

**Alantra Partners, S.A.  
and companies  
comprising the Alantra  
Group**

Consolidated Financial Statements  
and Directors' Report  
as at and for the year ended  
31 December 2018 and  
the Audit Report thereon

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.*

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Alantra Partners, S.A.,

### Report on the Consolidated Financial Statements

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#### Opinion

We have audited the consolidated financial statements of Alantra Partners, S.A. ("the Company" or "the Parent") and companies that make up, together with the Company, the Alantra Group ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

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#### Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

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#### Key Audit Matters

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



## Recoverability of significant items of goodwill

### Description

The accompanying consolidated statement of financial position as at 31 December 2018 presents goodwill amounting to EUR 73,734 thousand (see Note 6 to the accompanying consolidated financial statements) arising on the acquisition of shares granting the Parent control over various companies. Of this goodwill, the EUR 21,843 thousand and EUR 35,474 thousand allocated, respectively, to the Alantra LLC Boston and Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP) cash-generating units (CGUs) are of particular significance.

As described in Note 3-h) to the accompanying consolidated financial statements, the cash-generating units to which the aforementioned goodwill was allocated are analysed at least annually to determine whether the goodwill has become impaired over the course of the year. The impairment assessment is a process that involves a certain level of complexity that requires Group management to make significant judgements, estimates and assumptions which are potentially significant in relation to the aforementioned goodwill and relate mainly to cash flow projections based on financial information and to the determination of appropriate discount and perpetuity growth rates.

Group management employed value-in-use models to perform the impairment test on the aforementioned goodwill, for which purpose it was assisted by an independent expert engaged by the Group.

We identified this matter as key in our audit, considering both the magnitude of the amounts affected and the high degree of judgement required of Group management when assessing the potential impairment of the aforementioned goodwill.

### Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process of assessing the potential impairment of goodwill, as well as the performance of tests to verify that the aforementioned controls operate effectively. In particular, those controls through which Group management supervises and approves the commissioning of work performed by the external expert engaged for this purpose.

We obtained the valuation reports of the expert engaged by Group management to analyse the recoverability of the goodwill allocated to the Alantra LLC Boston and Alantra Corporate Finance, LLP CGUs, and evaluated the competence, capability and objectivity of the expert and the adequacy of the expert's work for use as audit evidence.

With respect to the measurement model used, we evaluated, with the assistance of our internal valuation experts, the reasonableness of the cash flow projections performed and the discount and perpetuity growth rates used, assessing the consistency of the financial information upon which they are based, comparing the assumptions made with data obtained from internal and external sources and performing a critical assessment of the key assumptions of the value-in-use models used and of the consistency of the methodology applied. We also reviewed the clerical accuracy of the calculations.

Furthermore, in order to identify possible bias in the assumptions made by Group management and be able to evaluate the reasonableness of the estimates made, we compared the revenue growth rates used with the most recently approved business plans and budgets, reviewed whether they are consistent with market information and assessed Group management's historical accuracy in the preparation of the budgets and projections.

Lastly, we performed a sensitivity analysis of the key hypotheses and assumptions identified and checked that the disclosures included in Note 6



## Recoverability of significant items of goodwill

### Description

### Procedures applied in the audit

to the accompanying consolidated financial statements in connection with this matter are in conformity with the requirements of the applicable accounting regulations.

## Acquisition of an additional equity interest in Alantra AG involving obtainment of control

### Description

As described in Note 2.14 to the accompanying consolidated financial statements, in 2018 the Group acquired an additional ownership interest in Alantra AG. By means of this acquisition, the Group obtained control over this company, as it now holds 80% of the voting and dividend rights of Alantra AG. Simultaneously, an agreement was reached for, among other matters, the grant of cross put and call options on the 20% of the dividend and voting rights still held by non-controlling shareholders.

As a result, the Group accounted for the business combination, which gave rise to the recognition for accounting purposes of significant goodwill amounting to EUR 11,996 thousand.

In this context, the determination of the fair value of the assets acquired and of the liabilities assumed, of the fair value of the previously held equity interest (since the acquisition was achieved in stages), of the value attributed to the liability relating to the (non-controlling shareholders') put option and of the aforementioned goodwill arising on the acquisition date required the use of valuation techniques based on the historical financial information of Alantra AG and on the estimate of discounted future cash flows, which require significant judgements and estimates to be made with respect to the assumptions considered.

Therefore, we considered this matter to be a key matter in our audit.

### Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the acquisition of the additional equity interest in Alantra AG, as well as tests to verify that the aforementioned controls operate effectively. In particular, the controls through which Group management approves the acquisitions of significant ownership interests and verifies compliance with the main contractual terms and conditions established in transactions of this kind.

In relation to the aforementioned acquisition, we obtained the analysis conducted by Group management for the purchase price allocation, and verified the clerical accuracy of the calculations performed, paying particular attention to the measurement of the payment made in shares of the Group's Parent in consideration for the equity interest acquired.

With respect to the measurement model used by Group management, we evaluated the consistency of the historical financial information of Alantra AG used and, also, with the assistance of our internal valuation experts, we analysed the reasonableness of the cash flow projections made, evaluating the consistency of the financial information on which they are based and performing a critical assessment of the key assumptions used. In addition, we checked that the fair value attributed to the previously held equity interest and to the liability relating to the non-controlling shareholders' put option is consistent with the fair value to be deduced from the cost of the business combination determined



## Acquisition of an additional equity interest in Alantra AG involving obtainment of control

### Description

### Procedures applied in the audit

by Group management in accordance with the existing agreements between the parties.

We also obtained and analysed the key contractual documentation, reviewing, among other matters, its consistency with market information, and we performed certain substantive procedures on the financial statements of Alantra AG as at the acquisition date, such as obtaining confirmations and reconciliations of all the cash balances, reviewing the provisions for variable remuneration and performing certain tests of details for a representative sample of corporate finance transactions.

Lastly, we checked that the disclosures included in Notes 2.14 and 6 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

## Recognition of the success fee income received for financial advisory services provided (cut-off)

### Description

The Group's revenue relates mainly to fees received for the provision of financial advisory services to companies or entities in corporate finance transactions. A very significant portion of the total of the aforementioned fees relates to income for financial advisory services that is earned based on the success of the transactions (success fees).

Although the recognition of this success fee income, in terms of its quantification, is not normally very complex, and gives rise to accounts receivable that can be converted into cash in a short period of time, it does involve the consideration of specific circumstances relating to each customer that are associated with the various contractual terms and conditions agreed with respect to each transaction for which advisory services are provided, which determine the success of the transaction.

There is therefore a risk of the success fees being recognised in the incorrect reporting period, since their recognition depends on the achievement of various milestones established in the contractual terms and conditions under which the services are rendered.

Accordingly, this matter was an area of significant auditor attention in our audit.

### Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the recognition of the success fee income received for the provision of financial advisory services, as well as tests to verify that the aforementioned controls operate effectively. Specifically, those controls whereby Group management monitors the timing of achievement of the success milestone in the contractual terms and conditions under which the services are rendered and, therefore, oversees the proper recognition of the transactions in the correct period.

We also performed a combination of substantive analytical procedures and tests of details on a representative sample of corporate finance transactions, taken on selective bases, which consisted of obtaining all the associated contractual documentation, analysing the defined clauses and assessing whether the conditions established by the financial reporting framework applicable to the Group for recognising the income (milestone achievement) are met. Furthermore, we recalculated the fee income received by the Group in accordance with the aforementioned conditions for that sample of transactions.

In addition, we requested written confirmation for certain balances outstanding for which an allowance had not been recognised at 31 December 2018, in order to check with the customers the actual provision of corporate finance services at year-end. Where applicable, we questioned the successful outcome of the service provision under analysis by checking whether the aforementioned success fees had been collected.

Lastly, we checked that the disclosures included in Note 25 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.



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## **Other Information: Consolidated Directors' Report**

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

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## **Responsibilities of the Directors and Audit and Risk Control Committee of the Parent for the Consolidated Financial Statements**

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 and risk control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

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## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 the audit regulations in force 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 the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description forms part of our auditor's report.

## **Report on Other Legal and Regulatory Requirements**

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### **Additional Report to the Parent's Audit and Risk Control Committee**


The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and risk control committee dated 29 March 2019.

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### **Engagement Period**

The Annual General Meeting held on 25 April 2018 appointed us as auditors for a period of one year from the year ended 31 December 2017, i.e. for 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of three years and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 2015.



DELOITTE, S.L.  
Registered in ROAC under no. S0692

Alberto Torija  
Registered in ROAC under no. 20602

29 March 2019



## Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

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### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force 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 financial statements, 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 use by the Parent's directors 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 financial statements 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 financial statements. 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 Parent's audit and risk control committee 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 and risk control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and risk control committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and 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.



**ALANTRA PARTNERS, S.A. AND COMPANIES COMPRISING THE ALANTRA GROUP**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 2017 (NOTES 1 TO 4)**  
(Thousands of euros)

ASSETS	Notes	31/12/2018	31/12/2017 (*)	EQUITY AND LIABILITIES	Notes	31/12/2018	31/12/2017 (*)
<b>NON-CURRENT ASSETS:</b>		<b>137,283</b>	<b>122,690</b>	<b>EQUITY:</b>		<b>211,277</b>	<b>205,416</b>
INTANGIBLE ASSETS:				<b>SHAREHOLDERS' EQUITY:</b>		<b>206,039</b>	<b>202,922</b>
Goodwill	6	73,734	66,939	CAPITAL:			
Other intangible assets	6	192	1,271	Issued capital	15	115,894	111,518
PROPERTY AND EQUIPMENT	7	2,567	3,127	Less: Uncalled capital		-	-
INVESTMENT PROPERTY		-	-	SHARE PREMIUM	15	111,863	94,138
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	8	12,141	16,058	RESERVES	15	(30,933)	(15,364)
NON-CURRENT FINANCIAL ASSETS:				LESS: TREASURY SHARES AND OWN EQUITY INSTRUMENTS	15	(768)	(1,138)
At fair value through profit or loss	9	14,022	12,830	RETAINED EARNINGS (PRIOR-YEAR LOSSES)		-	-
At fair value through other comprehensive income	9	28,136	15,827	OTHER PARTNER CONTRIBUTIONS		-	-
At amortised cost	9	5,313	3,947	PROFIT FOR THE YEAR ATTRIBUTABLE TO THE CONTROLLING COMPANY	15 & 24	35,031	30,316
NON-CURRENT DERIVATIVES		-	-	LESS: INTERIM DIVIDEND	15	(25,048)	(16,548)
DEFERRED TAX ASSETS	20	1,178	2,691	OTHER EQUITY INSTRUMENTS	15	-	-
OTHER NON-CURRENT ASSETS		-	-	<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>		<b>(3,541)</b>	<b>(3,442)</b>
				ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD:			
				Equity instruments at fair value through other comprehensive income	9	(1,178)	32
				Other		-	-
				ITEMS THAT CAN BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD:			
				Hedging transactions		-	-
				Translation differences	3 -	(2,363)	(3,474)
				Share in other comprehensive income from investments in joint ventures and others		-	-
				Debt instruments at fair value through other comprehensive income		-	-
				Other		-	-
				<b>EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY</b>		<b>202,498</b>	<b>199,480</b>
				<b>NON-CONTROLLING INTERESTS</b>	16	<b>8,779</b>	<b>5,936</b>
				<b>NON-CURRENT LIABILITIES:</b>		<b>17,055</b>	<b>15,481</b>
				GRANTS		-	-
				NON-CURRENT PROVISIONS	17	2,090	886
				NON-CURRENT FINANCIAL LIABILITIES:			
				Bank borrowings, bonds and other marketable securities	18	2,446	2,350
				Other financial liabilities	18	11,053	9,799
				DEFERRED TAX LIABILITIES	20	1,466	2,025
				NON-CURRENT DERIVATIVES		-	-
				OTHER NON-CURRENT LIABILITIES		-	421
<b>CURRENT ASSETS:</b>		<b>183,659</b>	<b>157,397</b>	<b>CURRENT LIABILITIES:</b>		<b>92,610</b>	<b>59,190</b>
NON-CURRENT ASSETS HELD FOR SALE	10	12,078	-	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	10	11,048	-
TRADE AND OTHER RECEIVABLES:				CURRENT PROVISIONS		-	-
Trade receivables for sales and services	11	52,105	41,235	CURRENT FINANCIAL LIABILITIES:			
Other receivables	11	1,476	589	Bank borrowings, bonds and other marketable securities	18	-	-
Current tax assets	20	5,100	1,683	Other financial liabilities		2,105	2,905
CURRENT FINANCIAL ASSETS:				TRADE AND OTHER PAYABLES:			
At fair value through profit or loss		-	-	Payables to suppliers	19	6,529	7,446
At fair value through other comprehensive income		-	-	Other payables	19	58,767	45,244
At amortised cost	12	9,260	8,476	Current tax liabilities	20	12,345	3,305
CURRENT DERIVATIVES		-	-	CURRENT DERIVATIVES		-	-
OTHER CURRENT ASSETS	13	1,368	1,006	OTHER CURRENT LIABILITIES	13	1,816	290
CASH AND CASH EQUIVALENTS	14	102,272	104,408				
<b>TOTAL ASSETS</b>		<b>320,942</b>	<b>280,087</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>320,942</b>	<b>280,087</b>

(\*) Presented solely and exclusively for comparison purposes (see Note 2.7)

Notes 1 to 32 of the accompanying Notes to the consolidated financial statements and the Annex form an integral part of the consolidated statement of financial position at 31 December 2018

**ALANTRA PARTNERS, S.A. AND COMPANIES COMPRISING THE ALANTRA GROUP**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

**FOR THE YEARS ENDED**

**31 DECEMBER 2018 AND 2017 (NOTES 1 TO 4)**

(Thousands of euros)

	Notes	2018	2017 (*)
REVENUE:			
Revenue from rendering of services	25	204,382	141,046
Transfers to third parties for joint execution	25	(3,492)	(4,919)
OTHER OPERATING INCOME		2	14
PERSONNEL EXPENSES	26	(101,240)	(71,145)
OTHER OPERATING EXPENSES	27	(35,831)	(27,114)
AMORTISATION AND DEPRECIATION	6 & 7	(2,086)	(825)
NON-FINANCIAL AND OTHER CAPITAL GRANTS		-	-
IMPAIRMENT OF NON-CURRENT ASSETS	6 & 7	(2,907)	-
GAIN (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		-	-
OTHER INCOME (EXPENSE)		-	-
<b>OPERATING PROFIT</b>		<b>58,828</b>	<b>37,057</b>
FINANCE INCOME	9, 12 and 14	2,936	862
FINANCE COSTS	18	(109)	(71)
CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS	9	(343)	546
GAIN (LOSS) ON RECLASSIFICATION OF FINANCIAL ASSETS AT AMORTISED COST TO FINANCIAL ASSETS AT FAIR VALUE		-	-
GAIN (LOSS) ON RECLASSIFICATION OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		-	-
TO FINANCIAL ASSETS AT FAIR VALUE		-	-
EXCHANGE DIFFERENCES	3 - t	(167)	(498)
LOSS/REVERSAL OF LOSS ON IMPAIRMENT OF FINANCIAL INSTRUMENTS	28	(3,623)	40
GAIN (LOSS) ON DISPOSAL OF FINANCIAL INSTRUMENTS		-	-
Financial liabilities at amortised cost		-	-
Other financial instruments	28	2,615	3,327
<b>NET FINANCE INCOME</b>		<b>1,309</b>	<b>4,206</b>
SHARE OF PROFIT (LOSS) OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	24	2,453	3,433
<b>PROFIT BEFORE TAX</b>		<b>62,590</b>	<b>44,696</b>
INCOME TAX	20	(13,476)	(10,502)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>49,114</b>	<b>34,194</b>
PROFIT AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		-	-
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>		<b>49,114</b>	<b>34,194</b>
PROFIT ATTRIBUTABLE TO THE CONTROLLING COMPANY	24	35,031	30,316
PROFIT ATTRIBUTABLE TO NON CONTROLLING INTERESTS	16	14,083	3,878
<b>EARNINGS PER SHARE</b>			
Basic	4	0.93	0.85
Diluted	4	0.93	0.85

(\*) Presented solely and exclusively for comparison purposes (see Note 2.7)

Notes 1 to 32 of the accompanying Notes to the consolidated financial statements and the Annex form an integral part of the consolidated statement of profit or loss for the year ended 31 December 2018



# ALANTRA PARTNERS, S.A. AND COMPANIES COMPRISING THE ALANTRA GROUP

## **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017 (NOTES 1 to 4)**

(Thousands of euros)

