, there are checks that are needed for the IT systems and a supervisory and review process is performed by Financial Management.

F.5. Supervision of operation of the system.

Report, indicating their main characteristics, at least concerning:

F.5.1 The SCIIF supervisory activities performed by the audit committee as well as if the entity has an internal audit service whose powers include supporting the committee in its task of supervising the internal control system, including the SCIIF. Likewise, the scope of the SCIIF evaluation performed during the financial year will be reported, as well as the procedure used by the individual that performed the evaluation for announcing their

results, if the entity has an action plan that details any corrective measures, and if its impact on the financial information has been considered.

The Regulation of the Board of Directors and the Regulation of the Audit and Compliance Committee entrust the following duties to the Audit and Compliance Committee:

• Supervising the efficiency of the internal control of the company, the internal audit and the risk management systems, including tax risks, discussing significant weaknesses in the internal control system that are detected as part of the audit with the accounts auditor.

• Supervising the process for preparing and presenting the mandatory financial information.

The SCI F supervisory activities performed by the Audit and Compliance Committee essentially include:

• Tracking the process of evaluating the SCIIF by Financial Management.

• Reviewing the process for preparing the Company's financial information, with a focus in confirming its integrity, technological quality and for internal control, as well as compliance with regulatory requirements, proper delimitation of the consolidation perimeter, proper application of generally accepted accounting principles and standards, and compliance with remaining legal requirements concerning this information.

• Reviewing the periodical financial statements that must be submitted by the Company to the markets and its supervisory bodies, prior to approval by the Board, in its plenary session.

• Evaluating and approving the proposals suggested by Management concerning changes to the accounting principles and standards.

• Supervising Management's decisions of adjustments proposed by the external auditor, as well as familiarising itself with and, where applicable, mediating in disagreements between them.

• Reviewing, with the support of the Internal Audit Service, the design and operation of the internal control system, in order to evaluate its effectiveness and,

• Holding periodical meetings with external auditors, internal auditors and senior management in order to review, analyse and discuss the financial information, the perimeter of companies they cover and the accounting criteria applied, as well as, where applicable, significant internal control weaknesses identified.

Additionally, the Audit and Compliance Committee is responsible for overseeing the definition of the Annual and Strategic Internal Audit Plan as well as its development in the SCIIF.

Likewise, since 2011, the Group has had an Internal Audit Service, whose Articles of Association provide that it is its responsibility to ensure that this process happens and that the checks established work effectively. Its role is targeted towards assisting the Group in maintaining effective checks, by evaluating the efficiency and effectiveness of them and driving efforts of continuous improvement. The Articles of Association of the Internal Audit Service were updated in the session of the Board of Directors of 13 November 2017.

According to the Group's SCIIF Manual, the Audit and Compliance Committee has entrusted performing this duty to the Internal Audit Service (SAI). The SCIIF supervision process, via the SAI, includes the following tasks:

• Validating the SCIIF model with regard to the definition of the SCIIF scope or the documents concerning the significant processes (Narrative and Risk and Control Matrixes).

• Reviewing and evaluating the process and the findings concerning the effectiveness resulting from the annual review performed by Financial Management.

• Include, as part of the Internal Audit Strategic Plan and the Internal Audit Annual Plan, where applicable, the SCIIF processes to be reviewed.

• Assess and communicate the results obtained from the SCIIF supervision process and the checks on the processes involving the affected department and the Financial Management.

• Inform the Audit and Compliance Committee of the degree of progress of the supervision, the results obtained and the weaknesses detected, where applicable, when presenting the degree of progress and results of the internal audit works for the financial year.

Finally, the Group's SCIIF Manual sets criteria for categorising issues based on their potential impact on financial information and probability of occurrence after detection and subsequent communication and monitoring process.

F.5.2 If there is a discussion procedure in which the accounts auditor (according to the provisions of the NTA), the internal audit service and other experts can inform senior management and the audit committee or board members of the entity of significant internal control weaknesses identified during the annual account review processes or other processes entrusted to them. Likewise, an announcement will be made as to whether there is an action plan addressing the correction or mitigation of the weaknesses observed.

