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 this year to inform you about the progress of Alba and its main investee companies in the past financial year and in the first months of 2023.

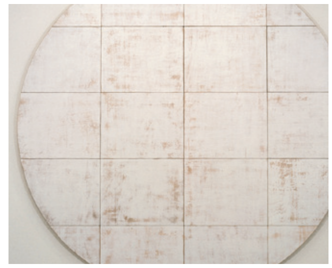
Once the worst of the COVID-19 pandemic was overcome, 2022 was marked by the Russian invasion of Ukraine and a notable increase in inflation in major global economies, which prompted a substantial change in their monetary policies.

The **Ukraine** war, which started at the end of February last year, represents the first large-scale war in Europe since the end of World War II. Apart from a harrowing human tragedy, the conflict is having multiple geopolitical and economic consequences and poses a threat to European and global stability. It is also taking place in a context of increasing polarisation between the two great superpowers, the United States and China, with long-term implications such as increased trade and technological barriers and higher defence spending.

The increased geopolitical risk, the strong sanctions applied by Western countries against Russia and the direct and indirect effects of the war on the supply of certain raw materials had a very significant initial impact on energy prices, especially in Europe, where gas and electricity prices reached record highs in the middle of last year.

Although the price situation has moderated considerably in recent months, it should be noted that prices are still high compared to the average of previous years and that the war in Ukraine seems far from over, so the risk of further turbulence is still very high. In this sense, and if the conflict is not resolved sooner, the level of natural gas inventories for the coming winter, as well as access to alternative sources, mainly via methane carriers from the United States and the Middle East, could once again be key for Europe.

As indicated at the beginning, the second aspect of the year's development was the widespread increase in **inflationary tensions,** which were already detected in the second half of 2021 and which were exacerbated by the strong increase in energy costs mentioned above. In this sense, it should be noted that, apart from the conflict in Europe, these tensions originate both in the rapid post-pandemic economic recovery and in the expansive monetary and fiscal policies adopted by



many States and Central Banks to alleviate the effects of the pandemic.

These measures were necessary to avoid a major crisis in terms of liquidity and solvency, but have contributed to aggravating several of the imbalances previously existing in many countries, especially at the level of debt and public deficit, which have joined the significant increase in inflation.

Already in last year's Annual Report, dated at the end of March, we warned of a potential uptick in inflation, but its evolution has since far exceeded our expectations. Thus, the price increase was at record levels for the last thirty or forty years in many of the main global economies, reaching, for example, 10.8% year-on-year in Spain in July 2022.

While it is true that a relevant part of such inflation originates from junctures such as the substantial increase in prices of many raw materials – especially energy – and tensions in post-pandemic supply chains, there are other components, usually included in the underlying inflation rates, which are more concerning and which could indicate some constriction of inflationary trends in economic activity. An example of this phenomenon is the CPI data for the month of March 2023 in Spain, recently published by the National Statistics Institute, which shows a substantial moderation of the general inflation rate to 3.3% year-on-year, but a still high level of core inflation at 7.5% year-on-year.

As we also noted last year, this environment of high inflation has led to inevitable **interest rate** hikes. These have materialised in a very significant way since mid-2022, with large increases and, above all, speed, if we consider them from a historical perspective. Thus, the Federal Reserve raised the US interest rate from 0.25% in March 2022 to 4.75% in just one year, while the European Central Bank raised it from 0.50% in July last year to 3.50% in March of this year. In the case of the United States, interest rate hikes have been accompanied by other measures aimed at counteracting the monetary base expansion measures of recent fiscal years.

It seems important to us to note that, so far, this notable change in monetary policy is not translating into an economic or employment contraction. However, monetary measures, both expansionary and restrictive, always show some delay in making their impact on economic activity evident, and it is therefore too early to assess whether they will result in a moderation of growth or a deeper recession. In this regard, the impact of the measures taken is likely to begin to be seen in the coming months and, almost certainly, in the second half of the year.