	Notes	2018	2017 (*)
<b>CONSOLIDATED PROFIT FOR THE YEAR</b>		<b>49,114</b>	<b>34,194</b>
<b>OTHER COMPREHENSIVE INCOME – ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD:</b>		<b>(1,977)</b>	<b>526</b>
From revaluation (reversal of revaluation) of property and equipment and intangible assets		-	-
From actuarial gains and losses		-	-
Share in other comprehensive income from investments in joint ventures and associates		-	-
Equity instruments at fair value through other comprehensive income	9	(1,118)	(11)
Other income and expenses not reclassified to profit or loss for the period	16	(767)	32
<b>Tax effect</b>	20	(92)	505
<b>OTHER COMPREHENSIVE INCOME – ITEMS THAT CAN BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD:</b>		<b>1,111</b>	<b>(7,551)</b>
<b>Hedging transactions:</b>		-	-
Valuation gains (losses)		-	-
Amounts transferred to profit or loss		-	-
Amounts transferred to the initial carrying amount of hedged items		-	-
Other reclassifications		-	-
<b>Translation differences:</b>		<b>1,111</b>	<b>(4,283)</b>
Valuation gains (losses)	3 - t	1,111	(4,283)
Amounts transferred to profit or loss		-	-
Other reclassifications		-	-
<b>Share in other comprehensive income from investments in joint ventures and associates:</b>		-	-
Valuation gains (losses)		-	-
Amounts transferred to profit or loss		-	-
Other reclassifications		-	-
<b>Debt instruments at fair value through other comprehensive income</b>		-	-
Valuation gains (losses)		-	-
Amounts transferred to profit or loss		-	-
Other reclassifications		-	-
<b>Other income and expenses that can be subsequently reclassified to profit or loss for the period:</b>		-	<b>(3,268)</b>
Valuation gains (losses)		-	-
Amounts transferred to profit or loss	28	-	(3,268)
Other reclassifications		-	-
<b>Tax effect</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>48,248</b>	<b>27,169</b>
ATTRIBUTABLE TO THE CONTROLLING COMPANY		34,932	23,259
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	16	13,316	3,910

(\*) Presented solely and exclusively for comparison purposes (see Note 2.7)

Notes 1 to 32 of the accompanying Notes to the consolidated financial statements and the Annex form an integral part of consolidated statement of comprehensive income for the year ended 31 December 2018

**ALANTRA PARTNERS, S.A. AND COMPANIES COMPRISING THE ALANTRA GROUP**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017 (NOTES 1 TO 4).**  
(Thousands of euros)

	Equity attributable to the controlling company							Non- controlling interests	Total equity
	Shareholders' equity					Fair value adjustments			
	Capital	Share premium and reserves	Treasury shares and own equity instruments	Profit for the period attributable to the controlling company	Other equity instruments				
<b>CLOSING BALANCE AT 31 DECEMBER 2016 (*)</b> Adjustments for changes in accounting criteria Restatements to correct errors	<b>106,611</b>	<b>52,214</b>	<b>(1,138)</b>	<b>25,055</b>	-	<b>3,615</b>	<b>3,503</b>	<b>189,860</b>	
<b>ADJUSTED OPENING BALANCE AT 1 JANUARY 2017 (*)</b>	<b>106,611</b>	<b>52,214</b>	<b>(1,138)</b>	<b>25,055</b>	-	<b>3,615</b>	<b>3,503</b>	<b>189,860</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	-	<b>30,316</b>	-	<b>(7,057)</b>	<b>3,910</b>	<b>27,169</b>	
<b>TRANSACTIONS WITH PARTNERS OR OWNERS:</b>									
Capital increases (decreases)	4,907	15,269	-	-	-	-	-	20,176	
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	
Dividend distribution	-	(28,849)	-	-	-	-	-	(28,849)	
Transactions with treasury shares and own equity instruments (net)	-	-	-	-	-	-	-	-	
Increases (decreases) in equity resulting from business combinations	-	-	-	-	-	-	-	-	
Other transactions with partners and owners	-	(1,538)	-	-	-	-	(1,477)	(3,015)	
<b>OTHER CHANGES IN EQUITY:</b>									
Equity-settled share-based payments	-	-	-	-	-	-	-	-	
Transfers between equity items	-	-	-	-	-	-	-	-	
Other changes	-	25,130	-	(25,055)	-	-	-	75	
<b>CLOSING BALANCE AT 31 December 2017 (*)</b>	<b>111,518</b>	<b>62,226</b>	<b>(1,138)</b>	<b>30,316</b>	-	<b>(3,442)</b>	<b>5,936</b>	<b>205,416</b>	
Adjustments for changes in accounting criteria (Note 2.4)	-	(363)	-	-	-	-	-	(363)	
Restatements to correct errors	-	-	-	-	-	-	-	-	
<b>ADJUSTED OPENING BALANCE AT 1 JANUARY 2018 (*)</b>	<b>111,518</b>	<b>61,863</b>	<b>(1,138)</b>	<b>30,316</b>	-	<b>(3,442)</b>	<b>5,936</b>	<b>205,053</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	-	<b>35,031</b>	-	<b>(99)</b>	<b>13,316</b>	<b>48,248</b>	
<b>TRANSACTIONS WITH PARTNERS OR OWNERS:</b>									
Capital increases (decreases) (Note 15)	4,376	16,777	-	-	-	-	-	21,153	
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	
Dividend distribution	-	(25,048)	-	(7,698)	-	-	-	(32,746)	
Transactions with treasury shares and own equity instruments (net)	-	309	370	-	-	-	-	679	
Increases (decreases) in equity resulting from business combinations	-	-	-	-	-	-	-	-	
Other transactions with partners and owners	-	(3,380)	-	-	-	-	(10,473)	(13,853)	
<b>OTHER CHANGES IN EQUITY:</b>									
Equity-settled share-based payments	-	-	-	-	-	-	-	-	
Transfers between equity items	-	-	-	-	-	-	-	-	
Other changes	-	5,361	-	(22,618)	-	-	-	(17,257)	
<b>CLOSING BALANCE AT 31 DECEMBER 2018</b>	<b>115,894</b>	<b>55,882</b>	<b>(768)</b>	<b>35,031</b>	-	<b>(3,541)</b>	<b>8,779</b>	<b>211,277</b>	

(\*) Presented solely and exclusively for comparison purposes (see Note 2.7)

Notes 1 to 32 of the accompanying Notes to the financial statements are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018



**ALANTRA PARTNERS, S.A. AND COMPANIES COMPRISING THE ALANTRA GROUP**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017 (NOTES 1 to 4)**

(Thousands of euros)

	Notes	2018	2017 (*)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		<b>50,893</b>	<b>28,187</b>
Profit before tax		62,590	44,696
Adjustment to profit or loss-		1,078	(2,542)
Amortisation and depreciation	6 & 7	2,086	825
Other adjustments to profit (net)	9 & 28	(1,008)	(3,367)
Changes in working capital		16,571	(9,193)
Other cash flows used in operating activities-		(29,346)	(4,774)
Interest paid		-	-
Cash paid for dividends and remuneration of other equity instruments		-	-
Dividends received		-	-
Interest received		-	-
Income tax recovered (paid)	20	(1,268)	3,732
Other receipts (payments) from operating activities	9, 15 and 16	(28,078)	(8,506)
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		<b>(20,283)</b>	<b>3,458</b>
Cash paid for investments-		(24,476)	(26,955)
Group companies, associates and business units	2.14	(1,042)	(18,400)
Property and equipment, intangible assets and investment property	6 & 7	(4,870)	(1,202)
Other financial assets	9, 10 and 11	(18,435)	(7,331)
Non-current assets and liabilities classified as held for sale		-	-
Other assets		(129)	(22)
Cash received from divestments-		4,193	30,413
Group companies, associates and business units		-	133
Property and equipment, intangible assets and investment property		-	-
Other financial assets	9	4,193	30,280
Non-current assets and liabilities classified as held for sale		-	-
Other assets		-	-
Other cash flows from (used in) investing activities		-	-
Dividends received		-	-
Interest received		-	-
Other cash received from (paid on) investing activities		-	-
<b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>		<b>(32,746)</b>	<b>(28,849)</b>
Proceeds from (payments for) equity instruments-		-	-
Issuances		-	-
Redemptions		-	-
Acquisitions		-	-
Disposals		-	-
Proceeds from (payments for) financial liability instruments-		-	-
Issuances		-	-
Repayments and redemptions		-	-
Cash paid for dividends and remuneration of other equity instruments	4 & 15	(32,746)	(28,849)
Other cash flows from (used in) financing activities-		-	-
Interest paid		-	-
Other cash received from (paid on) financing activities		-	-
<b>EFFECT OF CHANGES IN EXCHANGE RATES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(2,136)</b>	<b>2,796</b>
Cash and cash equivalents, opening balance	14	104,408	101,612
Cash and cash equivalents, closing balance	14	102,272	104,408
Cash in hand and at banks		102,272	104,408
Other financial assets		-	-
Bank overdrafts repayable on demand		-	-

(\*) Presented solely and exclusively for comparison purposes (see Note 2.7)

Notes 1 to 32 of the accompanying Notes to the consolidated financial statements and the Annex form an integral part of the consolidated statement of cash flows for the year ended 31 December 2018

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.*

## **Alantra Partners, S.A. and companies comprising the Alantra Group**

Notes to the Consolidated Financial Statements  
for the year ended  
31 December 2018

### **1. Description of the Alantra Group**

Alantra Partners, S.A. (hereinafter, the Company) was incorporated on 11 November 1997 as Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A. The deed for the takeover of N Más Uno IBG, S.A. (hereinafter, N+1 IBG) by the Company was entered in the Madrid Companies Register on 20 July 2015. This transaction resulted in N Más Uno IBG, S.A. ceasing to exist and the Company changing its name to Nmás1 Dinamia, S.A. and also losing its status as a private equity firm. On 4 January 2017, as a result of the change to the Group's name, the Company changed its name to the present one (see further below).

The Company's corporate purpose therefore encompasses the following activities:

1. Provision of financial advisory services.
2. Management of any property or assets, in accordance with any prevailing legal requirements.
3. Acquisition and holding of shares and equity stakes in other companies whose corporate purpose is, pursuant to any prevailing legal requirements, financial brokerage, management of any type of asset including investment funds or portfolios of any type, and provision of all types of investment services.
4. Acquisition, holding and disposal of shares or equity stakes in any type of company; granting participating loans or other forms of finance to any type of company; investment in any securities or financial instruments, assets, movable property or real estate, or rights, in accordance with any prevailing legal requirements, in order to generate a return on said shares or equity stakes in companies and investments.

The activities comprising the corporate purpose may be performed by the Company in whole or in part, or indirectly through ownership of shares or equity stakes in companies with an identical or similar corporate purpose.

At 31 December 2018, the Company carried out its business in Spain from its offices at calle Padilla, 17 in Madrid. In 2018, the Company resolved to relocate its head office in the first quarter of 2019, which it had done by the date of this document. Consequently, the Company carries out its business from its new offices at calle José Ortega y Gasset, 29 in Madrid (see Note 27).

The Bylaws and other public information may be consulted at the Company's registered office and on its website ([www.alantra.com](http://www.alantra.com)).



The Company is the parent of a group (hereinafter, the Group or the Alantra Group) comprising various companies carrying out financial advisory and consultancy services to businesses and institutions in Spain and abroad. They also provide investment and associated services; advice on asset management; advice, administration and management for private equity firms, collective investment schemes (hereinafter, CISs) and companies involved in acquiring direct stakes in companies (see Note 2.14). Also, at 31 December 2018, the Group had a branch office in China, another one in Italy and one more in United Kingdom.

On 26 September 2016 the Company issued a Material Disclosure (*hecho relevante*) to the Spanish securities exchange authority, the Comisión Nacional del Mercado de Valores (CNMV), regarding the change in the trademark of the Group it heads. Since that date, the subsidiaries in the Alantra Group have approved the respective changes to their corporate names in order to replace "N+1", "Nmás1" or "Nplusone" with "Alantra". With respect to the Company, on 4 January 2017 there was entered in the Companies Registry the change of name from Nmás1 Dinamia, S.A. to Alantra Partners, S.A., previously approved by the General Meeting of 13 December 2016. With this new trademark (and registered corporate name), the Alantra Group (formerly known as the N+1 Group) has set the goal of creating a single distinctive mark that identifies a new stage in its development as a company with a strong international focus.

On 29 July 2015, the Company's 17,390,984 new shares were admitted to trading on the Madrid and Barcelona stock exchanges through the Spanish electronic trading platform (*Sistema de Interconexión Bursátil*). These shares were issued for exchange in the Takeover and added to the shares that the Company already had in circulation. Since that date, the Alantra Group's activity described in the paragraph above is therefore performed within a group whose parent is a listed company.

Alantra Equities, Sociedad de Valores, S.A. was incorporated on 10 January 2011. It was solely owned by Nmás1 Research, S.L. (both companies were subsequently merged to create Alantra Equities, Sociedad de Valores, S.A.). Since then, N+1 IBG regained its previous status as parent of a consolidable group of investment services companies. After the Merger, the Alantra Group continued to be a consolidable group of investment services companies and the Company become the parent thereof.

#### **Takeover of the former N Más Uno IBG, S.A. by the Company (reverse merger takeover)**

On 18 December 2014, the boards of directors of the Company and N Más Uno IBG, S.A. approved the merger of the Company with N+1 IBG. On 23 February 2015, the boards of both companies approved and co-signed the Joint Merger Plan for both companies. This Joint Merger Plan and the agreements on the Merger were signed off by both companies' shareholders at their respective general meetings held on 29 April 2015. The Merger involved the absorption of N+1 IBG (legal acquiree) by the Company (legal acquirer), with the winding up without liquidation of N+1 IBG and the *en bloc* transfer of all its assets and liabilities to the Company, which acquired by universal succession all N+1 IBG's rights and obligations. As a result of the Merger, N+1 IBG shareholders received shares in the Company by way of exchange, along with cash compensation as per Article 25 of the Act on Structural Changes to Companies to cover any unsettled fractions in one-to-one exchanges.

The Company's portfolio of holdings in investees was simultaneously spun off as part of the planned merger, and transferred en bloc to a new company, Nmás1 Dinamia Portfolio, S.L. (now known as Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A.), which was initially solely owned by the Company. This spin-off was the object of the corresponding Spin-off Plan prepared by the Company's Board of Directors who prepared the Joint Merger Plan and approved by the Company's shareholders at the same General Meeting at which the latter was signed off.

The merger balance sheets are those closed by N+1 IBG and the Company at 31 December 2014; both authorised for issue by shareholders at the respective general meetings. Moreover, irrespective of the fact that as legal acquiree, N+1 IBG legally ceases to exist, since the transaction met requirements to be considered a "reverse merger takeover for accounting purposes", the acquirer was N+1 IBG and the Company was the acquiree. Thus, the carrying amount of N+1 IBG's assets and liabilities was not affected by the Merger, while the assets and liabilities of the Company – acquiree for economic purposes, were recognised at fair value at the time of the Merger, without prejudice to the manner in which the aforesaid spin-off was recognised.

The Merger took effect for accounting purposes on 9 July 2015 when the merger deed was filed at the Madrid Companies Registry, carrying an entry date of 20 July 2015. The conditions precedent stipulated in the Joint Merger Plan had previously been met. The Merger was subject to the special tax regime established in Chapter VIII, Title VII of Act 27/2014 of 27 November, on corporation tax, which was reported to the Spanish tax authorities (see Note 20).