Generally speaking, the discussion procedure concerning significant internal control weaknesses identified is based on periodical meetings which the various agents hold.

To this end, the Audit and Compliance Committee holds meetings with the SAI and Financial Management for the bi-annual and for the annual closure and, also, with the External Auditor, for the annual closure, in order to discuss any relevant aspect of the process of preparing the resulting financial information.

Specifically, the Regulation of the Board of Directors and the Regulation of the Audit and Compliance Committee provide that the Audit and Compliance Committee must:

• Discuss the significant weaknesses in the internal control system detected when performing the audit with the accounts auditors or audit firms.

• Establish appropriate relations with the accounts auditors or audit firms in order to receive information concerning matters that could threaten their independence, for examination by the Committee, and any other matter related to the process of performing the accounts audit, as well as other announcements provided in accounts auditing legislation and in auditing standards.

For its part, the Articles of Association of the Internal Audit Service provide that the Audit and Compliance Committee must maintain free and open communication with the Director of the Internal Audit Service. Specifically, the Director of the Internal Audit Service has direct access to the Audit and Compliance Committee, with which it will address the following matters, among others:

• The significant events observed when performing the internal audits.

• The degree of compliance with the most relevant recommendations.
• The most significant risks and the level of Internal Control in the Group, bearing in mind the results of the audits performed and the evaluation of the Internal Control performed by the Internal Audit Service.
• Coordination with external auditors and the remaining individuals responsible for supervising the Internal Control.

Likewise, Financial Management also holds meetings with the SAI, both for the bi-annual closure and for the annual closure, and with External Auditors for the annual closure, with a view to addressing significant questions concerning the financial information.

F.6. Other relevant information.

In addition to the SCIIF supervision process (entrusted to the Internal Audit Service), according to the ALBA Group's SCIIF Manual, in 2017 the corresponding process for the annual evaluation of the effectiveness and validity of the process was performed by Financial Management.

Likewise, the purpose of the Regulatory Compliance service is to provide reasonable security that Alba is complying with key legal and normative requirements, identifying the main legislative and normative obligations of the company, designing a compliance model and a monitoring and tracking model for the Compliance activities. In 2017, the Crime Prevention Model was updated with this in mind. In 2018, the Board of Directors approved a Charter of the Compliance Function for the Compliance Unit to establish adequate control and careful management of regulatory obligations.

F.7. Report of the external auditor.

Report on:

F.7.1 If the SCIIF information sent to the markets was submitted for review by the external auditor, in which case the entity should include the corresponding report as an appendix. Otherwise, it should explain its reasons for this.

The SCI F information sent to the markets was submitted for review by the external auditor, who will issue the corresponding report alongside the report for the company's annual accounts.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company follows the recommendations of the Code of good governance for listed companies.

In the event that any recommendation is not followed or is followed partially, include a detailed explanation of the reasons why so that shareholders, investors and the market in general have sufficient information for assessing the procedures of the company. General explanations will not be acceptable.

1. The Articles of Association of listed companies do not limit the maximum number of votes that a single shareholder can make, nor do they contain restrictions hindering the gain of control of the company by the buyback of its shares on the market.

   Complies [X]   Explain [ ]

2. When a parent company and a subsidiary are listed, both publicly define, in a detailed manner:

   a) The respective areas of activity and any business relations between them, as well as those of the listed subsidiary company with other companies in the group.

   b) Mechanisms provided for resolving any conflicts of interest which could arise.

   Complies [ ]   Complies partially [ ]   Explain [ ]   Not Applicable [X]

3. During the sessions of the regular general shareholders' meeting, in addition to the distribution, in writing, of the annual corporate governance report, the chairman of the board of directors verbally informs shareholders, with sufficient detail, of the most relevant aspects of the company's corporate governance and, in particular:

   a) Changes that have occurred since the last General Shareholders' Meeting.

   b) Specific reasons the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

   Complies [X]   Complies partially [ ]   Explain [ ]

4. The company has established and promotes a policy of communication and contact with shareholders, institutional investors and proxy advisors that fully respects standards against market abuse and gives similar treatment to shareholders in the same position.

