LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

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Ladies and gentlemen, shareholders:

I am very pleased once again to be able to write to you to inform you about the progress of Alba and its investee companies in the past financial year and in the first months of 2022.

After a 2020 year affected by the COVID-19 pandemic, last year was marked, globally, by the mass vaccination of the population, at least in the developed countries, and by the progressive lifting of health restrictions, with the consequent reactivation of economic activity, although with some reversal being caused by the successive waves and new variants of the virus.

In any case, we think the worst of this health crisis has already been overcome and hope that in 2022 we will definitely return to a pre-COVID-19 level of normality, bearing in mind, however, that the virus will probably not completely disappear. The recent restrictions in several Chinese cities and the uptick in contagion in various countries, after most social distancing restrictions and measures had been eliminated, remind us that the virus still has the potential to distort social and economic life. It should also be noted that a large part of the world's population does not yet have access to the full vaccination programme, and this raises the risk of new outbreaks in the future.

The human and economic cost has been enormous, but so has the reaction of the States and the main Central Banks, which managed to alleviate to a great extent the contraction caused by the stoppage of economic activity in the first half of 2020. The fiscal and monetary measures, while necessary to avoid a major crisis in terms of liquidity and solvency, have aggravated several of the imbalances existing in many countries, especially regarding debt and public deficit.

The economic reopening, very significant in many countries from mid-2021, led to a strong recovery in employment and demand, with considerable consequences in commodity prices, supply chain tensions and the sudden emergence of strong inflationary pressures, which are added to the ultra-expansive monetary policies mentioned above.

The Russian invasion of Ukraine – the first large-scale conventional war between two European countries since the end of World War II – has compounded this trend in early 2022. This military attack, unanimously condemned by western countries and which has generated a wave of global solidarity with the Ukrainian people, brings forth a new human drama with a high number of civilian victims in the Ukrainian population and a large movement of refugees into the European Union. However, it also has multiple consequences at the geopolitical and economic level, in the short and long term, and has highlighted tangible threats to European and global stability.

Strong economic sanctions on Russia and heightened geopolitical instability have led to a considerable uptick in the prices of raw materials – especially energy – while the effects of combat in Ukraine are in turn having a very relevant impact on the supply and prices of various agricultural raw materials, which could seriously affect other countries, especially in the Middle East and North Africa. The medium and long-term effects are difficult to assess at this time, but it is clear that they will be greater the longer the conflict lasts or if it scales to greater proportions.

Therefore, from a purely economic point of view, we can say that the war in Ukraine is contributing to exacerbating the previously mentioned inflationary tensions and to accelerating the process of normalising monetary policies, which will translate into interest rate increases. This process is more advanced in the United States, which has strong economic growth and low unemployment and is less affected by the war, while Europe is taking a more cautious position, likely due to weaker economic development in a more unstable environment on the back of the Ukrainian crisis.

In any case, we think interest rate hikes are inevitable in the face of inflation levels not seen in several decades, and the big challenge for central banks is to be able to normalise monetary policies without affecting economic growth. Many governments, including Spain's, will necessarily be forced to review their public accounts when faced with higher financing costs on increased indebtedness due to the measures adopted in dealing with COVID-19.

From a **macroeconomic** perspective, we feel there is no need to look at specific data from 2021 at an international level, other than the fact that this year there was strong economic growth in most countries due to the reopening of activity, although with certain differences between them, with the United States being one of the countries that showed the greatest strength.

In **Spain,** real GDP grew by 5.1% in 2021, after the 10.8% drop it suffered in 2020. The recovery in Spain has been slower than in other countries as a result of our high exposure to the tourism sector and, possibly, the lower weight of export activity and the lack of flexibilities in our labour market. Indeed, prior to the war in Ukraine, estimates indicated that Spain would not likely recover pre-crisis GDP until the end of 2022 or 2023.

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However, the impact of Ukraine's war on energy costs and prices of all kinds of raw materials is creating downward revisions to our country's growth estimates for 2022, with the International Monetary Fund recently lowering its growth forecast from 6.4% to levels slightly below 5.0%.