Details of subsidiaries, jointly-controlled entities and associates at 31 December 2018, and relevant information thereon, are provided below:



Present name	Registered office	Activity	% Shareholding	
			Direct	Indirect
<b>Controlling Company:</b> Alantra Partners, S.A.	Madrid	Financial advisory and consultancy services	n/a	n/a
<b>Subsidiaries:</b>				
Alantra International Corporate Advisory, S.L.U. (5) (14) (15)	Madrid	Holding, usufruct and disposal of shares and stakes in non-listed companies	100.00	-
Alantra Corporate Finance, S.A.U. (5)	Madrid	Financial advisory and consultancy services	-	100.00
Alantra Corporate Portfolio Advisors, S.L. (9) (14)	Madrid	Financial advisory and consultancy services	-	60.00
Alantra Corporate Portfolio Advisors International Limited (1)	London	Financial advisory and consultancy services	-	42.00
Alantra Corporate Portfolio Advisors, S.L. (9) (Ireland) Limited (formerly Alantra Ireland Corporate Finance Limited) (14) (17) (18)	Dublin	Financial advisory and consultancy services	-	42.00
Alantra s.r.l. (5)	Milan	Financial advisory and consultancy services	40.00	60.00
Alantra Corporate Portfolio Advisors (Italy), s.r.l. (1)	Milan	Financial advisory and consultancy services	-	100.00
Alantra Deutschland GmbH (5)	Frankfurt	Financial advisory services	-	100.00
Alantra France Corporate Finance SAS (5) (4)	Paris	Financial advisory services	21.00	79.00
Quattrocento, S.A.S. (2) (4)	Paris	Holding, usufruct and disposal of shares and stakes in non-listed companies	100.00	-
Alantra U.S. Corporation LLC (5)	Wilmington	Financial advisory services	-	100.00
Alantra, LLC (10)	Boston	Financial advisory services	-	100.00
Downer & Company, S.A.S. (11)	Paris	Financial advisory services	-	100.00
C.W. Downer & Co. India Advisors LLP (11)	Mumbai	Financial advisory services	-	99.00
Partnersalantra Portugal LDA (5)	Lisbon	Financial advisory services	-	85.00
Alantra Nordics AB (5)	Stockholm	Financial advisory services	-	80.00
Alantra Corporate Finance, B.V. (5)	Amsterdam	Financial advisory services	-	100.00
Alantra Greece Corporate Advisors, S.A. (5)	Athens	Financial advisory services	-	87.50
Alantra Chile SPA (5) (13)	Santiago de Chile	Financial advisory services	-	100.00
Alantra Belgium, NV (5) (16) (17)	Amberes	Financial advisory and consultancy services	-	85.00
Alantra Austria & CEE GmbH (5) (17) (18)	Vienna	Financial advisory services	-	70.00
Alantra AG (5)	Zurich	Financial advisory and consultancy services	55.00	25.00
Alantra Corporate Finance México, S.A. de C.V. (1) (5)	Mexico	Financial advisory services	-	99.99
Alantra Investment Managers, S.L.U. (7) (12)	Madrid	Financial advisory services	100.00	-
Alantra Private Equity Advisor, S.A.U. (7)	Madrid	Financial advisory and consultancy services	-	100.00
Nmás1 Private Equity International S.à.r.l. (7)	Luxembourg	General Partner of private equity investment firms	-	100.00
Alantra Capital Privado, S.G.E.I.C., S.A.U. (7)	Madrid	Administration and management of venture capital firms	-	100.00
Alantra Private Equity Servicios, S.L.U. (3)	Madrid	Financial advisory and consultancy services	-	100.00
Mercapital Private Equity, S.G.E.I.C., S.A.U. (7)	Madrid	Administration and management of venture capital firms	-	100.00
Paulonia Servicios de Gestión, S.L.U. (8)	Madrid	Financial advisory services	-	100.00
Partilonia Administración, S.L.U. (8)	Madrid	Financial advisory services	-	100.00
Mideslonia Administración, S.L.U. (8)	Madrid	Financial advisory services	-	100.00
Flenox, S.L.U. (8)	Madrid	Financial advisory services	-	100.00
Alteralia Management S.à.r.l. (7)	Luxembourg	General Partner of investment vehicles	-	100.00
Alteralia II Management S.à.r.l. (7) (17)	Luxembourg	General Partner of investment vehicles	-	100.00
Brooklin Buy-Out Limited (7) (18)	Dublin	General Partner of investment vehicles	-	100.00
Alantra EQMC Asset Management, S.G.I.I.C., S.A. (7) (12)	Madrid	Administration and management of CISs	-	60.00
EQMC GP LLC (12)	Wilmington	General Partner of investment vehicles	-	60.00
Alantra Asset Management, S.G.I.I.C., S.A.U.	Madrid	Administration and management of CISs	100.00	-
QMC Directorship, S.L.U. (6)	Madrid	Acquisition, holding, usufruct and disposal of shares and stakes of all kinds	-	100.00
Baruch Inversiones, S.L.	Madrid	Holding, usufruct and disposal of shares and stakes in non-listed companies	46.56	-
Alantra Equity and Credit Management, S.A.U.	Madrid	Financial advisory services	100.00	-
Alantra Debt Solutions, S.L.	Madrid	Financial advisory services	75.00	-
Alantra Infrastructure, S.L.U.	Madrid	Holding, usufruct and disposal of shares and stakes in non-listed companies	100.00	-
Alantra Equities, Sociedad de Valores, S.A.	Madrid	Investment and associated services	50.01	-
Alantra REIM, S.L.U.	Madrid	Acquisition, holding, lease, operation and disposal of real estate	100.00	-
Alantra Dinamia Portfolio II, S.L.	Madrid	Holding, usufruct and disposal of shares and stakes in non-listed companies	100.00	-
Alantra Capital Markets, Sociedad de Valores, S.A.U.	Madrid	Investment and associated services	100.00	-
Alantra Wealth Management, Agencia de Valores, S.A. (19)	Madrid	Investment and associated services	50.01	-
Alantra Wealth Management Gestión, S.G.I.I.C., S.A. (19)	Madrid	Administration and management of CISs	50.01	-
Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP) (18)	Birmingham	Financial advisory services	100.00	-

- (1) Companies incorporated in 2018.  
(2) Companies acquired in 2018.  
(3) Alantra Capital Privado, S.G.E.I.C., S.A.U. is sole shareholder of Alantra Private Equity Servicios, S.L.U.  
(4) On 25 July 2018, Alantra Partners, S.A. acquired all the shares of Quattrocento, S.A.S., through which it controls 19% of Alantra France Corporate Finance, S.A.S.  
(5) Alantra International Corporate Advisory, S.L.U. owns 100% of Alantra Corporate Finance, S.A.U. and Alantra Deutschland GmbH, 60% of Alantra, s.r.l. and Alantra France Corporate Finance SAS, 100% of Alantra Corporate Finance B.V. and Alantra U.S. Corporation, LLC, 85% of Partnersalantra Portugal LDA, 80% of Alantra Nordics AB, 87.5% of Alantra Greece Corporate Advisors, S.A., 100% of Alantra Chile SPA, 85% of Alantra Belgium, NV, 70% of Alantra Austria & CEE GmbH, 27.46% of Nplus1 Singer Ltd, 35% of Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş., 25% of Alantra AG and 99.99% of Alantra Corporate Finance México, S.A. de C.V. Also, on 25 July 2018, Alantra Partners, S.A. acquired additional interests of 55%, 40% and 21% in Alantra AG, Alantra, s.r.l. and Alantra France Corporate Finance, S.A.S., respectively.  
(6) Alantra Asset Management, S.G.I.I.C., S.A.U. owns 100% of QMC Directorship, S.L.U.  
(7) Alantra Investment Managers, S.L.U. owns 100% of Alantra Capital Privado S.G.E.I.C., S.A.U., Mercapital Private Equity S.G.E.I.C., S.A.U., Nmás1 Private Equity International S.à.r.l., Alantra Private Equity Advisor, S.A.U., Alteralia Management, S.à.r.l., Brooklin Buy-Out Limited and Alteralia II Management S.à.r.l., and 60% of Alantra EQMC Asset Management, S.G.I.I.C., S.A.  
(8) Mercapital Private Equity S.G.E.I.C., S.A.U. owns 100% of Paulonia Servicios de Gestión, S.L.U., Partilonia Administración, S.L.U., Mideslonia Administración, S.L.U. and Flenox, S.L.U.  
(9) On 4 July 2018, Alantra Corporate Finance, S.A. transferred 10% of Alantra Corporate Portfolio Advisors, S.L., and retained a 60% interest.  
(10) Alantra U.S. Corporation LLC owns 100% of Alantra, LLC.  
(11) Alantra, LLC owns 100% of Downer & Company, S.A.S. and 99% of C.W. Downer & Co. India Advisors LLP.  
(12) On 30 November 2018, Alantra Investment Manager, S.L.U. transferred all its ownership interest in EQMC GP, LLP to Alantra EQMC Asset Management, S.G.I.I.C., S.A.  
(13) Alantra Chile SPA owns 30.95% of Landmark Capital, S.A.  
(14) On 11 October 2018, Alantra International Corporate Advisory, S.L.U. sold and transferred all its ownership interest in the Irish company Alantra Ireland Corporate Finance Limited for EUR 3 thousand to Alantra Corporate Portfolio Advisors International Limited. Also, on 9 October 2018, Alantra Ireland Corporate Finance Limited changed its name to Alantra Corporate Portfolio Advisors International (Ireland) Limited.  
(15) On 8 and 9 December 2017, Alantra Partners, S.A. acquired all the shares held by the remaining non-controlling shareholders in Alantra International Corporate Advisory, S.L.U.  
(16) Following the capital increase carried out on 29 May 2018 and the acquisition of a further 10% interest by Alantra International Corporate Advisory, S.L.U. on 11 July 2018, the ownership interest in this company was 85%.  
(17) Companies incorporated in 2017.  
(18) Companies acquired in 2017.  
(19) On 14 December 2018, Alantra Partners, S.A. and Grupo Mutua reached an agreement (yet to be completed) for the acquisition by Grupo Mutua of approximately 25% of the shares of Alantra Wealth Management Agencia de Valores, S.A. and Alantra Wealth Management Gestión, SGIIC, S.A.

Listed below are the jointly controlled and associate companies at 31 December 2018, together with the key information on those entities:

	Registered office	Activity	% Shareholding	
			Direct	Indirect
<b>Holdings in jointly controlled enterprises</b>				
Alpina Real Estate GP I, S.A., in liquidation	Luxembourg	Silent Partner of a limited joint-stock partnership	50.00	-
Alpina Real Estate GP II, S.A., in liquidation	Luxembourg	Silent Partner of a limited joint-stock partnership	50.00	-
Alpina Real Estate GP, S.A., in liquidation	Luxembourg	Silent Partner of a limited joint-stock partnership	50.00	-
Phoenix Recovery Management, S.L.	Madrid	Acquisition, administration and Management of movable assets, securities portfolios and investments	50.00	-
Tertenia Directorship, S.L. (1)	Madrid	Acquisition, holding, lease, operation and disposal of real estate	-	50.00
<b>Holdings in associates</b>				
Nplus1 Singer Ltd (2)	London	Holding, usufruct and disposal of shares and stakes in non-listed companies	-	27.46
Nplus1 Singer Advisory LLP (3)	London	Financial advisory and consultancy services	-	27.46
Nplus1 Singer Capital Markets Ltd (3)	London	Investment and associated services	-	27.46
Landmark Capital, S.A. (4)	Santiago de Chile	Financial advisory services	-	30.95
Landmark Capital Asesoría Empresarial Ltda. (5)	Sao Paulo	Financial advisory services	-	30.95
Landmark Capital Argentina SRL (5)	Buenos Aires	Financial advisory services	-	30.94
Landmark Capital Colombia SAS (5)	Bogotá	Financial advisory services	-	30.95
Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. (2)	Istanbul	Financial advisory and consultancy services	-	35.00
Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş. (2)	Istanbul	Financial advisory and consultancy services	-	35.00
Nplus 1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş (6)	Istanbul	Financial advisory and consultancy services	-	28.00

(1) Incorporated and acquired by Alantra REIM, S.L.U. in 2018.

(2) Alantra International Corporate Advisory, S.L.U. owns 100% of Alantra Corporate Finance, S.A.U. and Alantra Deutschland GmbH, 60% of Alantra, s.r.l. and Alantra France Corporate Finance SAS, 100% of Alantra Corporate Finance B.V. and Alantra U.S. Corporation, LLC, 85% of Partnersalantra Portugal LDA, 80% of Alantra Nordics AB, 87.5% of Alantra Greece Corporate Advisors, S.A., 100% of Alantra Chile SPA, 85% of Alantra Belgium, NV, 70% of Alantra Austria & CEE GmbH, 27.46% of Nplus1 Singer Ltd, 35% of Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş and Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş, 25% of Alantra AG and 99.99% of Alantra Corporate Finance México, S.A. de C.V. Also, on 25 July 2018, Alantra Partners, S.A. acquired additional interests of 55%, 40% and 21% in Alantra AG, Alantra, s.r.l. and Alantra France Corporate Finance, S.A.S., respectively.

(3) Nplus1 Singer Ltd is sole equityholder of Nplus1 Singer Advisory LLP and of Nplus1 Singer Capital Markets Ltd.

(4) Alantra Chile SPA holds a 30.95% stake in Landmark Capital, S.A.

(5) Landmark Capital, S.A. solely owns Landmark Capital Asesoría Empresarial Ltda., and has a 99.96% stake in Landmark Capital Argentina SRL and 100% stake in Landmark Capital Colombia SAS.

(6) Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş. has an 80% stake in Nplus 1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş.

## **2. Basis of presentation of the consolidated financial statements and other information**

### ***2.1 Regulatory financial reporting framework applicable to the Group***

The accompanying consolidated financial statements were authorised for issue by the Company's directors in accordance with the regulatory framework applicable to the Group, which is established in the Spanish Commercial Code and corporate law, and therefore, pursuant to the International Financial Reporting Standards as endorsed by the European Union (hereinafter, IFRS-EU).

The takeover of N+1 IBG (legal acquiree) by the Company (legal acquirer) described in Note 1 resulted in the formation of a listed group of investment service companies, which was therefore required in 2015, for the first time, to prepare the consolidated financial statements pursuant to IFRS-EU.

The Group's consolidated financial statements as at and for the year ended 31 December 2018 were prepared in accordance with IFRS, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, under which all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with the IFRS previously adopted by the European Union.

According to the options available under IAS 1.81, the same as in previous years, the Group elected to present separately, first, a statement displaying the components of consolidated profit or loss and, secondly, a statement that begins with profit or loss for the period and displays the components of other comprehensive income for the period, which in these consolidated financial statements is termed "Other comprehensive income".

The Group's consolidated financial statements for 2017 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in keeping, basically, with the general format in CNMV Circular 1/2008, of 30 January 2008, on periodic reporting by issuers with securities admitted to trading on regulated markets in the form of six-monthly financial reports, interim management statements and, if appropriate, quarterly financial reports, and subsequent amendments thereto.

CNMV Circular 3/2018, of 28 June, on periodic reporting by issuers with securities admitted to trading on regulated markets, in the form of six-monthly financial reports, interim management statements and, if appropriate, quarterly financial reports, was approved on 29 June 2018, with the aim, inter alia, of adapting the Spanish accounting regime to the changes in European accounting regulations arising from the adoption of IFRS 15 and IFRS 9. In accordance with the single transitional provision of Circular 3/2018, the new formats will be applicable to the information to be submitted to the CNMV from 1 January 2019 onwards and, accordingly, the new financial statement formats will have to be used for the first time in the financial information at 2018 year-end to be submitted to the CNMV.

Therefore, the formats for the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, presented in this consolidated financial information of the Group for 2018, were prepared and are presented in accordance with the new financial statement formats required by Circular 3/2018, which in certain respects differ from the formats used in the Group's consolidated financial statements for 2017 under Circular 1/2008 (now repealed). The most significant differences between the two formats are described in Note 2.4 to these condensed consolidated financial statements.

## **2.2 Fair presentation**

The consolidated financial statements were prepared by the Company's directors at the Board meeting on 28 March 2019 in accordance with the financial reporting framework applicable to the Group and, in particular, the accounting principles contained therein, to present fairly the Group's consolidated equity and consolidated financial position at 31 December 2018, and the consolidated results of its operations and cash flows in the year then ended. The 2018 consolidated financial statements were prepared from the Company's accounting records and the individual records of the companies that comprise the Group. Since the accounting policies and measurement bases used in preparing the Alantra Group's 2018 consolidated financial statements may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with the IFRS adopted by the European Union.

These consolidated financial statements will be submitted for approval by shareholders at the General Meeting. It is expected that they will be approved without any changes. The 2017 consolidated financial statements were approved by shareholders on the general meeting held on 25 April 2018 and filed with the Madrid Companies Register.

Given the magnitude of the figures in the accompanying consolidated financial statements, the Company's directors prepared them including figures in thousands of euros.



The main accounting principles and measurement bases adopted by the Group (see Notes 2.14 and 3.) used to prepare the accompanying consolidated financial statements are the same as those used to prepare the audited consolidated financial statements for 2017, except for the new standards and interpretations entering into force in 2018 described in Note 2.4.

### **2.3 Non-obligatory accounting principles applied**

No non-obligatory accounting principles were applied. The directors also authorised for issue these consolidated financial statements by taking into account all the obligatory accounting principles and standards with a significant effect thereon. All obligatory accounting principles were applied.

### **2.4 Main regulatory changes taking place between 1 January and 31 December 2018**

*Principle standards, amendments to the existing standards and interpretations of standards entering into force in 2018:*

The following amendments to the IFRS and interpretations thereof has entered into force in 2018; some of them having any impact on the Alantra Group's consolidated financial statements.

The standards, amendments to existing standards and interpretations approved for use in the EU are described hereon:

- IFRS 9 "Financial instruments". On 24 July 2014, the IASB issued IFRS 9 which has replaced IAS 39 in the future and includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

#### *Classification and measurement of financial assets and liabilities*

The classification of financial assets will depend on the entity's business model for their management and the characteristics of contractual cash flows and will mean that financial assets will be measured at amortised cost, at fair value through changes in equity or at fair value through changes in profit or loss. The combined effect of the application of the business model and the characteristics of contractual cash flows may result in differences in the financial instruments measured at amortised cost or at fair value compared with IAS 39.