   And the company makes this policy public on its website, including information concerning the way in which the company has put into practice and identified the spokespersons or individuals responsible for implementing the policy.

   Complies [X]   Complies partially [ ]   Explain [ ]

5. The Board of Directors has not made a proposal to delegate powers to the General Shareholders' Meeting, with a view to issuing shares or convertible bonds without a pre-emptive right, for an amount greater than 20% of the capital at the time of the delegation.

   When the Board of Directors approves any issuance of shares or convertible bonds, without a pre-emptive right, the company immediately publishes the reports (referred to in commercial legislation) concerning the fact that this right was excluded on its website.

   Complies [X]   Complies partially [ ]   Explain [ ]

6. The listed companies that prepare the reports that are detailed below, either voluntarily or because it is mandatory, publish the reports on their website sufficiently in advance of the ordinary general assembly, even though their distribution is not mandatory:

   a) Report regarding the auditor's independence.

   b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

   c) Report by the audit committee regarding related-party transactions.

   d) Report on the corporate social responsibility policy.

   Complies [X]   Complies partially [ ]   Explain [ ]

7. The company directly broadcasts the general shareholders' assemblies on its website.

   Complies [X]   Complies partially [ ]

8. The Audit Committee ensures that the Board of Directors endeavours to present the accounts to the general shareholders' assembly without limitations or reservations in the audit report and, in exceptional cases where there are reservations, both the chairman of the audit committee and the auditors clearly explain the content and scope of these limitations or reservations to the shareholders.

   Complies [X]   Complies partially [ ]   Explain [ ]

9. The company permanently makes the requirements and procedures it will accept for proving ownership of shares, the right to attend the general shareholders' assembly and the exercise or delegation of voting rights public on its website.

   These requirements and procedures encourage attendance and the exercise of shareholders' rights and are applied in a non-discriminatory manner.

   Complies [X]   Complies partially [ ]   Explain [ ]

10. When any legitimate shareholder exercises, prior to the general shareholders' assembly, the right to add to the agenda or to make new agreement proposals, the company:

    a) Immediately distributes the agreed additions and new proposals.

    b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

    c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

    d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

    Complies [X]   Complies partially [ ]   Explain [ ]   Not Applicable [ ]

11. In the event that the company has planned to pay attendance fees to the General Shareholders' Meeting, establish a general policy for these fees and ensure this policy is sustainable beforehand.

Complies [ ]　　Complies partially [ ]　　Explain [ ]　　Not Applicable [X]

12. The board of directors performs its duties with unity of purpose and independence, treating all shareholders in the same position in the same way and allowing itself to be guided by the interests of the company, which are understood as achieving a profitable and long-term sustainable business which promotes the continuity of the business and maximising the economic value of the company.

    In the search for the interests of the company, in addition to respecting laws, regulations and conduct based on good faith, ethics and respect of commonly accepted customs and good practices, endeavour to reconcile the interests of the company itself with, where applicable, the legitimate interests of its employees, providers, customers and other stakeholders that could be affected, as well as the impact of the company's activities on the community as a whole and the environment.

    Complies [X]　　Complies partially [ ]　　Explain [ ]

13. The board of directors is of the right size to operate efficiently and to allow for participation by board members, meaning that it should be comprised of between five and fifteen members.

    Complies [X]　　Explain [ ]

14. The Board of Directors has approved a board member selection policy which is:

    a) Is concrete and verifiable.

    b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.

    c) Encourages diversity in knowledge, experience and gender.

    The result of the prior analysis of the needs of the board of directors is detailed in the supporting report of the appointments committee which is published when summoning the General Shareholders' Meeting to which the ratification, appointment or re-election of each board member is submitted.

    The board member selection policy is promoting the target that, in 2020, the number of female board members should represent, at least, 30% of the total members of the Board of Directors.

    The appointments committee will check, on an annual basis, that the board member selection policy has been respected and this will be detailed in the annual corporate governance report.

    Complies [X]　　Complies partially [ ]　　Explain [ ]

15. Proprietary and independent board members constitute a broad majority on the Board of Directors and the number of executive directors is the minimum required, bearing in mind the complexity of the corporate group and the percentage ownership interest of the executive directors in the company's capital.