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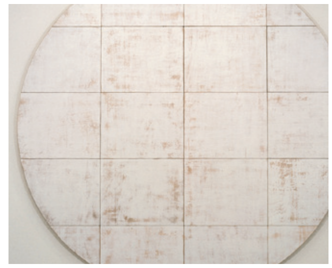
It should not be forgotten that, although at a slower rate than in 2020 and 2021, many States still maintain expansive fiscal policies that are helping to alleviate the effects of the change in monetary policy. In any case, interest rate rises will gradually increase the financing costs of governments, which, together with higher debt levels than before the pandemic, will increase the pressure on public budgets, forcing many governments to raise the tax burden on companies and households and/or reduce public spending and investment, all of which are contractionary decisions.

In this regard, **macroeconomic data** for 2022 does not show an obvious slowdown in growth due to the factors indicated above, although substantial moderation is expected in 2023 and beyond. As for last year, we do not think it is worth focusing too much on specific data at the international level, beyond the fact that economic growth remained strong in most countries, albeit at a slower pace than in 2021, as it was driven by the reopening of business after the pandemic, except in certain countries such as China.

In the case of **Spain** real GDP grew by 5.5% in 2022, very similar to the previous year, after the 10.8% drop in 2020. In 2021, the recovery in Spain was slower than in other countries as a result of our high exposure to the tourism sector, the lower weight of export activity and the lack of flexibilities in our labour market. However, the Spanish economy was able to maintain high growth in 2022 despite the impact of the increase in energy costs: although it is true that final growth for the year was lower than expected before the war, it practically managed to recover the pre-pandemic level of GDP in 2019, and the cumulative growth for 2021-2022 is similar to that of the main European Union countries.

This economic growth has translated into a good performance of **employment,** with a substantial increase in the number of the employed and a reduction in the number of the unemployed, in both cases with better data than before COVID-19. According to the Active Population Survey, the unemployment rate at the close of 2022 was 12.9%, which is the lowest year-end level since 2007. However, changes in recruitment patterns may be distorting the historical comparison downwards.



Public debt in Spain stood at 116% of GDP at the end of 2022, slightly below the historical highs of 118-120% reached in the previous two years. Although this percentage benefited from the strong GDP growth already indicated, public debt continued to increase in 2022, to €1.5 trillion (+5.4%) with a public deficit of 4.8% of GDP, which is lower than that of previous years, but still very high. As we indicated in the last Annual Reports, the pandemic has only aggravated the situation of weakness in our public accounts, which we believe will start to become apparent once rate hikes have ceased to be a theoretical threat and become a reality. As explained above, the new monetary environment will significantly increase the pressure on public finances, making it even more necessary to adopt the far-reaching reforms that we have been suggesting for several years in terms of labour market flexibility, sustainability of public pensions and improvement and modernisation of our education system. In the current environment of higher interest rates and high indebtedness, these reforms will have to be structural and cannot be undertaken solely by increasing the tax burden on companies and households, especially if economic activity starts to falter.

Stock markets, meanwhile, underperformed in 2022, with widespread declines as a result of geopolitical uncertainties, strong rises in inflation and energy costs in Europe, lower economic growth prospects and, for the first time in many years, restrictive monetary policies.

Within major global equity markets, the negative performance of North American indices should be highlighted, after reaching all-time highs during 2021: the S&P 500 (-19.4%) and the Nasdaq 100 (-33.1%) presented the deepest downturns due to their strong exposure to technology companies, which have been heavily affected in valuation by higher interest rates and doubts about their growth, while the Dow Jones presented more moderate declines (-8.8%). The performance was similar in many European markets, such as the French CAC 40 (-9.5%), German DAX (-12.3%), Dutch AEX (-13.7%), Swedish OMX (-15.6%) or Italian Mibtel (-13.3%), while only the UK FTSE 100 performed positively among the main markets on the continent, with a revaluation of 0.9% in the year after having one of the worst performance in 2021. The Ibex-35 also performed negatively, but much more moderately than the rest of the European indices (-5.6%), thanks in part to its large exposure to the financial sector, one of the sectors that, a priori, will benefit most from the normalisation of interest rates.