Investments in debt instruments that are maintained within a business model whose objective is to obtain the contractual cash flows that consist exclusively of payments of principal and interest will generally be measured at amortised cost. When those debt instruments are maintained within a business model whose objective is attained by obtaining contractual cash flows consisting of principal and interest and the sale of financial assets will generally be measured at fair value through changes in other comprehensive income. All other investments in debt and equity will be measured at fair value through changes in profit or loss. However, companies may irrevocably choose to present subsequent changes in the fair value of certain investments in equity instruments under "Other comprehensive income" and, in general, in such cases only dividends will subsequently be recognized in profit and loss.

The categories of financial instruments are similar to those currently contained in IAS 39 and therefore there should not be relevant differences, except for any requirement to record changes

in fair value related to own credit risk as a component of equity in the case of financial liabilities measured at fair value.

As a result of the analysis of the business model and the characteristics of contractual cash flows, certain accounting reclassifications have been made that affect both financial assets and any related financial liabilities.

The Group has estimated an immaterial impact on its statement of financial position and equity as a result of the new classification and measurement criteria established by IFRS 9. In particular:

- Interest-free loans to third parties associated with the gross profits or losses obtained by the lender, and receivables at amortised cost (mainly originating from the rendering of services by the Group), remain within a business model whose objective is to collect the contractual cash flows that solely consist of payments of principal and interest, if any, applicable to outstanding principal. These financial assets therefore continue to be measured at amortised cost in accordance with the application of IFRS 9.
- Interest-bearing loans to third parties associated with the gross profit or losses obtained by the lender classified at amortised cost at 31 December 2017 are now measured at fair value through changes in profit or loss (Non-current financial assets-at fair value through changes in profit or loss).
- Existing portfolio shareholdings relating to closed entities (basically venture capital companies and funds) that were classified as available-for-sale investments at 31 December 2017 and whose changes in fair value were recognized under equity but taken to profit or loss when sold, are now subject to the Company's irrevocable decision to classify them in the new category which does not allow the attribution of those amounts to profit or loss in the event the investment is sold, and only the dividends received are recognized in profit or loss (Non-current financial assets-At fair value through changes in other comprehensive income).
- Most investments in mutual funds and listed equities that were classified at 31 December 2017 as available for sale continue to be recognized at fair value, but changes in their value are recognized in profit or loss, which increases volatility (Non-current financial assets-At fair value through changes in profit or loss). The amount of retained earnings and losses, which totals approximately €1,000 net of the tax effect, and therefore immaterial, has been classified to reserves.
- All other financial assets and liabilities and, in particular, those measured at fair value through changes in profit or loss, continue to be measured using the same method previously applied under IAS 39.

#### *Impairment of financial assets*

Impairment requirements apply to financial assets measured at amortised cost and at fair value through changes in equity when involving lease agreements and certain loan commitments and financial guarantee agreements.

IFRS 9 requires the application of a model based on expected losses when determining the impairment of financial assets. Under that model the Group has recognized the expected loss, as well as changes in that amount at each reporting date, to reflect changes in credit risk since initial

recognition. In other words, it is no longer necessary for an impairment event to take place before recognising a credit loss.

A provision is required on initial recognition for the expected losses deriving from impairment events that may occur in the coming 12 months ("expected loss at 12 months").

In the event of a significant increase in credit risk, a provision is required for all possible impairment events that are expected over the life of the financial instrument ("expected loss over the duration of the entire transaction").

The assessment of whether the credit risk has significantly increased since initial recognition must be performed for each reporting period, taking into consideration the risk of non-compliance over the remaining life of the financial instrument. The assessment of credit risk and an estimate of expected losses must be carried out such that a weighted and unbiased estimate is obtained and it must include all relevant information available for the evaluation, including information regarding past events, current conditions and reasonable projections and be supported by future events and economic conditions at the reporting date. The objective is therefore that the recognition and the measurement of impairment take place further in advance on a prospective basis.

The Group has applied the simplified approach to recognize the expected credit loss over the life of its trade and other receivables. The Group applies its own trade receivables risk measurement model to estimate expected losses based on the likelihood of non-payment and the amount of exposure, taking into account the information available for each customer. This model has a general threshold of 12 months of delinquency in order to consider that objective evidence of impairment has arisen. These criteria are applied in the absence of other objective non-compliance evidence such as, among other things, bankruptcy situations. The rest of the financial instruments, essentially loans and other current and non-current financial assets measured at amortised cost, are individually monitored in order to determine when significant impairment of the credit risk may have occurred.

The estimate of the amount of any additional allocation required due to the application of the new model to the financial asset balances maintained at 31 December 2017 totals €362 thousand, and it is therefore immaterial. Each allocation reduces Reserves at 1 January 2018.

#### *Hedge accounting*

General hedge accounting involves changes due to the attempt to align the accounts with the financial management of the risk. IFRS 9 also allows hedge accounting to be applied to a larger variety of risks and hedge instruments. The standard does not cover the accounting of the so-called micro-hedge strategies. In order to avoid any conflict between the current accounting for micro-hedges and the new general system for hedge accounting, IFRS 9 includes an accounting policy option to continue applying hedge accounting in accordance with IAS 39.

This section is not applicable since the Group does not engage in hedge accounting.

#### *Impacts of first time application of IFRS 9*

The IASB established 1 January 2018 as the date of obligatory application of IFRS 9, with earlier application being permitted. The Group applied IFRS 9 retrospectively, without restating the comparative information (see Note 2.7).



The adoption of IFRS 9 involved amendments – applicable since 1 January 2018 – to certain accounting policies and measurement criteria. The accounting principles and policies and measurement criteria described in Note 3 replace the policies and criteria described in Note 3 to the audited consolidated financial statements of the Alantra Group for the year ended 31 December 2017.

The consolidated statement of financial position as at 31 December 2017, modified for presentation purposes only, is presented below compared with the consolidated statement of financial position authorised for issue as part of the statutory consolidated financial statements for 2017, in which the effects of adoption of the new classification and measurement criteria established in IFRS 9 were not taken into account. Thus, a description of the impact of initial application of IFRS 9 is provided, together with an indication of the significant differences between the consolidated financial statement formats established by CNMV Circular 3/2018 and the formats provided in CNMV Circular 1/2008 (see Note 2.1).

<i>Figures in thousands of euros</i>			<b>31/12/2017</b>	<b>Reclassification</b>	<b>31/12/2017 modified</b>
<b>ASSETS</b>	<b>IFRS 9</b>	<b>Note</b>			
<b>NON-CURRENT ASSETS:</b>			<b>122,690</b>	<b>-</b>	<b>122,690</b>
INTANGIBLE ASSETS:					
Goodwill			66,939	-	66,939
Other intangible assets			1,271	-	1,271
PROPERTY, PLANT AND EQUIPMENT			3,127	-	3,127
INVESTMENT PROPERTY			-	-	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD			16,058	-	16,058
NON-CURRENT FINANCIAL ASSETS:			32,604	-	32,604
Available-for-sale financial assets	Eliminated (*)	<b>a</b>	26,272	(26,272)	-
Loans	Eliminated (*)	<b>b</b>	3,832	(3,832)	-
Other financial assets	Eliminated (*)	<b>b</b>	1,129	(1,129)	-
At fair value through profit or loss	Name change (*)	<b>c</b>	1,371	11,459	12,830
At fair value through other comprehensive income	New line	<b>d</b>	-	15,827	15,827
At amortised cost	New line	<b>e</b>	-	3,947	3,947
NON-CURRENT DERIVATIVES	New line		-	-	-
DEFERRED TAX ASSETS			2,691	-	2,691
OTHER NON-CURRENT ASSETS			-	-	-
<b>CURRENT ASSETS:</b>			<b>157,397</b>	<b>-</b>	<b>157,397</b>
NON-CURRENT ASSETS HELD FOR SALE			-	-	-
TRADE AND OTHER RECEIVABLES:					
Trade receivables for sales and services			41,235	-	41,235
Other receivables			589	-	589
Current tax assets			1,683	-	1,683
CURRENT FINANCIAL ASSETS:	Name change				
At fair value through profit or loss	New line		-	-	-
At fair value through other comprehensive income	New line		-	-	-
At amortised cost	New line		8,476	-	8,476
CURRENT DERIVATIVES	New line		-	-	-
OTHER CURRENT ASSETS			1,006	-	1,006
CASH AND CASH EQUIVALENTS			104,408	-	104,408
<b>TOTAL ASSETS</b>			<b>280,087</b>	<b>-</b>	<b>280,087</b>

(\*) Disclosures provided in Note 9 to the Group's consolidated financial statements for 2017.

<i>Figures in thousands of euros</i>					
<b>EQUITY AND LIABILITIES</b>	<b>IFRS 9</b>	<b>Notes</b>	<b>31/12/2017</b>	<b>Reclassification</b>	<b>31/12/2017 modified</b>
<b>EQUITY:</b>			<b>205,416</b>	-	<b>205,416</b>
<b>SHAREHOLDERS' EQUITY</b>			<b>202,922</b>	-	<b>202,922</b>
CAPITAL:					
Issued capital			111,518	-	111,518
Less: Uncalled capital			-	-	-
SHARE PREMIUM			94,138	-	94,138
RESERVES			(15,364)	-	(15,364)
LESS: TREASURY SHARES AND OWN EQUITY INSTRUMENTS			(1,138)	-	(1,138)
RETAINED EARNINGS (PRIOR-YEAR LOSSES)			-	-	-
OTHER PARTNER CONTRIBUTIONS			-	-	-
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE CONTROLLING COMPANY	Name change		30,316	-	30,316
LESS: INTERIM DIVIDEND			(16,548)	-	(16,548)
OTHER EQUITY INSTRUMENTS			-	-	-
			-	-	-
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>	Name change		<b>(3,442)</b>	-	<b>(3,442)</b>
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD:					
Equity instruments at fair value through other comprehensive income	New line	<b>f</b>	-	32	32
Other	New line		-	-	-
ITEMS THAT CAN BE SUBSEQUENTLY RECLASSIFIED- TO PROFIT OR LOSS FOR THE PERIOD:					
Available-for-sale financial assets	Eliminated	<b>f</b>	32	(32)	-
Hedging transactions			-	-	-
Translation differences			(3,474)	-	(3,474)
Share in other comprehensive income from investments in joint ventures and others	New line		-	-	-
Debt instruments at fair value through other comprehensive income	New line		-	-	-
Other			-	-	-
EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY	Name change		199,480	-	199,480
NON-CONTROLLING INTERESTS	Name change		5,936	-	5,936

Figures in thousands of euros EQUITY AND LIABILITIES	IFRS 9	Notes	31/12/2017	Transfers	31/12/2017 modified
<b>NON-CURRENT LIABILITIES:</b>			<b>15,481</b>	-	<b>15,481</b>
GRANTS			-	-	-
NON-CURRENT PROVISIONS			886	-	886
NON-CURRENT FINANCIAL LIABILITIES:					
Bank borrowings, bonds and other marketable securities		<b>g</b>	2,350	-	2,350
Other financial liabilities		<b>g</b>	9,799	-	9,799
DEFERRED TAX LIABILITIES			2,025	-	2,025
NON-CURRENT DERIVATIVES	New line		-	-	-
OTHER NON-CURRENT LIABILITIES			421	-	421
<b>CURRENT LIABILITIES:</b>			<b>59,190</b>	-	<b>59,190</b>
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE			-	-	-
CURRENT PROVISIONS			-	-	-
CURRENT FINANCIAL LIABILITIES:					
Bank borrowings, bonds and other marketable securities		<b>g</b>	-	-	-
Other financial liabilities		<b>g</b>	2,905	-	2,905
TRADE AND OTHER PAYABLES:					
Payables to suppliers			7,446	-	7,446
Other payables			45,244	-	45,244
Current tax liabilities			3,305	-	3,305
CURRENT DERIVATIVES	New line		-	-	-
OTHER CURRENT LIABILITIES			290	-	290
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>280,087</b>	-	<b>280,087</b>

- (a) The equity instruments included under "Available-for-sale financial assets" at 31 December 2017 were reclassified to the new line items "Financial assets at fair value through other comprehensive income" (EUR 15,827 thousand) and "Financial assets at fair value through profit or loss" (EUR 10,445 thousand).
- (b) The loans, derivatives and other financial assets at amortised cost were reclassified to the new line items "At amortised cost" (EUR 3,947 thousand) and "Financial assets at fair value through profit or loss" (EUR 1,014 thousand) (see below).
- (c) The loans to third parties with interest tied to the gross profit or loss obtained by the borrower classified at 31 December 2017 as at amortised cost, amounting to EUR 758 thousand, are now measured at fair value through profit or loss. Also, most of the shares in collective investment undertakings and of the listed equity securities that were classified at 31 December 2017 as available-for-sale financial assets, amounting to EUR 10,445 thousand, continue to be measured at fair value, but with changes in their fair value recognised through profit or loss.
- (d) With regard to the portfolio investments relating to closed-end entities (basically venture capital firms and funds), which were classified as available-for-sale financial assets at 31 December 2017, amounting to EUR 15,827 thousand, the Group elected to irrevocably classify these investments in the new FVTOCI category, as a result of which it is not permitted to take the relevant amounts to profit or loss if the investment is sold, and only dividends received from the investments are recognised in profit or loss.
- (e) The loans to third parties without interest tied to the gross profit or loss obtained by the borrower and accounts receivable at amortised cost continue to be measured at amortised cost.
- (f) Transfer of the total balance classified under "Items that can be subsequently reclassified to profit or loss – Available-for-sale financial assets", arising from the portfolio investments relating to closed-end entities, amounting to EUR 32 thousand at 31 December 2017, to the new line item "Items that will not be subsequently reclassified to profit or loss for the period – Equity instruments at fair value through other comprehensive income".
- (g) Debt instruments carried at amortised cost. At 31 December 2017, they were not disclosed at line item level, but at heading level, showing the aggregate balance.



The impacts of initial application of IFRS 9 on the consolidated statement of financial position as at 31 December 2017, modified for presentation purposes to arrive at the consolidated statement of financial position as at 1 January 2018, comprise the effect of changes in the measurement of financial instruments due to their new classification, amounting to EUR 1 thousand, net of the related tax effect, and the effect of impairment losses under the new standard, amounting to EUR 362 thousand, which resulted in a reduction in reserves at 1 January 2018. These effects are not material to the Group's consolidated financial statements.

The impact of the first application on the Group's financial statements is analysed below:

	Thousand euro				
	IAS 39 31/12/2017	Reclassification	Modified 31/12/2017	Valuation adjustments and impairment losses	IFRS 9 Opening statement of financial position 01/01/2018
<b>Assets</b>					
<i>Non-current financial assets</i>					
Available for sale	26,272	(26,272)	-	-	-
At fair value through profit or loss	1,371	11,459	12,830	(1)	12,829
At fair value through other comprehensive income	-	15,827	15,827	-	15,827
Loans (cost)	3,832	(758)	3,074	(36)	3,038
Other financial assets (cost)	1,129	(256)	873	(13)	860
	<b>32,604</b>	-	<b>32,604</b>	<b>(50)</b>	<b>32,554</b>
<i>Trade and other receivables</i>					
Trade receivables for sales and services (cost)	41,235	-	41,235	(310)	40,925
Other receivables (cost)	589	-	589	-	589
	<b>41,824</b>	-	<b>41,824</b>	<b>(310)</b>	<b>41,514</b>
<i>Other current financial assets</i>					
Deposits (cost)	7,925	-	7,925	-	7,925
Other financial assets (cost)	551	-	551	(3)	548
	<b>8,476</b>	-	<b>8,476</b>	<b>(3)</b>	<b>8,473</b>

- IFRS 15 "Revenue from contracts with customers". Establishes the principles that a company must apply to recognize revenue and cash flows deriving from contracts with customers for the sale of goods or services.

Under this new standard, companies will recognise the revenue deriving from a contract with customers when it has satisfied its obligation to transfer goods or to perform services for its customers in accordance with the relevant contract, and a good or service is considered to have been transferred when the customer obtains control over the item. The amount that must be recognised will be that which reflects the payment that is expected for the transferred goods or services.

IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction contracts", IFRIC 13 "Customer loyalty programs", IFRIC 15 "Agreements for the construction of real estate", IFRIC 18 "Transfers of assets from Customers" and SIC 31 "Revenue-Barter transactions involving advertising services".

This standard entered into force on 1 January 2018 and did not have a material impact on the Group's consolidated financial statements.

- Amendment of IFRS 2 "Classification and measurement of share-based payments". The amendments made to IFRS 2 establish the requirements to be applied in three aspects:

- When measuring the fair value of a share-based payment settled in cash, conditions for the irrevocable nature of the grant other than market conditions will only be taken into account to adjust the number of shares to be included in the transaction amount.
- When a company retains a number of equity instruments that equals the cash value of the legal obligation to withhold taxes in a transaction that would be classified as a share-based payment settled using equity instruments, the entire transaction will be classified as a share-based payment settled using equity instruments.
- When a share-based payment that is settled in cash despite being classified as a share-based payment settled using equity instruments, the change will be recognised by eliminating the original liability and recognising the fair value of the equity instruments granted under equity for which goods or services were received on the change date. Any differences will be recognised immediately in the statement of profit or loss.