    Complies [X]　　Complies partially [ ]　　Explain [ ]

16. The percentage of proprietary board members among the total non-executive board members is no greater than the existing proportion between the capital of the company represented by these board members and the remaining capital.

    This criterion may be mitigated:

    a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies [X]   Explain [ ]

17. The number of independent board members represents, at the very least, half of all board members.

However, when the company does not have a high market capitalisation or when, even if it does, it has a shareholder or various shareholders that act jointly and that control more than 30% of the share capital, the number of independent shareholders represents, at least, one third of all board members.

Complies [X]   Explain [ ]

18. The companies keep the following information concerning their board members public on their website, and keep this information up-to-date:

a) Professional background and biography.

b) Any other Boards to which the board member belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are related.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares of the company and options on them, of which they own.

Complies [X]   Complies partially [ ]   Explain [ ]

19. The annual corporate governance report, after being checked by the appointments committee, explains the reasons why proprietary board members were appointed instead of shareholders whose equity stake is below 3% of the capital; and the reasons why formal requests for presence on the board made by shareholders whose equity stake is equal to or greater than that of others in whose stead proprietary board members were appointed were not accepted are explained.

Complies [ ]   Complies partially [ ]   Explain [ ]   Not Applicable [X]

20. Proprietary board members resign when the shareholder they represent fully disposes of their equity stake. The corresponding number also resign when this shareholder decreases their equity stake to a level that requires a reduction in the number of their proprietary board members.

Complies [X]   Complies partially [ ]   Explain [ ]   Not Applicable [ ]

21. The Board of Directors does not propose the dismissal of any independent board member before the end of the statutory period for which they were appointed, except when there is just cause considered to be acceptable by the board of board members, after informing the appointments committee. Specifically, just cause will be considered with merit when the board member occupies new positions or undertakes new obligations preventing them from dedicating the time needed to performing his/her role as a board member, failing to perform duties involved in their role or finding him/herself in any of the situations causing them to lose their independence, according to the provisions of applicable legislation.

The dismissal of independent board members may also be proposed as a result of takeover bids, mergers or other similar corporate transactions which involve a change to the company's capital structure, when these changes to the structure of the board of directors are brought about by the proportionality criteria indicated in recommendation 16.

Complies [X] Explain [ ]

22. The companies should establish rules requiring board members to report and, where applicable, resign in cases that could damage the company's credibility and reputation and these rules specifically require them to inform the Board of Directors of the criminal cases in which they are involved as suspects, as well as subsequent procedural events.

If a board member was prosecuted or an order to proceed to a public hearing was issued against this board member for any of the crimes indicated in corporate legislation, the Board of Directors will assess the case as soon as possible and, in light of the specific circumstances, will decide whether or not the board member should remain in their position. And all of which the Board of Directors shall report, in a logical manner, in the annual corporate governance report.

Complies [X] Complies partially [ ] Explain [ ]

23. All board members should clearly express their opposition when they think that any proposed decision brought before the Board of Directors could be contrary to the interests of the company. Independent board members and other board members, especially those, who are not affected by the potential conflict of interest should do the same in the case of decisions that could adversely affect shareholders that are not represented on the Board of Directors.

When the Board of Directors makes significant or repeated decisions concerning those which the board member expressed serious reservations about, the board member can draw his/her conclusions and, if they decide to resign, explain their reasons in the letter referred to in the recommendation below.

This recommendation also applies to the secretary of the Board of Directors, even though the secretary is not a board member.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

24. When a board member leaves his/her position before the end of his/her mandate, either due to resignation or any other reason, the board member will explain the reasons in a letter sent to all members of the board of directors. The reason for their departure will be reported in the annual corporate governance report, without prejudice to this departure being reported as a significant event.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

25. The appointments committee will ensure that non-executive board members have sufficient time to properly perform their duties.

The regulation of the board establishes the maximum number of company boards on which its board members may serve.