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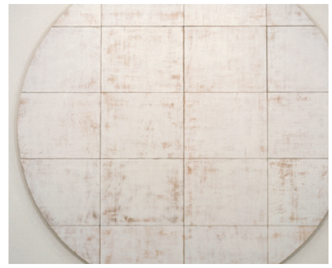
One of the most striking features of 2022 in the markets is that the downturns occurred simultaneously in both equities and bonds, and also had an impact on unlisted assets, such as the valuations of technology start-ups.

This poor market tone appeared to be outpaced in equity markets in the first quarter of 2023, with increases above 10% in major European indices – the Ibex-35 rose 12.2% – while in the US the S&P 500 rose by 7.0% and the Nasdaq 100 by 16.8%, in the latter case in reaction to the sharp fall of the previous year. However, the indices appear to have entered a sideways trend in recent weeks, driven primarily by variations and expectations regarding interest rates, but with strong sensitivity to issues arising in the regional banking sector in the United States and in certain European entities. These turbulences should serve, in our view, as a note to investors of the implications that changing monetary policy may have on the economy and markets.

Alba remains particularly cautious in the current environment since, in addition to the aforementioned factors, there is also the impact that an economic slowdown would have on business results, as well as a potential further correction in valuation multiples in an environment of higher interest rates and lower growth. In this regard, companies with higher valuation multiples and/or higher levels of indebtedness could be especially vulnerable, especially if they have a need to refinance part of their debt in an environment of higher rates in which, in addition, a restriction of credit and liquidity can occur.

As on previous occasions, we would like to emphasise that 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 investing in equity markets over the medium to long term ultimately lies in the performance and cash generation of companies and we believe that Alba could find good investment opportunities, even in the current environment, thanks to its long-term vision, flexibility and zero debt, especially compared to more debt-intensive alternatives.

If we now focus on the performance of **Alba** in 2022, the Net Asset Value (NAV) fell by 2.7% in the year to €5,289 million at the end of the year. NAV per share decreased by 4.3%, ending the year at €89.27 per share. The difference in the annual performance of NAV and NAV per share is explained by the capital increase at the end of the year as a result of the flexible dividend.



By contrast, in the first months of 2023, until 31 March, the NAV and NAV per share increased by 6.3%, up to €5,624 million and €94.93 per share, respectively.

Alba's share price fell by 16.2% in 2022 to €43.15 per share at year-end, with a worse performance than the Eurostoxx 600 (-12.9%) and the Ibex-35 (-5.6%).

In the first quarter of 2023, Alba's share price rose by 6.6% to €46.00 per share, compared to increases of 12.2% for the Ibex-35 and 7.8% for the Eurostoxx 600.

In terms of **Alba's results,** in 2022 it achieved a consolidated net profit after tax of €436.4 million, compared to a profit of €302.7 million in the previous year. This strong increase in earnings was mainly due to the positive performance of financial investments at fair value, as well as capital gains on various asset sales, which offset the slightly lower contribution of profits from our associated companies.

As a result, Alba posted a net profit of €7.37 per share for the year, compared to a net profit of €5.20 per share in 2021.

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 main investee companies in the 2022 financial year.

In 2022, the volume of **investments** amounted to €268.8 million, compared to €964.0 million in 2021, a record year in both the volume of funds invested and the number of investments made. The main investments made in 2022 were as follows:

- The purchase of a 3.26% stake in Technoprobe for €115.2 million. Technoprobe is an Italian company, world leader in the design and manufacture of probe cards, complex electro-mechanical interfaces used in the testing of microchips in the production of integrated circuits.

- The acquisition of an additional 3.55% stake in Befesa, for €57.5 million, to reach 8.66% at the end of the year.

- The purchase, through Deyá Capital, of various interests in Spanish unlisted companies such as Facundo, Satlink (reinvestment), Gesdocument and Preving for a total of €46.8 million.

- The increase in the stakes in CIE Automotive (0.62%), Viscofan (0.28%) and Ebro Foods (0.08%) for a total of €23.7 million.

- Other financial investments for a total amount of €25.6 million.

On the other hand, **divestments** were made in 2022 for a total amount of €168.0 million, among which the following stand out:

- The sale of the entire stake in Indra Sistemas (3.21%), for €62.3 million.