This standard entered into force on 1 January 2018 and did not have a material impact on the Group's consolidated financial statements.

- Amendment of IFRS 4 "Insurance contracts". The amendments made to IFRS 4 cover the accounting repercussions deriving from applying IFRS 9 before the future standard on insurance contracts through the introduction of two solutions whose application is optional:
  - The deferral or temporary exemption approach, which allows companies whose primary activities are related to an insurance business to defer the application of IFRS 9 and to continue applying IAS 39 until 2021.
  - The overlapping approach, which allows any company that issues insurance contracts to recognise in equity, instead of the statement of profit or loss, the additional accounting volatility arising from the application of IFRS 9 compared with IAS 39 prior to the application of the future standard regarding insurance contracts.

This standard entered into force on 1 January 2018 and did not have a material impact on the Group's consolidated financial statements.

- Amendment of IAS 40 "Reclassification of investment properties". The amendments establish that a company will transfer a property to, or from, investment properties only when there is a change in the use of a property supported by evidence that such a change has occurred. A change in use is considered to have taken place when the property meets, or ceases to meet, the definition of investment property.

This standard entered into force on 1 January 2018 and did not have a material impact on the Group's consolidated financial statements.

- IFRIC 22 "Foreign currency transactions and advance consideration". The interpretation covers how to determine the date of the transaction and, therefore, the exchange rate to be used to convert the related asset, expense or income on initial recognition in circumstances in which there was no previous recognition of a non-cash asset for advance consideration or a non-cash liability for deferred income deriving from the advance payment or collection of the consideration, and it establishes that the transaction date will be that on which the company initially recognises the non-cash asset or the non-cash liability. If there are several advance payments or collections, the company will determine a transaction date for each advance consideration payment made or received.

This standard entered into force on 1 January 2018 and did not have a material impact on the Group's consolidated financial statements.

- Improvements to IFRSs, 2014-2016 cycle. Minor amendments are made to a series of standards (IFRS 1 and IAS 28). The changes are effective for reporting periods beginning on or after 1 January 2018 and earlier application is permitted. These improvements entered into force on 1 January 2018 and did not have a material impact on the Group's consolidated financial statements

*The main standards, amendments to existing standards and interpretations of standards that have not entered into force at 31 December 2018:*

At the date these condensed consolidated financial statements were prepared International Financial Reporting Standards, and interpretations, had been issued and amended but were not mandatory at 31 December 2018. Although in some cases the early application of these standards, amendments or interpretations is allowed before entering into force, the Group has not yet applied them as it is analysing the effects that they could have.

The standards, amendments and interpretations approved for use in the European Union are set out below:

- IFRS 16 "Leases". It will enter into force on 1 January 2019 and replaces IAS 17 and the current associated interpretations. The main novelty is that there will be a single accounting model for lessees, which will include all leases that have an impact similar to current finance leases (the asset will be depreciated due to wear and tear and the financial expense at the amortised cost of the liability) in the statement of financial position (with some limited exceptions). There are substantially no changes in lessor accounting, so that lessors will continue to apply a model similar to that prescribed by IAS 17.

IFRS 16 is based on a control model for identifying leases and draws a distinction between leases of an identified asset and contracts to receive services. It includes certain practical expedients and allows short-term leases and leases of low-value assets to be accounted for directly as an expense.

The distinction between finance and operating leases is eliminated as there is a single lease accounting model in which all leases are recognised in the consolidated statement of financial position (an asset and an associated liability are recognised).

Entities must measure the lease liabilities at the present value of their lease payments. These liabilities will include fixed payments and in-substance fixed payments, as well as variable lease payments that depend on an index or a rate (such as a consumer price index or a reference interest rate). Lease liabilities do not include variable payments linked to future performance or use of an underlying asset (for example, variable payments dependent on sales).

In 2018 management conducted an analysis with the assistance of the areas concerned to assess the total effect of applying IFRS 16 on the Alantra Group's consolidated financial statements. This assessment indicated that, for arrangements that meet the definition of a lease under IFRS 16, the Group will recognise a right-of-use asset and the related liability unless they qualify as low-value or short-term leases. Accordingly, it is considered that the leases of offices of the controlling company and its subsidiaries will be basically recognised in the consolidated statement of financial position.



An entity may initially apply IFRS 16 using a full retrospective approach or a cumulative catch-up approach. If the entity elects to apply the second approach, it shall not restate comparative information, and shall recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of equity at the date of initial application.

With regard to the estimated effect on these consolidated financial statements, the Group has elected to apply the cumulative catch-up approach, whereby it will recognise lease liabilities at an amount equal to the present value of the future payment commitments at 1 January 2019. With respect to assets, the Group has elected to recognise right-of-use assets at an amount equal to the lease liabilities. The options for lessees will also be applied, which allow for non-recognition of lease liabilities and assets for right to use not to be recognised in the statement of financial position in the case of low-value lease agreements and short-term leases. As a result of this approach, the Group expects to recognise right-of-use assets and lease liabilities amounting to approximately between EUR 21,000 thousand and EUR 23,000 thousand. Although the Group does not expect any significant changes in these estimates, these figures could vary as a result of the review in progress at the date of preparing the accompanying consolidated financial statements.

- Amendment of IFRS 9 "Prepayment features with negative compensation". This amendment introduces changes to the SPPI test (solely payments of principal and interest) to allow, under certain circumstances, assets that are repaid early by the borrower and which involve the payment of compensation reflecting the changes in interest rates to be measured at amortised cost subject to the rest of the criteria established by IFRS 9.

This amendment will be applicable to all years commencing as from 1 January 2019, although early adoption is allowed.

- IFRIC 23 "Uncertainty over income tax treatments". This interpretation clarifies how the recognition and measurement criteria established by IAS 12 should be applied when there is uncertainty regarding the acceptance by tax authorities of a certain tax treatment used by the Company. The company must determine whether it will consider each tax treatment involving uncertainty separately or together with others based on an approach that allows for the best prediction as to the final outcome of the uncertainty and analysing whether the uncertainty will affect its financial statements. The company must also evaluate if the tax authorities will accept a certain tax treatment assuming that the authorities will review all tax items and will have access and knowledge of all related information. Finally, the interpretation requires that the company consistently apply judgments in the estimates of current and deferred taxes and that it reassess those judgments and estimates when there are changes in the facts and circumstances. The effect of those changes must be recognised as a change in estimates. This interpretation is applicable in all years commencing as from 1 January 2019.
- Amendment of IAS 28 "Non-current interests in associates and joint Ventures". Clarifies that IFRS 9 must be applied to non-current interests in associates and joint ventures if the equity method is not applied. This amendment is applicable in all years commencing as from 1 January 2019 and was validated on 11 February 2019.
- Amendment of IAS 19 "Modification, reduction or liquidation of a plan". Based on the proposed amendments, when there is a change in a defined benefit plan (due to a modification, reduction or liquidation), the Company will use discounted assumptions when determining the cost of services and the net interest for the period after the plan is changed. The amendments are effective in all periods commencing as from 1 January 2019.

- Improvements to IFRS, 2015-2017 cycle. Minor amendments to IFRS 3 "Business combinations"; IFRS 11 "Joint arrangements"; IAS 12 "Income taxes" and IAS 23 "Borrowing costs". The amendments are effective in all periods commencing as from 1 January 2019.

The standards, amendments and interpretations not yet approved for use in the European Union are set out below:

- Definition of a Business (Amendments to IFRS 3) This amendment provides clarifications on the definition of a business and will be applicable for reporting periods beginning on or after 1 January 2020.
- Definition of Material (Amendments to IAS 1 and IAS 8), This amendment is intended to align the definition of material with the definition in the conceptual framework and will be applicable for reporting periods beginning on or after 1 January 2020.
- IFRS 17 "Insurance contracts". Replaces IFRS 4. Covers the principles for recognising, measuring, reporting and disclosing insurance contracts in order for the Company to provide relevant and reliable information that allows users of the financial information to determine the effect that the contracts have on the company's financial statements. This standard will be applicable in years commencing 1 January 2021 (date of first application), although the presentation of comparative information is mandatory (the transition date is 1 January 2020). Early application is allowed provided that on the date of first application IFRS 15 and IFRS 19 are also applied. IFRS 17 must be applied retroactively unless impractical.

## **2.5 Critical issues regarding valuation and estimation of uncertainty**

The consolidated results and determination of consolidated equity are a product of the accounting policies and principles, measurement bases and estimates used by the Company's directors in the preparation of the consolidated financial statements. The main accounting policies and principles and measurement bases used are disclosed in Notes 2.14 and 3.

In preparing the accompanying consolidated financial statements estimates were occasionally made by the Company's directors in order to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of possible impairment losses on certain assets (see Notes 2.14, 3 e), 3 g), 3 h), 6, 7, 8, 9, 10, 11 and 12);
- The useful life of property, plant and equipment and of intangible assets (see Notes 3 g), 3 h), 6 and 7);
- The measurement of goodwill impairment and purchase price allocation in business combinations (see Notes 2.14 and 6);
- The fair value of certain financial assets and liabilities (see Notes 3 b), 9 and 18);
- The recoverability of deferred tax assets (see Notes 3 p) and 20); and
- The calculation of any provisions (see Note 3 v)).

Although these estimates were made on the basis of the best information available at year-end 2018, possible future events may require these estimates to be modified (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated statement of profit or loss for the affected years.

## **2.6 Grouping of items**

Certain items in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows were aggregated to make them easier to understand; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated statement of profit or loss.

## **2.7 Comparison of information**

As required by corporate law, the information relating to 2017 contained in these notes to the consolidated financial statements is presented for comparison purposes only with the information relating to 2018.

Starting on 1 January 2018, IFRS 9 "Financial instruments" replaced IAS 39 "Financial instruments: recognition and measurement" and includes modifications to the requirements for the classification and measurement of financial assets and liabilities, the impairment of financial assets and the recognition of hedges. The effects of the first application of IFRS 9 are presented in Note 2.4. The application of IFRS 15 "Revenue from contracts with customers" did not have a material effect on these condensed consolidated financial statements.

The most significant changes in IFRS 9 affecting the comparative information are summarised below:

- A category for non-trading financial assets mandatorily at fair value through profit or loss is created.
- The "available-for-sale financial assets" category is replaced by the "financial assets at fair value through other comprehensive income" category.
- The "held-to-maturity investments" category is eliminated.
- The "loans" and "other financial assets" categories are replaced by the "financial assets at amortised cost" category.
- Changes in the names of certain financial statement line items and headings and of the financial statements themselves.

Therefore, the most significant changes were made to the consolidated statement of financial position, and the effects of initial application of IFRS 9 "Financial instruments" and of the new financial statement formats were not significant in the case of the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, where only certain minor changes were made to the descriptions of the line items or headings and the names of the financial statements themselves were modified (formerly called, respectively, consolidated statement of profit or loss, consolidated statement of recognised income and expense, consolidated statement of changes in total equity and consolidated statement of

cash flows). The effects of initial application of IFRS 9 “Financial instruments”, together with the related name changes, are disclosed in Note 2.4.

The Group elected to use the retrospective approach for the impacts of classification and measurement under IFRS 9, and did not restate the information for prior reporting periods. However, solely for presentation purposes and to assist comparison of the current reporting period with the comparative information for the prior period following the regulatory change, the comparative formats for the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows were modified, in order to adapt them to the regulatory changes introduced by IFRS 9. Accordingly, it should be taken into account that those formats differ from those included in the statutory consolidated financial statements for the year ended 31 December 2017. For these purposes, as described in Note 2.4, the new general formats for consolidated financial statements provided in CNMV Circular 3/2018, of 28 June, were employed.

## **2.8 Environmental impact**

Environmental assets are deemed to be assets used on a lasting basis in the Group’s operations, whose main purpose is to minimise environmental impact and to protect and restore the environment, including the reduction or elimination of pollution in the future.

In view of the activities in which group companies are engaged, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material effect on its consolidated equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

## **2.9 Minimum own fund requirements**

Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms regulate access to the activity of, supervision of and prudential requirements of credit institutions and investment firms and the minimum own funds such entities must have, how these own funds are calculated, and the internal capital adequacy assessment processes (ICAAP) that entities must complete. In relation to this, CNMV Circular 2/2014 of 23 June, came into force on 29 June 2014. This circular set forth the rules on the exercise of various regulatory options on solvency for investment service firms and their consolidable groups. Meanwhile, the existing standard on own funds – CNMV Circular 12/2008 of 30 December, on the solvency of investment service firms and their consolidable groups – was repealed (see Note 22).

The minimum own fund requirements set forth in the new Circular are calculated according to the Group’s exposure to market, credit, liquidity, operational and other risks deriving from its activity.

At 31 December 2018, the Group’s own funds exceeded the minimum requirements stipulated in the rules in force at the aforesaid dates.

## **2.10 Investment Guarantee Fund and Fund for Orderly Bank Restructuring**

Alantra Equities, Sociedad de Valores, S.A., Alantra Asset Management, S.G.I.I.C., S.A.U., Alantra Capital Markets, S.V., S.A.U., Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. are the group companies party to the Investment Guarantee Fund (*Fondo de*

*Garantía de Inversiones*). Expenses incurred by the Group for contributions to the Investment Guarantee Fund in 2018 and 2017 totalled EUR 190 thousand and EUR 180 thousand, respectively, which are recognised under "Other operating expenses" in the consolidated statement of profit or loss.

At 31 December 2018, the Group held 29 shares in Sociedad Gestora del Fondo de Garantía de Inversiones with a par value of EUR 200 (29 shares with a par value of EUR 200 at 31 December 2017) (see Note 9).

"Other operating expenses" in the 2018 consolidated statement of profit or loss also includes EUR 1 thousand for the contribution by Alantra Equities, Sociedad de Valores, S.A. in said year to the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (EUR 1 thousand recognised in 2017).

### **2.11 Error correction**

No significant errors in the preparation of the accompanying consolidated financial statements were detected that required the figures disclosed in the 2017 consolidated financial statements to be restated.

### **2.12 Customer service department**

Pursuant to Ministry of Economy Order ECO/734/2004 of 11 March, on customer care departments and services and customer ombudsmen of financial institutions that develops Act 35/2002 of November 22, on measures to reform the financial system, the Group's subsidiaries Alantra Equities, Sociedad de Valores, S.A., Alantra Asset Management, S.G.I.I.C., S.A.U., Alantra EQMC Asset Management, S.G.I.I.C., S.A.U., Alantra Capital Markets, S.V., S.A.U., Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. established their own customer service departments and regulations that fully and systematically govern the operations of these departments. These developments ensure customers can easily access the complaints system, and that any complaints or claims submitted by them are quickly resolved.

These customer service departments will submit reports on their activities in 2018 to the companies' respective boards of directors on 28 March 2019. The reports state that no complaints or claims were filed by any customers in 2018. No decisions, recommendations or suggestions therefore had to be made in this regard.

### **2.13 Revenue and expense seasonality**

The most significant operations carried out by the Alantra Group fundamentally involve advising, asset management and investment activities. Accordingly, they are not materially affected by seasonal factors within the same year.

### **2.14 Basis of consolidation**

#### **2.14.1 Subsidiaries**

Subsidiaries are defined as entities over which the Group has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Company owns directly or indirectly 50% or more of the voting rights of the investee or, even if this percentage is lower or zero, when, for



example, there are other circumstances or agreements that give the Company control. A company has control over another investee when it is exposed, or has rights to variable returns from its involvement with the investee, and when it has the ability to use its power to affect its returns, even if the aforesaid percentage stake is not held.

The financial statements of the Group's subsidiaries are fully consolidated as per prevailing accounting standards. The following criteria, inter alia, were therefore adopted during consolidation:

1. All material balances and results of transactions carried out between consolidated companies, along with the material results of internal transactions that did not involve third parties were eliminated on consolidation.
2. Minority shareholders' shares in the equity and results of consolidated subsidiaries are shown under "Non-controlling interests" in the consolidated statement of financial position and under "Profit (loss) attributable to noncontrolling interests" in the consolidated statement of profit or loss, respectively.
3. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are recognised at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. Any negative differences are taken to income on the acquisition date (see Notes 3 h and 3 w).
4. When control over an associate is acquired, the investment prior to the date of acquisition is measured at fair value. Any positive or negative differences compared to the carrying amount are recognised under the line item "Gain (loss) on disposal of financial instruments - Other financial instruments" in the consolidated statement of profit or loss.
5. Any changes in the equity of consolidated subsidiaries as from the date of acquisition that are not due to changes in the percentages of capital held or percentage share of results, or to changes in their valuation adjustments are recognised under "Reserves" in the consolidated statement of financial position.