Complies [X] Complies partially [ ] Explain [ ]

26. The board of directors will meet as frequently as necessary to effectively carry out their duties and, at least, eight times per year, based on the programme of dates and matters established at the beginning of the financial year. Each board member may individually propose other points on the agenda which were initially not included.

Complies [X] Complies partially [ ] Explain [ ]

27. Instances where the board members are absent should be reduced to an absolute minimum and should be quantified in the annual corporate governance report. When such absences must occur, the board member should grant a power of representation with instructions.

Complies [X] Complies partially [ ] Explain [ ]

28. When the board members or the secretary express concern about any proposal or, in the case of board members, concerning the running of the company and these concerns are not resolved in the board of directors, this is recorded in the minutes, at the request of the person who expressed the concerns.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

29. The company should establish suitable options so that the board members may secure the advice needed in order to perform their duties including, if the circumstances so require, external advice paid for by the company.

Complies [X] Complies partially [ ] Explain [ ]

30. Regardless of the knowledge required of board members in order to perform their duties, the companies also offer board members knowledge update programmes when circumstances indicate that this is necessary.

Complies [X] Complies partially [ ] Explain [ ]

31. The agenda for the sessions should clearly indicate those points on which the board of directors must decide or reach an agreement so that the board members may first study or gather the information needed to reach a decision or adopt an agreement.

When, as an exception and in an emergency, the president wishes to submit decisions or agreements which are not on the agenda for the approval of the board of directors, the prior and express consent of the majority of board members present will be required, and this will be duly recorded in the minutes.

Complies [X] Complies partially [ ] Explain [ ]

32. The board members will be periodically informed of changes to the shareholding structure and the opinion of significant shareholders, investors and rating agencies of the company and the group.

Complies [X] Complies partially [ ] Explain [ ]

33. The president, who is responsible for the smooth running of the board of directors, in addition to performing the duties for which fall under the position's responsibility according to the law and the Articles of Association, prepares and submits a programme of dates and matters to address the board of directors, as well as organising and coordinating a periodical evaluation of the board, also, where applicable, that of the company's top executive. The president is also responsible for managing the board and ensuring it runs smoothly, ensuring that sufficient discussion time is dedicated to strategic matters, and agrees on and reviews the knowledge update programmes for each board member, when circumstances indicate that these are needed.

Complies [X] Complies partially [ ] Explain [ ]

34. When there is a coordinating board member, the Articles of Association or the regulation of the board of directors, in addition to the powers legally held, grants the following powers: chairing the board of directors in the absence of the president and vice-presidents, if there are any; repeating the concerns of non-executive board members; maintaining contact with investors and shareholders, establishing their point of view in order to form an opinion of their concerns, in particular, with regards to the corporate governance of the company; and coordinating the president's succession plan.

Complies [ ] Complies partially [ ] Explain [ ] Not Applicable [X]

35. The Secretary of the Board of Directors above all ensures that, in its actions and decisions, the Board of Directors keeps in mind recommendations concerning good governance in this Code of Good Governance that is applicable to the company.

Complies [X] Explain [ ]

36. The Board of Directors, in its plenary session, should assess, once per year, and adopt, where applicable, an action plan to correct the deficiencies detected with regards to:

a) The quality and efficiency of the operation of the Board of Directors.

b) The operation and composition of its committees.

c) Diversity in the composition and responsibilities of the Board of Directors.

d) The performance of the Chairperson of the Board of Directors and the company's top executive.

e) The performance and contribution of each board member, paying special attention to those responsible for the various committees of the board.

The report the various committees submit to the board of directors will be used as the basis for evaluating these committees, and in order to evaluate the board of directors, the report submitted by the appointments committee will be used.

Every three years, the board of directors will be assisted by an external consultant for the evaluation. The external consultant will be verified by the appointments committee.

The business relations that the consultant or any company in its group maintains with the company or any company in its group must be shown in detail in the annual corporate governance report.

The process and areas evaluated will be described in the annual corporate governance report.

Complies [X]   Complies partially [ ]   Explain [ ]

37. When there is an executive committee, the ownership structure of the various classifications of board members will be similar to that of the board of directors itself and the secretary of the executive committee will also be the secretary of the board of directors.