On the other hand, the strong increase in inflation is having a big impact; it had already started to manifest since mid-2021, closing the year at an annual rate of 6.5%, but has shot up to 9.8% year-on-year by the end of March – levels not seen since 1985. We had already warned in last year's Annual Report of a potential uptick in inflation, but the current situation has far exceeded our expectations. Although it is true that part of this increase may have a cyclical component, the impact on citizens' savings and disposable income is very worrisome, with the possibility of high inflation rates and low economic growth becoming a chronic scenario, and the consequent loss of competitiveness in an economy like Spain, with relatively low productivity rates and an inflexible labour market.

Although the pace of normalisation of the monetary policy in Europe is still unknown, the more-than-likely increases in interest rates and the lower purchases of public debt by the European Central Bank will contribute to increasing financing costs for all economic actors and, especially, for the Public Treasury itself, whose debt has increased notably due to the mentioned measures to alleviate the impact of COVID-19. Thus, at the end of 2021, public debt in Spain was at 118% of GDP, one of the highest figures in more than a century. Although the percentage of government debt over GDP benefited from GDP growth in 2021, government debt continued to increase in the year, to €1.4 trillion (+6.1%), and the public deficit, although lower than in 2020, was still very high, reaching 6.9% of GDP. As we already stated in the previous Annual Report, we expect these worrying levels will not improve in the coming years as public deficits will foreseeably remain high. Although the increase in indebtedness has been widespread in all countries, the pandemic has only worsened the weakness of our public accounts, particularly in the face of rising interest rates, which is no longer just a possibility but has now become a real threat. Therefore, we think that significant reforms may be necessary to deal with the new macroeconomic scenario, also including the traditional problems of the Spanish economy, such as the lack of flexibility of our labour market, structural and youth unemployment, the sustainability of public pensions and the improvement and modernisation of our education system.

To finish this macroeconomic section on a more positive note, we would like to highlight, on the one hand, the notable recovery in employment during 2021 and, on the other hand, the significant allocation of European recovery funds to Spain that represents a good opportunity to accelerate the modernisation of our country in areas such as new technologies, renewable energy, etc. With regards to the labour market, it is noteworthy that at the end of 2021, levels prior to the pandemic had been recovered, both at the employment level as well as in the number of unemployed and the unemployment rate – although this data has been positively affected by the temporary workforce reduction programmes ("ERTEs") carried out during the pandemic, with their extensions having just ended.

Stock markets, meanwhile, performed very positively in 2021, with widespread increases driven by the economic reopening, demand and savings accumulated during lockdowns and, significantly, by continued expansive monetary policies, which, as we have already discussed, were substantially extended to alleviate the effects of the pandemic.

Among the world's major stock markets, the most notable performance was seen in the North American indexes, which reached new all-time highs: the S&P 500 (+26.9%), the Nasdaq 100 (+21.4%) and the Dow Jones (+18.7%). These increases were accompanied this time round by strong revaluations also seen in many of the European markets, led, for example, by the French CAC 40 (+28.9%), the Dutch and Swedish indexes (+27.7% each) or the Italian Mibtel (+22.5%), while the German DAX and the British FTSE 100 went up by 15.7% and 14.3%, respectively. For its part, the Ibex 35 performed positively, but less markedly so than the rest of European indexes (+7.9%), and is one of the few indexes on the continent that had not recovered to pre-pandemic levels by the end of 2021.

The worst annual performance among major global indexes was in the Chinese market (-5.2% in the China 300 and -14.1% in the Hang Sheng) and the Brazilian Bovespa (-11.8%).

The buoyant market tone was quickly truncated in the first few weeks of 2022 by the sharp rise in commodity prices and inflation in general as well as by geopolitical instability, with sharp declines in the first few days of the Russian attack on Ukraine. While most indexes have recovered in recent weeks from strong initial declines, almost all of them finished the first quarter in negative figures.