#### *Loss of control over a subsidiary*

When control over a subsidiary is lost, for consolidation purposes only, the profit or loss recognised in the separate financial statements of the company reducing its equity interest must be adjusted as per the following criteria:

- a. The amount relating to the reserves in consolidated companies generated since acquisition is taken to reserves in the company, reducing its equity interest.
- b. The amount relating to income and expenses generated by the subsidiary during the year until the date control is lost is presented based on its substance.
- c. The amounts relating to income and expenses recognised directly in the subsidiary's equity since the acquisition date that have not been taken to consolidated profit or loss are reclassified based on their substance. Associated translation differences are recognised under "Translation differences" in the consolidated statement of profit or loss.
- d. Any profit or loss existing after such adjustments have been made is recognised in the consolidated statement of profit or loss.

If control is lost without divestment of the equity interest in the subsidiary, the result of the transaction is also presented in the consolidated statement of profit or loss.

On the other hand, if the subsidiary in question becomes a jointly-controlled entity or associate, it is consolidated using the equity method on initial recognition at the fair value of the shareholding retained at said date. The balancing entry of the adjustment needed to measure the new equity interest at fair value is recognised as per the criteria described in the previous points.

Lastly, and for consolidation purposes only, an adjustment must be recognised in the consolidated statement of profit or loss to recognise non-controlling interests of income and expenses generated by the subsidiary during the year until the date control is lost, and in the income and expenses recognised directly in Equity transferred to profit or loss statement.

#### *2.14.2 Jointly-controlled entities*

A jointly-controlled entity is an entity which, not being a subsidiary, is jointly controlled by the Group and one or more companies not related to the Group. This heading includes joint ventures. Joint ventures are contractual arrangements whereby two or more entities ("venturers") undertake an economic activity or hold assets so that any strategic financial or operating decisions affecting them requires the unanimous consent of all venturers, and those operations and assets are not part of any financial structure other than those of the venturers. Jointly-controlled entities are measured using the equity method, as defined in prevailing accounting standards and below.

#### *2.14.3 Associates*

Associates are defined as companies over which the Company is in a position to exercise significant influence, but not control or joint control. This influence is usually evidenced by a direct or indirect holding of 20% or more of the investee's voting rights, unless it can be clearly demonstrated that such influence does not exist. Associates are measured using the equity method, as defined in prevailing accounting standards.

On acquisition, associates are recognised at fair value under "Investments accounted for using the equity method" in the consolidated statement of financial position. Fair value is equal to the share of the investee's equity held, excluding any treasury shares. Goodwill generated due to any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as part of the value of the equity interest held under "Investments accounted for using the equity method" and not separately under "Intangible assets – Goodwill".

Associates were consolidated using the equity method. Investments in associates were therefore measured for an amount equivalent to the Group's share of the associates' capital, after taking into account the dividends received and other equity eliminations. The profit or loss of associates is recognised for an amount equal to the percentage of equity held under "Share of profit (loss) of companies accounted for using the equity method" in the consolidated statement of profit or loss. If, as a result of losses incurred by an associate, its equity were negative, the investment would be presented in the Group's consolidated statement of financial position with a zero value, unless the Group is obliged to give it financial support.

Pursuant to prevailing accounting rules, when there is evidence of impairment of investments in associates, the amount of the impairment is estimated as the negative difference between the recoverable amount (calculated as the higher of fair value of the investment less costs to sell and value in use; value in use is defined as the present value of the cash flows expected to be received on the

investment in the form of dividends and those from its sale or other disposal) and the carrying amount. Unless there is better evidence of the recoverable amount of the investment, the estimate of impairment of this asset class is based on the equity of the investee (consolidated where applicable) adjusted for unrealised gains at the date of measurement. Losses due to impairment of these investments are recognised under "Impairment loss/reversal on financial instruments" in the consolidated statement of profit or loss. The reversal of any impairment loss is limited to the carrying amount of the investment that would have been recognised at the reversal date had no impairment loss been recognised.

In accordance with IAS 28, any investments in associates held indirectly through private equity firms, investment funds, unit trusts or similar entities are not accounted for using the equity method. Since Alantra Dinamia Portfolio II, S.L. is considered to be an "investment firm" for the purposes defined in IFRS 10, this entity is classified in this group and therefore the investees over which the Group has significant influence through the subsidiary Alantra Dinamia Portfolio II, S.L. are excluded from the requirement to be accounted for using the equity method. These investees are measured at fair value through profit and loss (see note 9) and recognised under "Non-current financial assets – At fair value through profit or loss" in the consolidated statement of financial position.

#### *2.14.4 CISs and private equity firms*

Where the Group incorporates entities or holds stakes in them in order to provide its customers with access to certain investments, consideration is given pursuant to internal criteria and procedures and considering IFRS 10 as to whether the Group controls them and therefore, whether or not they should be consolidated. These methods and procedures take into consideration, *inter alia*, the risks and rewards retained by the Group, including all material items such as guarantees given or losses associated with the collection of receivables retained by the Group. These entities include CISs and private equity firms managed by the Group, which are not consolidated as the stipulations on the Group's control over them are not met. Specifically, the Group acts as an agent not a principal because it does so in the name of and to the benefit of investors or parties concerned (the principal or principals) and therefore, does not control said undertakings or vehicles when it exercises its decision-making powers.

In the case of both subsidiaries and jointly-controlled entities and associates, the results of companies acquired during the year are included in the consolidated statement of profit or loss from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated statement of profit or loss from the beginning of the year to the date of disposal.

In the case of group companies whose accounting and measurement methods differ from those of the parent, adjustments based on the Group's criteria were made upon consolidation in order to present the consolidated financial statements on a like-for-like basis.

Details of consolidated companies and the most relevant information thereon at 31 December 2018 and 2017, including the most relevant disclosures on acquisitions and disposals in said periods are provided below:

Investments in group companies at 31 December 2018:

	% Shareholding		Thousands of euros							
			Figures for each company as at 31 December 2018 (1)							
	Direct	Indirect	Share capital	Reserves and share premium	Valuation adjustments	Interim dividends	Total assets	Total liabilities	Profit/(Loss) (5)	
									Operating	Net
Alantra Equity and Credit Management, S.A.U. (2)	100%	-	60	405	-	-	513	54	(8)	(6)
Alantra Investment Managers, S.L.U. (2)	100%	-	343	751	(2)	(2,500)	3,409	-	4,812	4,817
Alantra Capital Privado, S.G.E.I.C., S.A.U. (3)	-	100%	311	562	(167)	-	7,555	3,394	4,483	3,455
Alantra Private Equity Servicios, S.L.U. (2)	-	100%	3	188	-	-	172	-	(26)	(19)
Nmás1 Private Equity International S.à.r.l. (2)	-	100%	41	(70)	-	-	6	6	28	29
Alantra Private Equity Advisor, S.A.U. (2)	-	100%	60	(40)	-	-	18	-	(3)	(2)
Mercapital Private Equity S.G.E.I.C., S.A.U. (3)	-	100%	301	60	-	-	686	301	33	24
Paulonia Servicios de Gestión, S.L.U. (2)	-	100%	5	(3)	-	-	4	3	(1)	(1)
Partilonia Administración, S.L.U. (2)	-	100%	4	(1)	-	-	3	-	-	-
Mideslonia Administración, S.L.U. (2)	-	100%	5	(2)	-	-	4	1	-	-
Flenox, S.L.U. (2)	-	100%	6	(4)	-	-	3	2	(1)	(1)
EQMC GP LLC (2)	-	60%	-	15	(2)	-	7	-	(6)	(6)
Alteralia Management, S.à.r.l. (2)	-	100%	13	(17)	-	-	141	141	5	4
Brooklin Buy-Out Limited (3)	-	100%	3	-	-	-	116	113	1	-
Alteralia II Management, S.à.r.l. (2)	-	100%	12	-	-	-	414	392	10	10
Alantra Infrastructure, S.L.U. (2)	100%	-	6	4,439	-	-	4,471	5	(5)	21
Alantra International Corporate Advisory, S.L.U. (3)	100%	-	118	43,359	-	-	65,336	11,276	11,537	10,583
Alantra Corporate Finance, S.A.U. (3)	-	100%	61	63	-	-	13,297	8,852	8,133	4,321
Alantra Corporate Portfolio Advisors, S.L. (3)	-	60%	8	5,498	-	-	22,221	10,913	8,654	5,802
Alantra Deutschland GmbH (3)	-	100%	25	2,378	-	(3,000)	15,002	10,433	7,654	5,166
Alantra s.r.l. (2)	40%	60%	100	19	-	-	5,317	4,226	1,783	972
Alantra France Corporate Finance SAS (3)	21%	79%	936	166	-	-	6,623	4,092	2,140	1,429
Alantra Corporate Finance, B.V. (2)	-	100%	15	845	-	-	644	1,190	(1,406)	(1,406)
Partnersalantra Portugal LDA (2)	-	85%	33	212	-	-	1,292	520	580	527
Alantra Nordics AB (2)	-	80%	26	42	(11)	-	1,544	698	820	789
Alantra Greece Corporate Advisors, S.A. (2)	-	87.50%	50	(334)	-	-	3,039	2,451	1,122	872
Alantra Chile SPA (2)	-	100%	4,877	(1,282)	(496)	-	2,407	34	121	(726)
Alantra U.S. Corporation LLC (2)	-	100%	25,771	(175)	(708)	-	27,899	1,642	1,041	1,369
Alantra, LLC (4)	-	100%	2,938	1,490	(7)	-	40,715	37,197	(684)	(903)
Alantra Belgium, NV (3)	-	85%	500	9	-	-	442	128	(193)	(195)
Aantra Corporate Portfolio Advisors (Ireland) Limited (formerly Alantra Ireland Corporate Finance Limited) (2)	-	42%	-	(67)	-	(155)	605	371	511	456
Alantra Austria & CEE GmbH (2)	-	70%	117	614	-	-	390	512	(853)	(853)
Alantra Equities, Sociedad de Valores, S.A. (3)	50.01%	-	2,000	1,032	-	-	4,020	785	268	203
Alantra Asset Management, S.G.I.I.C., S.A.U. (3)	100%	-	300	750	-	(2,000)	7,160	6,028	2,777	2,082
QMC Directorship, S.L.U. (2)	-	100%	3	5	-	-	144	71	88	65
Baruch Inversiones, S.L. (2)	46.56%	-	28	(189)	85	(15,852)	9,616	7,790	(1,412)	17,754
Alantra Debt Solutions, S.L. (2)	75%	-	4	1	-	-	1,790	1,128	876	657
Alantra REIM, S.L.U. (2)	100%	-	10	498	-	-	1,982	996	600	478
Alantra Dinamia Portfolio II, S.L. (2)	100%	-	100	20	1,636	(1,000)	3,331	864	38	1,711
Alantra Wealth Management Gestión, S.G.I.I.C., S.A. (3)	50.01%	-	543	132	-	-	2,986	2,210	107	101
Alantra Wealth Management, A.V., S.A. (3)	50.01%	-	380	1,150	-	-	4,826	3,215	83	81
Alantra Capital Markets, S.V., S.A.U. (3)	100%	-	730	1,416	-	-	3,825	1,604	132	75
Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP) (3)	100%	-	926	3,316	(81)	-	14,047	5,951	3,924	3,935
Alantra EQMC Asset Management, S.G.I.I.C., S.A. (3)	-	60%	125	475	-	-	7,019	3,611	3,884	2,808
Alantra Corporate Portfolio Advisors International Limited (2)	-	42%	2,252	309	(18)	-	7,866	5,037	680	286
Quattrocento, S.A.S. (2)	100%	-	1	181	-	-	194	17	(5)	(5)
Alantra Corporate Finance México, S.A. de C.V. (2)	-	99.99%	1	-	-	-	116	156	(37)	(41)
Alantra Corporate Portfolio Advisors (Italy), s.r.l. (2)	-	100%	10	-	-	-	10	-	-	-
Alantra AG (2)	55%	25%	164	578	109	-	5,931	2,603	3,147	2,477

(1) Figures from separate annual financial statements except for Alantra, LLC.

(2) Companies whose annual financial statements are not audited, although they are submitted to a limited review for the purposes of an audit of the consolidated financial statements.

(3) Companies whose annual financial statements are subject to statutory audit by Deloitte.

(4) Company whose annual financial statements are subject to an audit of consolidated financial statements.

(5) The profit or loss of each entity for the whole of 2018 is included, irrespective of the date on which it was included in the Group.

*Investments in group companies at 31 December 2017:*

	% Shareholding		Thousands of euros							
			Figures for each company as at 31 December 2017 (1)							
	Direct	Indirect	Share capital	Reserves and share premium	Valuation adjustments	Interim dividends	Total assets	Total liabilities	Profit (Loss) (5)	
									Operating	Net
Alantra Equity and Credit Management, S.A.U. (2)	100%	-	60	405	-	-	691	177	65	49
Alantra Investment Managers, S.L.U. (2)	100%	-	343	751	-	(2,000)	1,899	-	2,801	2,805
Alantra Capital Privado, S.G.E.I.C., S.A.U. (3)	-	100%	311	562	-	-	8,924	4,285	5,095	3,766
Alantra Private Equity Servicios, S.L.U. (2)	-	100%	3	238	-	-	191	-	(67)	(50)
Nmás1 Private Equity International Limited S.à.r.l. (2)	-	100%	41	-	-	-	59	41	(21)	(23)
Alantra Private Equity Advisor, S.A.U.(2)	-	100%	60	(38)	-	-	45	26	(3)	(3)
Mercapital Private Equity S.G.E.I.C., S.A.U. (3)	-	100%	301	60	-	-	2,076	649	1,421	1,066
Paulonia Servicios de Gestión, S.L.U. (2)	-	100%	5	(3)	-	-	5	3	-	-
Partilonia Administración, S.L.U. (2)	-	100%	4	(1)	-	-	4	1	-	-
Mideslonia Administración, S.L.U. (2)	-	100%	5	(2)	-	-	5	2	-	-
Flenox, S.L.U. (2)	-	100%	6	(3)	-	-	4	3	(2)	(2)
EQMC GP LLC (2)	-	100%	-	(30)	5	-	-	74	(49)	(49)
Alteralia Management, S.à.r.l. (2)	-	100%	13	(41)	-	-	130	137	22	21
Brooklin Buy-Out Limited (3)	-	100%	3	-	-	-	95	92	-	-
Alteralia II Management, S.à.r.l. (2)	-	100%	12	-	-	-	12	2	(2)	(2)
Alantra Infrastructure, S.L.U. (2)	100%	-	6	534	-	-	599	11	(40)	48
Alantra International Corporate Advisory, S.L.U. (3)	100%	-	118	33,192	-	-	57,624	10,075	8,814	14,239
Alantra Corporate Finance, S.A.U. (3)	-	100%	61	63	-	-	13,667	8,171	6,667	5,372
Alantra Corporate Portfolio Advisors, S.L. (3)	-	70%	10	107	-	(604)	11,135	5,690	8,764	5,932
Alantra Deutschland GmbH (3)	-	100%	25	1,700	-	(2,000)	11,419	9,016	3,967	2,678
Alantra s.r.l. (2)	-	60%	100	45	-	-	2,165	1,479	750	541
Alantra France Corporate Finance SAS (3)	-	60%	936	69	-	-	9,398	5,744	3,722	2,649
Alantra Corporate Finance, B.V. (2)	-	100%	15	(187)	-	-	3,029	2,169	1,271	1,032
Partnersalantra Portugal LDA (formerly Másuno Portugal Corporate Finance, Unipessoal LDA) (2)	-	85%	33	380	-	-	462	216	(165)	(167)
Alantra Nordics AB (2)	-	80%	26	484	(12)	-	336	282	(440)	(444)
Alantra Greece Corporate Advisors, S.A. (2)	-	87.50%	50	(222)	-	-	387	671	(104)	(112)
Alantra Chile SPA (formerly Nmás1 Chile SPA) (2)	-	100%	4,439	(1,283)	14	-	3,194	28	247	(4)
Alantra U.S. Corporation LLC (2)	-	100%	22,192	791	(723)	-	24,190	2,869	(47)	(939)
Alantra, LLC (4)	-	100%	1,636	377	(323)	-	37,580	33,560	1,912	2,344
Alantra Belgium, NV (3)	-	58.11%	186	-	-	-	1,848	1,492	258	170
Alantra Ireland Corporate Finance Limited (2)	-	100%	-	-	-	-	85	155	(70)	(70)
Alantra Austria & CEE GmbH (formerly VK Advisory GmbH) (2)	-	70%	117	1,243	-	-	968	172	(564)	(564)
Alantra Equities, Sociedad de Valores, S.A. (3)	50.01%	-	2,000	828	-	(1,700)	6,658	3,802	2,327	1,728
Alantra Asset Management, S.G.I.I.C., S.A.U. (3)	100%	-	300	750	-	-	15,964	11,780	4,179	3,134
QMC Directorship, S.L.U. (2)	-	100%	3	3	-	-	199	191	4	2
Baruch Inversiones, S.L.(2)	46.56%	-	276	(39)	1,492	(307)	1,821	45	-	354
Alantra Debt Solutions, S.L. (2)	75%	-	4	1	-	-	1,011	701	406	305
Alantra REIM, S.L.U. (2)	100%	-	10	(602)	-	-	719	1,209	137	102
Alantra Dinamia Portfolio II, S.L. (2)	100%	-	100	634	1,801	(614)	5,333	1,464	(1)	1,948
Alantra Wealth Management Gestión, S.G.I.I.C., S.A. (3)	50.01%	-	544	115	-	-	3,324	2,348	317	317
Alantra Wealth Management, A.V., S.A. (3)	50.01%	-	380	1,547	-	-	5,553	3,531	90	95
Alantra Capital Markets, S.V., S.A.U. (3)	100%	-	730	1,386	-	-	3,906	1,125	929	665
Catalyst Corporate Finance, LLP (3) (6)	100%	-	1,281	2,371	(37)	-	8,533	4,718	14,672	2,717

(1) Figures from separate annual financial statements except for Alantra, LLC.