Complies [ ]   Complies partially [ ]   Explain [ ]   Not Applicable [X]

38. The board of directors should always be aware of the matters discussed and the decisions adopted by the executive committee, and all members of the board of directors should receive a copy of the minutes of the sessions of the executive committee.

Complies [ ]   Complies partially [ ]   Explain [ ]   Not Applicable [X]

39. The members of the audit committee, and especially its president, should be appointed bearing in mind their knowledge and experience with accounting, auditing and risk management, and the majority of these members should be independent board members.

Complies [X]   Complies partially [ ]   Explain [ ]

40. Under the supervision of the audit committee, there is a department that performs internal audits, ensuring the smooth running of the information and internal control systems. This department, for all intents and purposes, reports to the non-executive president of the board or of the audit committee.

Complies [X]   Complies partially [ ]   Explain [ ]

41. The head of the department that performs internal audits presents their annual working plan to the audit committee, directly announces events which occur when implementing the working plan and delivers an activity report at the end of each

financial year.

Complies [X]   Complies partially [ ]   Explain [ ]   Not Applicable [ ]

42. In addition to the duties foreseen by law, the audit committee is also responsible for the following duties:

1. With regards to the IT and internal control systems:

   a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

   b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

   c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regards to the external auditor:

   a) In the event that the external auditor resigns, examine the reasons for their resignation.

   b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

   c) Ensure the company informs the CNMV of the change of auditor, as a significant event, and accompany this announcement with a statement concerning any disagreements with the outgoing auditor and, if there were any, the substance of these disagreements.

   d) Ensure that the company files a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

   e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies [X] Complies partially [ ] Explain [ ]

43. The audit committee may summon any employee or director of the company, and even arrange for them to appear without any other director being present.

Complies [X] Complies partially [ ] Explain [ ]

44. The audit committee should be informed of structural and corporate operations and changes which the company plans to perform for its analysis and should first inform the board of directors of its economic circumstances and accounting impact and, especially, where applicable, concerning the exchange equation proposed.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

45. The risk control and management policy should, at the very least, identify:

a) The various types of risk, financial and non-financial (among others, operational, technological, legal, social, environmental, political and reputational risks) faced by the company, including, among the financial or economic risks, contingent liabilities and other off balance sheet risks.

b) The set level of risk the company considers acceptable.

c) The measures provided for mitigating the impact of the risks identified, in the event that these risks materialise.

d) The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off balance sheet risks.

Complies [X] Complies partially [ ] Explain [ ]

46. Under the direct supervision of the audit committee or, where applicable, of a specialist committee of the board of directors, there is an internal risk control and management service operated by an internal unit or department of the company, which is expressly given the following duties:

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

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

c) Ensuring that the risk control and management systems appropriately mitigate risks, as part of the policy identified by the board of directors.

Complies [X] Complies partially [ ] Explain [ ]

47. The members of the appointments and remuneration committee - or the appointments committee and the remunerations committee, if they are separated - are appointed ensuring they have the knowledge, skill and experience needed for the duties they are required to perform and that the majority of these members are independent board members.

Complies [X] Complies partially [ ] Explain [ ]

48. Companies with a high market capitalisation have a separate appointments and remunerations committee.

Complies [ ] Explain [ ] Not Applicable [X]

49. The appointments committee consults the president of the board of directors and the company's top executive, especially as regards to matters that concern executive board members.

Any board member can ask the appointments committee to take into consideration, if they are considered suitable in their opinion, potential candidates for covering vacant board member positions.

Complies [X] Complies partially [ ] Explain [ ]

50. The remunerations committee should perform its duties independently and, in addition to the duties assigned by law, should perform the following duties:

a) Propose the basic conditions of senior management contracts to the Board.

b) Check the observance of the Remuneration Policy established by the company.

c) Periodically review the remuneration policy applied to board members and senior executives, including share-based remuneration systems and their application, in addition to guaranteeing that their individual remuneration is proportional to what is paid to other board members and senior executives of the company.

d) Ensure any conflicts of interest do not jeopardise the independence of the external advice provided to the committee.

e) Check information concerning the remuneration of board members and senior executives contained in the various corporate documents, including the annual report concerning board Member remuneration.