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Although, at the stock market level, the initial impact of the war has, in many cases, been recovered or even exceeded, we recommend that investors be extremely prudent because of the effect that the current environment can have on business results and the potential reduction in market valuations as a result of rising interest rates. At Alba, we remain true to our philosophy of maintaining a long-term vision, with low indebtedness, an adequate balance between profitability and risk and prioritising those companies with strong balance sheets and management models. The key to investment in the equity markets in the medium and long term ultimately lies in the growth of profits and cash flow of the companies and we believe that good long-term investment opportunities could be found even in the current context.

If we now focus on the performance of Alba In 2021, the Net Asset Value ("NAV") rose by 26.2% in the year to €5,433 million at the end of the year. NAV per share grew by the same rate, ending the year at €93.29 per share.

However, in the first months of 2022, until 31 March, the NAV and NAV per share fell by 4.4%, down to €5,195 million and €89.20 per share, respectively.

In addition, the Alba share price increased by 32.2% in 2021, to €51.50 per share at the end of the fiscal year, with a better performance than Eurostoxx 50 (+21.0%) and Ibex 35 (+7.9%).

In the first quarter, the share price rose by 2.9%, to €53.00 per share, compared to the 3.6% drop for Ibex 35 and 9.2% drop for Eurostoxx 50.

As for **Alba's results,** in 2021 it achieved a consolidated net profit of €302.7 million after tax, compared to losses of €102.4 million in the previous year. This strong recovery was mainly due to the substantial improvement in the results of practically all of our investee companies, some of which suffered notably in 2020, both due to the lower activity caused by the pandemic and the significant impairment of assets that was accounted for by several of them. Additionally, the results were favoured by the increase in the fair value of financial instruments and the capital gains obtained in various sales of assets and financial investments.

Alba made a net profit of €5.20 per share in the fiscal year, compared to a net loss of €1.76 in 2020.

In this report, you can find a more detailed analysis of the various items that make up Alba's Profit and Loss Statement and the Balance Sheet, as well as information about the performance of our investee companies in the 2021 financial year.

In 2021, the volume of **investments** amounted to €964.0 million, a record year in both the volume of funds invested and the number of investments made. This amount compares to the €67.3 million invested in 2020 and includes the following investments:

- The purchase of an indirect stake of 12.28% in Atlantic Aviation for €312.2 million, through KKR Apple Holdings Corporation. With a presence in 78 airports in the United States, Atlantic Aviation is one of the leading providers of airport services for private and corporate aviation in the country.

- The purchase of an indirect stake of 14.68% in ERM Worldwide Group Limited for €249.4 million, through the acquisition of a 15.97% stake in Nature Topco UK Limited. ERM is based in London and is the world's leading Company specialising in environmental, sustainability and health and safety consulting services.

- The purchase of a 23.71% stake in Profand Fishing Holding through an investment of €101.0 million, by means of the purchase of shares and the subscription of a capital increase aimed to support the Company's organic and inorganic growth. Profand is one of the leading companies in the fishing sector in Spain and a world leader in the fishing and marketing of cephalopods. It has mining activities and processing plants in Spain, the United States, Argentina, Morocco, India, Peru and Senegal.

- The acquisition of a 3.13% share in Befesa for €70.0 million, in the context of the capital increase carried out by Befesa to finance the acquisition of American Zinc Recycling in the United States. With this investment, Alba increased its share in Befesa to 5.10%.

- The purchase of the office building located at Paseo de la Castellana 42 in Madrid for €54.5 million.

- Increase in stakes in Viscofan (0.93%) and Ebro Foods (0.44%), for €25.0 million and €11.4 million, respectively.

- The contribution of €13.3 million in a capital increase in Piolín II, a Company through which an indirect stake in Parques Reunidos is held, to finance the acquisition of an amusement park in the United States.

- Other financial investments for a total amount of €127.2 million.

On the other hand, **divestments** were made in 2021 for a total amount of €461.9 million, among which the following stand out:

- The sale of its entire stake in Euskaltel (11.00%), for €216.2 million, as part of the takeover bid of Grupo MásMóvil.