(2) Companies whose annual financial statements are not audited, although they are submitted to a limited review for the purposes of an audit of the consolidated financial statements.

(3) Companies whose annual financial statements are subject to statutory audit by Deloitte.

(4) Company whose annual financial statements are subject to an audit of consolidated financial statements.

(5) The profit or loss of each entity for the whole of 2017 is included, irrespective of the date on which it was included in the Group.

(6) The profit or loss from 1 April 2017 and 31 December 2017.



*Interests in associates and jointly-controlled entities at 31 December 2018:*

	% Shareholding		Carrying amount (*)	Accumulated impairment (*)	Thousands of euros Figures for each company as at 31 December 2018 (1)							
					Share capital	Reserves and share premium	Valuation adjustments	Interim dividends	Total assets	Total liabilities	Profit/(Loss) (4)	
	Direct	Indirect									Operating	Net
<b>Holdings in jointly controlled enterprises:</b>												
Alpina Real Estate GP I, S.A., in liquidation (2)	50%	-	65	(43)	31	14	-	-	75	30	-	-
Alpina Real Estate GP II, S.A., in liquidation (2)	50%	-	16	-	31	120	-	-	206	55	-	(1)
Alpina Real Estate GP, S.A., in liquidation (2)	50%	-	16	-	31	218	-	-	466	222	(4)	(5)
Phoenix Recovery Management, S.L. (3)	50%	-	102	-	4	224	-	-	970	678	88	64
Tertenia Directorship, S.L. (2)	-	50%	2	-	3	-	-	(225)	79	-	301	301
<b>Holdings in associates:</b>												
Nplus1 Singer Ltd (3)	-	27.46%	6,081	-	128	27,970	(2,404)	-	45,294	12,253	9,293	7,347
Landmark Capital, S.A. (3)	-	30.95%	4,525	(1,840)	1,082	(43)	(16)	-	2,766	919	1,152	824
Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş.	-	35%	470	(470)	-	-	-	-	-	-	-	-
Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş.	-	35%	35	(35)	-	-	-	-	-	-	-	-
Nplus1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş	-	28%	13	-	-	-	-	-	-	-	-	-

(\*) In the separate financial statements of the company holding the equity interest.

(1) Figures from separate annual financial statements, except for Nplus1 Singer Ltd and Landmark Capital, S.A., which are from consolidated accounts.

(2) Companies whose annual financial statements are not audited, although they are submitted to a limited review for the purposes of an audit of the consolidated financial statements.

(3) Companies whose annual financial statements are audited by Deloitte and at the consolidated level in the cases of Nplus1 Singer Ltd and Landmark Capital, S.A.

(4) The profit or loss of each entity for the whole of 2018 is included, irrespective of the date on which it was included in the Group.

*Interests in associates and jointly-controlled entities at 31 December 2017:*

	% Shareholding		Carrying amount (*)	Accumulated impairment (*)	Thousands of euros							
					Figures for each company as at 31 December 2017 (1)						Profit (loss) (4)	
					Share capital	Reserves and share premium	Valuation adjustments	Interim dividends	Total assets	Total liabilities		
	Direct	Indirect									Operating	Net
<b>Holdings in jointly controlled enterprises:</b>												
Alpina Real Estate GP I, S.A. ,in liquidation (2)	50%	-	65	(43)	31	17	-	-	78	33	(3)	(3)
Alpina Real Estate GP II, S.A. , in liquidation (2)	50%	-	15	-	31	113	-	-	210	60	9	9
Alpina Real Estate GP, S.A. , in liquidation (2)	50%	-	16	-	31	220	-	-	472	223	(2)	(2)
Phoenix Recovery Management, S.L. (3)	50%	-	102	-	4	224	-	-	818	523	90	67
<b>Holdings in associates:</b>												
Nplus1 Singer Ltd (3)	-	27.35%	6,057	-	127	25,354	(2,240)	-	60,774	29,471	10,205	8,062
Alantra AG (2)	-	25%	2,565	-	164	637	(173)	-	7,360	2,529	5,296	4,203
Landmark Capital, S.A. (3)	-	30.95%	4,692	(1,706)	1,158	33	(45)	-	2,090	472	788	472
Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş.	-	35%	470	(470)	-	-	-	-	-	-	-	-
Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş.	-	35%	35	(35)	-	-	-	-	-	-	-	-
Nplus1 Daruma Turizm Yatırım Finansal Dan.Hiz.A.Ş	-	28%	13	-	-	-	-	-	-	-	-	-

(\*) In the separate financial statements of the company holding the equity interest.

(5) Figures from separate annual financial statements, except for Nplus1 Singer Ltd and Landmark Capital, S.A. , which are from consolidated accounts.

(6) Companies whose annual financial statements are not audited, although they are submitted to a limited review for the purposes of an audit of the consolidated financial statements.

(7) Companies whose annual financial statements are audited by Deloitte and at the consolidated level in the cases of Nplus1 Singer Ltd and Landmark Capital, S.A.

(8) The profit or loss of each entity for the whole of 2017 is included, irrespective of the date on which it was included in the Group.

**Separate financial statements**

The separate financial statements of the Group's parent (Alantra Partner, S.A.) were prepared in accordance with the Spanish General Chart of Accounts (*Plan General de Contabilidad*) approved by Royal Decree 1514/2007 of 16 November, and the sector-specific versions thereof. The Group recognises its investments in subsidiaries, associates and jointly-controlled entities at cost in the separate financial statements, as stipulated in the Spanish General Chart of Accounts.

The financial statements of Alantra Partners, S.A. at 31 December 2018 and 2017 are as follows:

**ALANTRA PARTNERS, S.A.**

**BALANCES SHEETS AT 31 DECEMBER 2018 AND 2017**

(Thousand of euros)

ASSETS	31-12-2018	31-12-2017	LIABILITIES AND EQUITY	31-12-2018	31-12-2017
<b>NON-CURRENT ASSETS</b>	<b>158,577</b>	<b>129,718</b>	<b>EQUITY</b>	<b>194,945</b>	<b>172,161</b>
Intangible assets	149	166	<i>OWN FUNDS-</i>	<i>197,589</i>	<i>174,496</i>
Property and equipment	126	782	Capital	115,894	111,518
Non-current investments in group companies and associates-	120,456	102,957	Share premium	111,863	94,138
Equity instruments	120,428	92,604	Reserves-	(38,330)	(38,701)
Loans to companies	28	10,353	Legal and statutory reserves	22,316	21,335
Non-current financial assets-	37,041	25,222	Other reserves	(60,646)	(60,036)
Equity instruments	33,581	22,065	Treasury shares and own equity investments	(768)	(1,138)
Loans to third parties	3,304	3,004	Profit (loss) for the period	33,978	25,227
Other financial assets	156	153	Interim dividend	(25,048)	(16,548)
Deferred tax assets	805	591	Other equity instruments	-	-
			<i>VALUATION ADJUSTMENTS-</i>	<i>(2,644)</i>	<i>(2,335)</i>
			Available-for-sale financial assets	(2,644)	(2,335)
			<i>GRANTS, DONATIONS AND REQUESTS RECEIVED</i>	-	-
			Grants, donations and bequests received	-	-
<b>CURRENT ASSETS</b>	<b>51,200</b>	<b>58,855</b>	<b>NON-CURRENT LIABILITIES</b>	<b>3,199</b>	<b>3,232</b>
Non-current assets held for sale	7,853	-	Non-current provisions	534	534
Trade and other receivables-	26,635	32,734	Non-current payables	2,446	2,351
Trade receivables	67	42	Deferred tax liabilities	219	347
Receivable from Group companies and associates	23,001	27,943			
Sundry accounts receivable	-	2,074	<b>CURRENT LIABILITIES</b>	<b>11,633</b>	<b>13,180</b>
Employee receivable	80	63	Liabilities associated with non-current assets held for sale	-	-
Current tax assets	3,487	2,612	Current payables	-	1,821
Other receivables from the tax authorities	-	-	Current payables, group companies and associates	1,210	615
Current financial investments	8,113	8,116	Trade and other payables-	10,423	10,744
Cash and cash equivalents-	8,599	18,005	Other payables	2,870	5,397
Cash	8,599	18,005	Employee payables	3,308	2,381
Cash equivalents	-	-	Other payables to the tax authorities	-	1,286
			Current tax liabilities	4,245	1,680
<b>TOTAL ASSETS</b>	<b>209,777</b>	<b>188,573</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>209,777</b>	<b>188,573</b>

# ALANTRA PARTNERS, S.A.

## INCOME STATEMENTS FOR THE YEARS ENDED

**31 DECEMBER 2018 AND 2017**

(Thousand of euros)

	2018	2017
<b>CONTINUING OPERATIONS:</b>		
<b>Revenue</b>	<b>41,997</b>	<b>28,606</b>
<b>Other operating income-</b>	<b>-</b>	<b>8,880</b>
Non-core and other current operating income	-	8,880
<b>Personnel expenses-</b>	<b>(6,263)</b>	<b>(5,079)</b>
Wages, salaries and similar expenses	(5,234)	(4,223)
Employee benefits expense	(1,029)	(856)
<b>Other operating costs-</b>	<b>(8,911)</b>	<b>(12,556)</b>
Outside services	(8,619)	(12,485)
Taxes	(292)	(71)
Losses, impairment and changes in trade provisions	-	-
<b>Depreciation and amortisation</b>	<b>(249)</b>	<b>(206)</b>
<b>Impairment losses and gain (losses) on disposal of non-current-assets-</b>	<b>(586)</b>	<b>-</b>
Impairment and losses	(586)	-
<b>Negative goodwill in business combinations</b>	<b>-</b>	<b>-</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>25,988</b>	<b>19,645</b>
<b>Finance income-</b>	<b>1,567</b>	<b>1,147</b>
From marketable securities and other financial instruments		
Group companies and associates	1,176	767
Third parties	391	380
<b>Finance costs</b>	<b>(80)</b>	<b>(106)</b>
<b>Exchange differences</b>	<b>(34)</b>	<b>(131)</b>
<b>Impairment losses and gain (losses) on disposal of financial instruments-</b>	<b>2,983</b>	<b>3,995</b>
Impairment and losses	983	3,814
Gain (losses) on disposals and others	2,000	181
<b>NET FINANCE INCOME (EXPENSE)</b>	<b>4,436</b>	<b>4,905</b>
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>30,424</b>	<b>24,550</b>
Income tax	3,554	677
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>33,978</b>	<b>25,227</b>
<b>DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>
Profit (loss) after tax for the period from discontinued operations	-	-
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>33,978</b>	<b>25,227</b>



# **ALANTRA PARTNERS, S.A.**

## **STATEMENTS OF CHANGES IN EQUITY** **FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017** **A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE** (Thousand of euros)

	2018	2017
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>33,978</b>	<b>25,227</b>
<b>Income and expense recognised directly in equity</b>		
<b>Measurement of financial instruments</b>	<b>(76)</b>	<b>(941)</b>
Available-for-sale financial assets	(76)	(941)
Other income (expense)	-	-
<b>Cash flow hedges</b>	-	-
<b>Grants, donations and bequests received</b>	-	-
<b>Actuarial gains and losses and other adjustments</b>	-	-
<b>Tax effect</b>	<b>(91)</b>	<b>(417)</b>
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>	<b>(167)</b>	<b>(1,358)</b>
<b>Amounts transferred to the income statement</b>		
<b>Measurement of financial instruments</b>	-	-
Available-for-sale financial assets	(189)	(178)
Other income (expense)	-	-
<b>Cash flow hedges</b>	-	-
<b>Grants, donations and bequests received</b>	-	-
<b>Tax effect</b>	<b>47</b>	<b>45</b>
<b>TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT</b>	<b>(142)</b>	<b>(133)</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSES</b>	<b>33,669</b>	<b>23,736</b>

**ALANTRA PARTNERS, S.A.**

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

**B) STATEMENTS OF TOTAL CHANGES IN EQUITY**

(Thousand of euros)

	Capital	Share Premium	Reserves	Treasury shares	Profit (loss) for the period	Interim dividend	Other Equity Instruments	Valuation adjustments	Grants donations and bequests received	Total
<b>BALANCE AT YEAR-END 2016 (*)</b>	<b>106,611</b>	<b>92,062</b>	<b>(41,870)</b>	<b>(1,138)</b>	<b>2,277</b>	-	-	<b>(844)</b>	-	<b>157,098</b>
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-
Restatements to correct errors	-	-	-	-	-	-	-	-	-	-
<b>RESTATED OPENING BALANCE, 2017</b>	<b>106,611</b>	<b>92,062</b>	<b>(41,870)</b>	<b>(1,138)</b>	<b>2,277</b>	-	-	<b>(844)</b>	-	<b>157,098</b>
Total recognised income and expense	-	-	-	-	25,227	-	-	(1,491)	-	23,736
Transactions with shareholders:										
Equity issues	4,907	14,377	892	-	-	-	-	-	-	20,176
Shares cancelled	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	(12,301)	-	-	-	(16,548)	-	-	-	(28,849)
Transactions with treasury shares (net)	-	-	-	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	2,277	-	(2,277)	-	-	-	-	-
<b>CLOSING BALANCE, 2017</b>	<b>111,518</b>	<b>94,138</b>	<b>(38,701)</b>	<b>(1,138)</b>	<b>25,227</b>	<b>(16,548)</b>	-	<b>(2,335)</b>	-	<b>172,161</b>
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-
Restatements to correct errors	-	-	-	-	-	-	-	-	-	-
<b>SALDO AJUSTADO AL INICIO DEL EJERCICIO 2018</b>	<b>111,518</b>	<b>94,138</b>	<b>(38,701)</b>	<b>(1,138)</b>	<b>25,227</b>	<b>(16,548)</b>	-	<b>(2,335)</b>	-	<b>172,161</b>
Total recognised income and expense	-	-	-	-	33,978	-	-	(309)	-	33,669
Transactions with shareholders:										
Equity issues	4,376	17,725	(948)	-	-	-	-	-	-	21,153
Shares cancelled	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	(32,746)	-	-	-	(32,746)
Transactions with treasury shares (net)	-	-	309	370	-	-	-	-	-	679
Business combinations	-	-	-	-	-	-	-	-	-	-
Other transactions	-	-	29	-	-	-	-	-	-	29
Other changes in equity	-	-	981	-	(25,227)	24,246	-	-	-	-
<b>CLOSING BALANCE, 2018</b>	<b>115,894</b>	<b>111,863</b>	<b>(38,330)</b>	<b>(768)</b>	<b>33,978</b>	<b>(25,048)</b>	-	<b>(2,644)</b>	-	<b>194,945</b>

**ALANTRA PARTNERS, S.A.**  
**STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED**  
**31 DECEMBER 2018 AND 2017**

(Thousand of euros)

	2018	2017
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>37,650</b>	<b>14,972</b>
Profit (loss) before tax	30,424	24,550
Adjustments to profit and loss-		
Depreciation and amortisation	249	206
Impairment losses	(983)	(3,814)
Resultados por bajas y enajenaciones de inmovilizado	586	-
Proceeds from (payments for) retirements and disposals of financial instruments	(2,000)	181
Changes in working capital-		
Trade and other receivables	(26,726)	(23,356)
Other current assets	3	5
Trade and other payables	3,553	(311)
Other current liabilities	535	(4,907)
Other non-current assets and liabilities	(373)	346
Other cash flows from (used in) operating activities		
Dividends received	33,893	21,031
Income tax receipts (payments)	(1,268)	3,732
Other receipts (payments)	(309)	(1,491)
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(14,310)</b>	<b>3,235</b>
Payments for investments-		
Group companies and associates	(3,874)	(16,831)
Intangible assets	(61)	(184)
Property and equipment	(101)	(151)
Other financial assets	(12,914)	(7,864)
Non-current assets held for sale	-	-
Otros activos	-	-
Proceeds from disposals-		
Group companies and associates	516	7,529
Intangible assets	-	-
Property and equipment	-	-
Other business units	-	-
Other financial assets	1,050	8,180
Non-current assets held for sale	-	-
Other assets	1,074	12,556
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(32,746)</b>	<b>(28,849)</b>
Proceeds from and (payments for) equity instruments		
Issuance of equity instruments	-	-
Acquisition of own equity instruments	-	-
Disposal of own equity instruments	-	-
Grants, donations and bequests received	-	-
Proceeds from and (payments for) financial liabilities		
Dividends paid and payments on other equity instruments		
Dividends	(32,746)	(28,849)
<b>EFFECT OF CHANGES IN EXCHANGE RATES</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(9,406)</b>	<b>(10,642)</b>
Cash and cash equivalents, opening balance	18,005	28,647
Cash and cash equivalents, closing balance	8,599	18,005

## **Main transactions during the year 2018**

### *Acquisition of an additional equity interest in Alantra AG involving obtainment of control*

On 4 July 2018, Alantra Partners, S.A. reached an agreement for the acquisition of an ownership interest representing 55% of the dividend rights and 30% of the voting power of Alantra AG, a Swiss company engaging in the provision of financial advisory services in corporate transactions. This ownership interest is additional to the one held since 2014, representing 25% of the dividend rights and 50% of the voting power of Alantra International Corporate Advisory, S.L. Consequently, following the aforementioned acquisition, the Group, through the Company and Alantra International Corporate Advisory, S.L., owns 80% of the voting power and dividend rights of Alantra AG.