Complies [X]   Complies partially [ ]   Explain [ ]

51. The remunerations committee consults the president and the company's top executive, especially as it regards matters that concern executive board members and senior executives.

Complies [X]   Complies partially [ ]   Explain [ ]

52. Rules concerning the composition and operation of the supervisory and control committees are included in the regulation of the board of directors and are consistent with those applicable to legally mandatory committees, according to the recommendations above, including:

a) They should be comprised exclusively of non-executive directors, with a majority of independent board members.

b) Their presidents should be independent board members.

c) The board of directors should appoint the members of these committees, bearing in mind the knowledge, skills and experience of the board members and the tasks of each committee, deliberate on its proposals and reports; and account, in the first plenary session of the board of directors after its meetings, for its activity and for the work performed.

d) The committees can secure external advice, when they consider this necessary in order to perform their duties.

e) Minutes will be prepared of its meetings which will be put at the disposal of all board members.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

53. Supervision of compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy is under the responsibility of one or is distributed among various committees of the board of directors. These may include the audit committee, the appointments committee, the corporate social responsibility committee, if there is one, or a specialist committee which the board of directors, exercising its self-organisation powers, decides to create with this end in mind, and to which the following duties will, at a minimum, be given:

a) Supervising compliance with internal codes of conduct and the company's corporate governance rules.

b) Supervising the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluating the suitability of the company's corporate governance system, with a view to achieving its mission of promoting the interests of the company and keeping in mind, where applicable, the legitimate interests of remaining stakeholders.

d) Reviewing the company's corporate social responsibility policy, ensuring it is focussed on value creation.

e) Tracking the corporate social responsibility policy and practices, and changes in the degree of compliance.

f) Supervising and evaluating relations processes with various stakeholders.

g) Evaluating all matters concerning the company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinating the non-financial information reporting process and the diversity reporting process, according to applicable regulation and reference international standards.

Complies [X] Complies partially [ ] Explain [ ]

54. The corporate social responsibility policy includes the principles or commitments that the company voluntarily assumes in its relationship with the various stakeholders, and identifies, at the very least:

a) The objectives of the corporate social responsibility policy and the development of supporting mechanisms.

b) The corporate strategy for sustainability, the environment and social matters.

c) Specific practices for matters related to: shareholders, employees, providers, social matters, the environment, diversity, fiscal responsibility, respect of human rights and prevention of illegal conduct.

d) The methods or systems for tracking results of the application of the specific practices indicated in the previous section, associated risks and their management.

e) Non-financial risk monitoring mechanisms, ethics and business conduct.

f) Channels of communication, participation and dialogue with stakeholders.

g) Responsible communication practices that avoid manipulation of information and protect integrity and honour.

Complies [X] Complies partially [ ] Explain [ ]

55. The company should announce, in a separate document or in the management report, matters related to corporate social responsibility, using, for this purpose, any of the internationally accepted methodologies.

Complies [X] Complies partially [ ] Explain [ ]

56. The board members' compensation should be whatever is needed to attract and retain board members with the background desired and to compensate the dedication, qualification and responsibility the position demands, but should not be so high as to compromise the independence of non-executive board members.

Complies [X] Explain [ ]

57. Variable remuneration that is linked to the output of the company and personal performance should be confined to executive board members, as well as remuneration by awarding shares, options or rights to shares or instruments referenced to the value of the share or long term savings schemes such as pension plans, retirement schemes or other social welfare schemes.

The awarding of shares may be considered as remuneration for non-executive board members when it is conditional upon them keeping these shares until they leave their position as board members. The above will not apply to shares which the board member needs to sell, where applicable, to meet costs related to their acquisition.

Complies [X] Complies partially [ ] Explain [ ]

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short, medium and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

59. Payment of an appreciable part of the variable components of the compensation should be deferred for a minimum period of time that is sufficient to confirm that the previously established output conditions have been met.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

60. The remuneration related to the company's earnings takes into account any reservations included in the external auditor's report and that these earnings should be reduced accordingly.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

61. A significant percentage of the variable remuneration of executive board members should be linked to the awarding of shares or financial instruments referenced to the value of the shares.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

62. Once the shares or options or rights to shares corresponding to the compensation schemes have been awarded, board members may not transfer ownership to a number of shares that is equivalent to twice their fixed annual compensation, nor may they exercise the options or rights until a period of at least three years has passed since they were awarded.