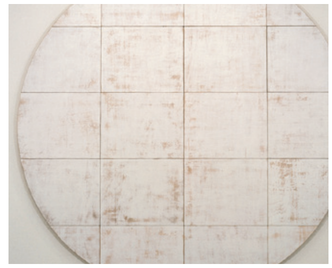
- The sale, through Deyá Capital, of the 28.07% stake in Satlink, for €48.5 million. The sale and purchase agreement included the reinvestment of €9.4 million, for an 7.20% stake, which is included within the investments made in the fiscal year.

- The sale of several real estate properties for €24.5 million.

- Other sales of corporate shares for €32.8 million, including the sale of a stake valued at €3.3 million in Facundo to bring in various co-investors.

As a result of these asset purchases and sales, Alba's net cash, excluding the impact of the full consolidation of Nuadi, Facundo and Gesdocument (companies held through Deyá Capital), was reduced from €182.5 million at the end of 2021 to €110.2 million at the end of 2022. This cash position, together with Alba's 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 beyond.

Among the transactions announced or completed after year-end and up to 31 March 2023, the sale of the entire stake in the private equity fund manager **Artá Capital** to the rest of its shareholders should be highlighted. In this way, Alba continues as a reference investor in the funds managed by Artá Capital, including a commitment to contribute €100.0 million in its third fund, but without being a shareholder of the fund manager.



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.

With regard to internal regulation and policies, in 2022, firstly, as a result of a strategic reflection that began in 2021, the Investment Policy was modified, with the changes mainly affecting the reinforcement of Alba's values and differentiating factors, its commitment to sustainability, geographical diversification, the type of investment in companies and the investment management models. On the other hand, in order to adapt the Board's Remuneration Policy to the new requirements established by the Capital Companies Act, after its amendment by Law 5/2021, it was agreed at the General Meeting to amend it and, along the same lines, changes were made to the Basic Conditions of contracts and the remuneration policy for Alba's executives.

In the organisational area, the process of internal management of insider information has been updated in accordance with the Market Abuse Regulation and Alba's Internal Code of Conduct and the designation of the persons responsible for potential insider information.

During the year, the Company's Risk Map was reviewed and some new risks were added to the monitoring carried out, and progress was made in the area of sustainability, with new commitments being established, both as a "responsible company" (transparency, environmental and social) and as a "responsible investor" (in the pre-investment, participation and divestment phases).

As regards gender diversity in the composition of the Board, following Recommendation 15 of the Code of Good Governance for Listed Companies and at the proposal of the Appointments and Remuneration Committee, in 2020 the Board set a target of 40% representation of the under-represented gender on the Board of Directors and the guidelines for meeting it, with this target having been achieved at the General Meeting held in June 2021 and the same percentage being maintained in 2022 and at the present time.

Also at the proposal of the Appointments and Remuneration Committee, during 2022 a new matrix of competencies has been approved that will be taken into account for the next selections of Board Members and in the evaluations of the Board.

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In relation to the evaluation of the Board, in accordance with recommendation 36 of the Code of Good Governance for Listed Companies, the Board of Directors has counted for the evaluation of its performance during 2022 with the collaboration of an external consultant, who has issued a report.

Also in relation to the recommendations of the Code of Good Governance for Listed Companies, it should be noted that, in 2022, Alba complied almost in its entirety with them. Specifically, out of a total of 64 recommendations, 54 were applicable, 52 of which were fully complied with and only two partially.

It is also worth mentioning that 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.

In relation to the **distribution of profits for the fiscal year,** at the end of 2022, a gross dividend of €0.993 per share was distributed, after approval of the Extraordinary General Shareholders' Meeting of Alba in the form of a flexible dividend or "scrip dividend". This dividend entailed a capital increase released for the delivery of 1,005,174 newly issued ordinary shares to shareholders who elected to receive such a dividend in shares. In total, in the financial year Alba distributed to its shareholders gross dividends equivalent to €1.493 per share, which translated into a disbursement of €41.0 million in cash and the delivery of the aforementioned shares of new issuance.

For 2023, the Board of Directors has proposed to the General Shareholders' Meeting a gross dividend of €0.98 per share, also in the form of a flexible dividend.

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