- The sale of shares representing 7.32% of the share capital of Indra Sistemas for €127.4 million. At the end of the year, Alba held a 3.21% stake in the capital of this Company.

- The sale of 1.57% of Acerinox for €49.5 million.

- The sale, through Deyá Capital, of the 16.83% stake in Alvinesa, for €48.4 million.

- And the sale of several properties in Madrid, for a total of €20.4 million.

As a result of these asset purchases and sales, Alba's net cash – excluding the impact of the global consolidation of Satlink, Nuadi and Preving (companies held through Deyá Capital) – was reduced substantially, from €522.8 million at the end of 2020 to €181.5 million at the end of 2021. Despite the reduction, this cash position, together with Alba's prudent debt capacity, gives our Company an important financial capacity to undertake new investments. True to its philosophy of prudence and long-term vision, Alba continues to analyse new investment opportunities in listed and unlisted companies in both Spain and internationally.

Among the transactions announced or completed after the end of the fiscal year and until 31 March 2022, the most significant include the investment of €94.9 million in the purchase of a minority stake (2.77%) in the listed Italian technology company Technoprobe, the sale, through Deyá Capital, of the stake in Satlink for €48.5 million – of which €9.4 million was reinvested in Satlink itself as part of the sale agreement – and the sale of a real estate property in Madrid for €7.5 million.

With regard to the **rules and practices of good corporate governance,** Alba has continued its efforts to incorporate into its internal regulations and practices both the new rules that have been introduced and the recommendations on good corporate governance.

As regards internal regulations, amendments to the Articles of Association were made during 2021, the Regulations of the General Meeting and the Regulations of the Board of Directors in order to adapt them to Act 5/2021, of 12 April, in particular with regard to holding General Shareholders' Meetings exclusively by teleconference, to the approval of the Statement of Non-Financial Information and related operations as well as to the remuneration of the directors for the performance of executive functions.

On the other hand, and taking into account the amendment to the Code of Good Governance for Listed Companies approved by the CNMV (Spanish Stock Exchange Regulator) on 26 June 2020, the Sustainability and Communications policies were updated that same year and, for the same purpose, a new Corporate Governance Policy was approved in early 2021, which has taken into account the modifications of the other corporate policies and the resulting organisational changes.

The organisational changes include the composition of the Board of Directors, which, on the occasion of the General Meeting held in June 2021, was reduced from twelve members to ten, of which three are "proprietary directors", six "independent directors" and one holds the category of "other external director". This composition of the Board is considered appropriate to the Company's capital structure and is also balanced in terms of knowledge, experience and different types of the board members.

Regarding gender diversity in the composition of the Board, following Recommendation 15 of the Code of Good Governance for Listed Companies (new wording approved by the CNMV on 26 June 2020), in 2020 the Board set an objective for the least represented sex on the Board of Directors to reach 40% of its total members and the guidelines for complying with this, and this objective was reached at the General Meeting held on 21 June 2021.

Also at the proposal of the Appointments and Remuneration Committee, during 2021 the Board proceeded to its evaluation according to the approved matrix of competencies. However, a new competency matrix has been approved in early 2022 and will be considered for upcoming evaluations.

Likewise, in 2021 the Company complied with all the applicable recommendations of the Code of Good Governance for Listed Companies, approved by the CNMV in 2015 and amended in 2020. Specifically, out of a total of 64 recommendations, 53 are applicable, 52 of which are fully complied with and only one complied partially.

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

With regard to the **distribution of profit for the year,** the Board of Directors has proposed to the General Shareholders' Meeting the distribution of an ordinary dividend of €1.00 gross per share for 2021, which will entail the payment, subject to prior approval by the General Shareholders' Meeting due to be held in mid-June, of €0.50 gross per share. This dividend would be complementary to the one of the same amount paid in October last year.

Finally, as usual, I would like to finish this letter by expressing, on behalf of the entire Board of Directors, our gratitude to all of the employees of our Company and of all our investee companies for their professionalism, enthusiasm and dedication, and all of you, our shareholders, for your trust and support.

Sincerely,
Carlos March Delgado