The above will not apply to shares which the board member needs to sell, where applicable, to meet costs related to their acquisition.

Complies [ ] Complies partially [ ] Explain [ ] Not Applicable [X]

63. The contractual agreements should include a clause allowing the company to claim reimbursement of the variable components of the remuneration when the payment has not been adjusted to the output conditions or when the payment has been made based on data whose inaccuracy was subsequently demonstrated.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

64. Payments for termination of the contract should not exceed a set amount equivalent to two years of total annual remuneration and the payments should not be made until the company has demonstrated that the board member has met the previously established output criteria.

Complies [X] Complies partially [ ] Explain [ ] Not Applicable [ ]

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

   Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. Where applicable, the code in question will be identified, as well as the adherence date. In particular, it should mention if it has adhered to the Code of Good Tax Practice, 20 July 2010:

SECTION G, Recommendation 10

In 2018, there was no situation in which this recommendation was applied.

SECTION G, Recommendation 14

Since 2016, the Appointments and Remunerations Committee has already set, by way of a representation target for the least well-represented gender on the Board, that this gender should reach 30% of total members by 2020.

SECTION G, Recommendation 20

In 2018, there was no situation in which this recommendation was applied.

SECTION G, Recommendation 23

Article 15.5 of the Board Regulation specifically provides that "Board Members must clearly express their opposition when they think that any proposed decision brought before the Board of Directors could be contrary to the interests of the company. Independent board members and other board members, especially, who are not affected by the potential conflict of interest should do the same in the case of decisions that could prejudice shareholders that are not represented on the Board."

In 2018, there was no situation in which this standard was applied.

SECTION G, Recommendation 28

Article 15.6 of the Board Regulation specifies that when the Board members or the Secretary express concern about any proposal or, in the case of Board members, concerning the running of the company and these concerns are not resolved by the Board, at the request of the person who expressed the concerns, they may request that this be recorded in the minutes of the meeting.

In 2018, there was no situation in which this standard was applied.

SECTION G, Recommendation 31

In 2018, there was no situation in which this recommendation was applied.

SECTION G, Recommendation 34

According to the provisions of article 529 septies 2 of the Capital Companies Act, the appointment of a Coordinating Board Member is only provided for cases in which the Chairman of the Board of Directors is also an Executive Director, which is not the case with Corporación Financiera Alba, S.A.

However, since this is considered as a good Corporate Governance practice and in order to facilitate its actions, the Board of Directors of Corporación Financiera Alba, S.A., in its session of 25 January 2016, appointed, with the abstention of the executive Board Members, one Coordinating Board Member from the independent Board Members.

SECTION G, Recommendation 36

It is noteworthy that the internal assessment process of the Board of Directors was implemented under the coordination of the Chairman of the Board of Directors and with the participation of the Board Members (by answering questionnaires prepared for this purpose) of the various Committees (by preparing reports concerning its activities in the financial year) and with the intervention of the Appointments and Remunerations Committee.

The areas assessed were as follows: Corporate Governance in general; composition and diversity of the Board; powers of the Board; frequency of the meetings, progress and attendance at the meetings; dedication of the Board Members; reporting to the Board Members; actions of the Chairman, of the Managing Director and the Secretary of the Board; performance of the Board Members; Committees on the Board; training of the Board Members; application of the Code of Ethics and Conduct and the Internal Regulation for Conduct on the Securities Market and the Criminal and Fraud Prevention Policy.

The Board assessment report includes some findings concerning the smooth running of the Board.

SECTION H.1.3.

The Company has adhered to the United Nations Global Compact since 22 December 2015.

This annual corporate governance report was approved by the company's Board of Directors, in its session of:

25/03/2019

State whether any board member has voted against or abstained from approving this report.

[ ] Yes
[✓] No