Also on 4 July 2018, an agreement was entered into among shareholders (Group and non-controlling interests) which addressed various matters relating to the governance of Alantra AG. Based on the terms of the aforementioned agreement, the Company's directors considered that the conditions for Alantra AG to be classified as a subsidiary would be met once the conditions precedent stipulated for the transaction had been satisfied. Lastly, the transaction was completed and the Group obtained control on 25 July 2018, when the Company's General Meeting approved a capital increase.

The main terms and conditions of the transaction were as follows:

- Delivery of 571,488 new shares of Alantra Partners, S.A. (following a capital increase approved by the General Meeting), which were subscribed and paid by the (non-controlling) shareholders of Alantra AG, as consideration for the non-monetary contribution of 29,998 Alantra AG shares representing 29.998% of the voting power and 14.999% of the dividend rights, as well as 80,000 certificates representing 40% of Alantra AG's dividend rights but not carrying any voting power.

Thus, as publicly announced by way of a Material Disclosure, on 25 July 2018, the shareholders at the General Meeting of Alantra Partners, S.A. resolved to increase its share capital through the issuance of 1,458,852 ordinary shares of EUR 3 par value each and a share premium of EUR 12.15 per share, which were subscribed and paid through a series of non-monetary contributions including, inter alia, the Alantra AG shares and certificates referred to above. The Company shares received by the non-controlling shareholders as a result of the transaction are subject to a lock-up period of up to six years.

At the same time as the above-mentioned agreements, the Group and the non-controlling shareholders agreed to exchange the cash flows relating to the earnings obtained in 2018 to 2020 from, respectively, the Alantra AG dividend rights acquired by the Group and the dividend rights of the Company shares issued in the capital increase carried out for the aforementioned acquisition and subscribed by the non-controlling shareholders. The rules governing this exchange of cash flows are included in the shareholders agreements and, in practice, signified that in 2018 the Group was entitled to attribute to itself 80% of the dividend rights of Alantra AG from the date on which control was obtained.

Lastly, as described below, the agreements between the Group and the non-controlling shareholders included the grant of cross-options (put and call options) on the 20% of the dividend and voting rights still held by the non-controlling shareholders.

- The shareholders agreements included cross-options on all the Alantra AG shares still held by the non-controlling shareholders, corresponding to 20% of the dividend and voting rights. Under these options Alantra International Corporate Advisory, S.L. has the right, but not the obligation, to purchase, acquire and pay the agreed price for all the aforementioned shares in the first quarter

of 2021, and the non-controlling shareholders have the right to sell those shares to the Group in the three months thereafter (non-controlling shareholders' put option), if the call option has not been exercised beforehand.

The Group accounts for the put options on shares of subsidiaries granted to non-controlling interests on the acquisition date of a business combination by recognising a financial liability for the present value of the best estimate of the amount payable in this connection, based on the terms and conditions established in the shareholders agreement. In subsequent reporting periods, any changes in the financial liability are recognised in reserves. The discretionary dividends, if any, paid to the non-controlling interests up to the date the options are exercised are recognised as a distribution of profit. If the options are ultimately not exercised, the transaction will be accounted for as a sale of shares to the non-controlling shareholders. Accordingly, "Non-Current Financial Liabilities – Other Financial Liabilities" on the liability side of the consolidated statement of financial position as at 31 December 2018 includes EUR 2,482 thousand relating to the put options held by the non-controlling shareholders of Alantra AG (see Note 18).

This transaction was accounted for in accordance with IFRS 3 "Business combinations" (see Note 3-w). The consideration transferred was calculated on the basis of the fair value of the equity instruments of Alantra Partners, S.A. In this connection, the Company's directors considered the stock market capitalisation to be the best reference for this fair value. Consequently, the consideration transferred was calculated as the result of applying the market price at the date on which the General Meeting approved the above-mentioned capital increase to the 571,488 shares exchanged, which gave a total consideration of EUR 8,287 thousand. The difference between the par value plus share premium of the capital increase and the amount corresponding to the consideration of the 571,488 transferred shares of Alantra Partners, S.A. at their market price was recognised under "Reserves" in the Company's equity for EUR 371 thousand (see Note 15).

In addition, as specified by IFRS 3 "Business combinations", since the Company obtained control of Alantra AG in a step acquisition because it previously already held an equity interest in this investee, it remeasured the previously held equity interest - which was recognised under "Investments accounted for using the equity method" in the consolidated statement of financial position - at fair value, taking the amount of the transaction described above as a reference to obtain this value. As a result, a gain of EUR 697 thousand was recognised, which is included under "Gain (loss) on disposal of financial instruments - Other financial instruments" in the consolidated statement of profit or loss for 2018 (see Notes 3-w and 28).

The difference between the consideration transferred, plus the amount of the non-controlling interests, plus the fair value of the previously held equity interest, and the fair value of the assets and liabilities of Alantra AG at the date of the latest available accounting close prior to the date on which the Group obtained control constitutes goodwill. This goodwill, amounting to CHF 13,517 thousand, was allocated to the cash-generating unit comprising the company itself, and is recognised under "Intangible assets – Goodwill" on the asset side of the consolidated statement of financial position as at 31 December 2018 (see Note 6). The equivalent euro value shown for the aforementioned amount was calculated by the Group using the exchange rate published by the European Central Bank (see Notes 3-h and 6).

#### *Other transactions in 2018*

As announced by way of a Material Disclosure dated 11 July 2018, Alantra Partners, S.A. reached an agreement for the acquisition, by Alantra Infrastructure, S.L.U., of Portfolio Solutions Group, the global division of KPMG LLP (UK) which engages in the provision of advisory services for transactions involving credit portfolios, non-performing loans (NPLs) and non-strategic bank assets. Portfolio Solutions Group has 35 professionals located in various European markets, who will join the 40 Alantra Group professionals who in recent years have been operating in this business line out of Madrid and in other countries.



The transaction was subject to, inter alia, the condition precedent that the transfer of undertakings procedure established in UK employment law be completed. Lastly, on 14 August 2018 the Company announced, by way of a Material Disclosure, that the transaction had been completed, following satisfaction of the condition precedent.

The main terms and conditions of the transaction, which establish the consideration transferred, were as follows:

- Cash consideration of GBP 2 million, which has already been paid.
- Contingent consideration of GBP 500 thousand, which has already been paid in full, for the share of the seller (KPMG LLP-UK) in the revenue from the 38 mandates in progress at the date of the agreement whose economic benefits were transferred to the Alantra Group.

This business was acquired by Alantra Corporate Portfolio Advisors International Limited, a company incorporated for this purpose on 26 June 2018, 70% of whose share capital was ultimately subscribed by Alantra Infrastructure, S.L.U. In addition, within the framework of this transaction, Alantra Infrastructure, S.L.U. granted a credit facility of up to GBP 6.5 million to Alantra Corporate Portfolio Advisors International Limited.

The difference between the consideration transferred plus the amount of the non-controlling interests and the fair value of the acquiree's assets and liabilities at the date control was obtained (taking as a reference the carrying amounts at 31 July 2018) gave rise to a non-material amount of goodwill, which was allocated to the cash-generating unit comprising the company itself and is recognised under "Intangible assets – Goodwill" on the asset side of the consolidated statement of financial position as at 31 December 2018 (see Note 6). The equivalent euro value shown for the aforementioned amount was calculated by the Group using the exchange rate published by the European Central Bank (see Notes 3-h and 6).

In addition, on 4 July 2018 a shareholders agreement was entered into which stipulated that if Alantra Corporate Portfolio Advisors International Limited were to achieve a specified cumulative profit from operations in the period from the date on which control was obtained (the date on which the conditions precedent were satisfied) to 31 December 2022, an additional percentage (10%) of the company's dividend rights would be transferred to the non-controlling shareholders, who are at the same time executives of this company. This scenario was accounted for in accordance with the amendments to IFRS 2 "Classification and measurement of share-based payment transactions" (see Note 3-y), and, accordingly, the Group recognised a non-material amount of expense under "Personnel expenses" in the consolidated statement of profit or loss for 2018, relating to the best available estimate at the reporting date of the number of equity instruments that are expected to be delivered in 2022, since the Company's directors consider that the company will meet the agreed conditions for them to be delivered (see Note 26).

Also, on 11 October 2018 an agreement was entered into whereby Alantra International Corporate Advisory, S.L.U. sold and transferred all the shares held by it in the Irish company Alantra Ireland Corporate Finance Limited, for EUR 3 thousand, to Alantra Corporate Portfolio Advisors International Limited. Furthermore, on 9 October 2018 Alantra Ireland Corporate Finance Limited changed its name to Alantra Corporate Portfolio Advisors International (Ireland) Limited.

Lastly, on 28 December 2018 an agreement was entered into whereby Alantra Infrastructure, S.L.U. sold and transferred the ownership interest held by it in Alantra Corporate Portfolio Advisors International Limited (representing 70% of the share capital) for approximately GBP 2 million (similar to the value of the consideration described above) to Alantra Corporate Portfolio Advisors, S.L., which is 60% owned by the Group. As a result, the indirect ownership interest held by the Group in Alantra Corporate Portfolio Advisors International Limited stood at 42%. The capital loss incurred on this transaction has been charged

to reserves. In addition, Alantra Infrastructure, S.L.U. transferred to Alantra Corporate Portfolio Advisors, S.L. its position in the credit facility granted to Alantra Corporate Portfolio Advisors International Limited.

On 16 February 2018, Alantra EQMC Asset Management, S.G.I.I.C., S.A., a management company whose company object is the management of assets and 60% of whose share capital was subscribed by Alantra Investment Managers, S.L.U. for EUR 360 thousand, was registered in the specific register of the CNMV. On 23 March 2018, management of the vehicle EQMC, Fondo de Inversión Libre which until then had been managed by Alantra Asset Management, S.G.I.I.C., S.A.U., was effectively transferred. Lastly, on 19 April 2018 management of the vehicles EQMC Europe Development Fund, plc and Mercer Investment Fund 2, until then also managed by the aforementioned management company, was effectively transferred.

In addition, on that same date a shareholders' agreement was entered into which provided for cross-options on all the shares of Alantra EQMC Asset Management, S.G.I.I.C., S.A. held by non-controlling shareholders (40% of its share capital). Under these options Alantra EQMC Asset Management, S.G.I.I.C., S.A. has the right, but not the obligation, to purchase, acquire and pay the agreed price for all the aforementioned shares and the non-controlling shareholders have the right to sell those shares to the Group (non-controlling shareholders' put option). The terms and conditions, dates, scenarios and amounts to be disbursed for the exercise of these options are included in the shareholders agreements. The accounting policy for the recognition of the liability generated by these options, and of the subsequent changes therein, is described in the "Acquisition of an additional equity interest in Alantra AG involving obtainment of control" section (see above). Accordingly, "Non-current financial liabilities – Other financial liabilities" on the liability side of the consolidated statement of financial position as at 31 December 2018 includes EUR 7,120 thousand relating to the put options held by the non-controlling shareholders of Alantra EQMC Asset Management, S.G.I.I.C., S.A. (see Note 18).

Also, on 19 April 2018 an agreement was entered into whereby Alantra Investment Managers, S.L.U. transferred all the shares held by it in the US company EQMC GP, LLC to Alantra EQMC Asset Management, S.G.I.I.C., S.A.

As publicly announced by way of a Material Disclosure dated 11 July 2018, on 25 July 2018, as described above, the shareholders at the General Meeting of Alantra Partners, S.A. resolved to increase its share capital through the issuance of 1,458,852 ordinary shares of EUR 3 par value each and a share premium of EUR 12.15 per share, to be subscribed and paid through a series of non-monetary contributions of Alantra AG shares and certificates (see description above), as well as shares of Alantra France Corporate Finance, S.A.S. and of Alantra, s.r.l. The non-monetary contributions of these two last-mentioned companies consisted of:

- Delivery of 196,560 shares representing 21% of the share capital of Alantra France Corporate Finance, S.A.S. (additional to the 60% already held since 2015 through Alantra International Corporate Advisory, S.L.)
- Delivery of all the shares of Quattrocento, S.A.S., the company that owns 289,255 shares of Alantra France Corporate Finance, S.A.S., representing 19% of the latter's share capital.

As a result of the foregoing, the Alantra Group's ownership interest in Alantra France Corporate Finance, S.A.S. increased from 60% to 100%. Furthermore, given that Alantra France Corporate Finance, S.A.S. already formed part of the Group, this transaction gave rise to a negative reserve of EUR 7,000 thousand.

- Quota comprising 40% of the share capital of Alantra, s.r.l. (additional to the 60% already held through Alantra International Corporate Advisory, S.L.) As a result, the Alantra Group's ownership

interest in Alantra, s.r.l. increased from 60% to 100%. Furthermore, given that Alantra, s.r.l. already formed part of the Group, this transaction gave rise to a negative reserve of EUR 3,915 thousand.

The difference between the nominal amount of the capital increase and share premium and the consideration paid for the transfer of Alantra Partners, S.A. shares at their market price to the French and Italian minority interests is recognised under "Reserves" in the Company's equity for EUR 577 thousand (see Note 15).

The Company shares received by the French and Italian non-controlling shareholders as a result of the aforementioned transactions are subject to a lock-up period of up to six years.

Lastly, on 30 November 2018 Alantra Corporate Portfolio Advisors (Italy) s.r.l., whose company object is the provision of financial advisory services, was incorporated. Alantra, s.r.l. subscribed all the share capital of this company through a disbursement of EUR 10 thousand.

On 29 May 2018, Alantra Belgium NV resolved to increase its share capital through the issuance of 126,001 shares. Alantra International Corporate Advisory, S.L. subscribed all the aforementioned shares and, as a result of this capital increase, its ownership interest in Alantra Belgium NV increased from 58.11% to 75%. In addition, on 11 June 2018 Alantra International Corporate Advisory, S.L. acquired 31,250 shares of Alantra Belgium NV from one of the shareholders for EUR 32,750, thus raising its stake in this company to 85%. Furthermore, given that Alantra Belgium NV already formed part of the Group, this transaction gave rise to a positive reserve of EUR 46 thousand.

Since 22 February 2018, Alantra Capital Markets has had a new branch office located in Italy.

On 10 May 2018, Alantra Reim, S.L.U. acquired 50% of the share capital of Tertenia Directorship, S.L. through a disbursement of EUR 3 thousand, without a significant impact on these consolidated financial statements.

On 29 June 2018, Alantra Corporate Finance México, S.A., de C.V., a Mexican company whose object is the provision of financial advisory services, was incorporated. Alantra International Corporate Advisory, S.L. subscribed 99% of the share capital of this company through a disbursement of MXN 10 thousand. In addition, on 5 July 2018 it was resolved to increase its share capital through the issuance of 1,000 shares. Alantra International Corporate Advisory, S.L.U. subscribed all the aforementioned shares, for which it disbursed MXN 11 thousand. As a result of this transaction, the Group increased its stake in Alantra Corporate Finance México, S.A., de C.V. to 99.99%, without a significant impact on these consolidated financial statements.

On 4 July 2018, a supplementary shareholders agreement was entered into whereby Alantra Corporate Finance, S.L.U. transferred, on the terms provided for in the existing agreement dated 20 January 2014, 10% of Alantra Corporate Portfolio Advisors, S.L. to the non-controlling shareholders. Ultimately, on 17 December 2018 it was resolved to perform this transaction through a capital reduction that was approved at a General Meeting. The capital reduction was effected by retiring 2,500 of the 10,000 shares held by Alantra Corporate Finance, S.L.U. in Alantra Corporate Portfolio Advisors, S.L. Consequently, the Alantra Group's 70% ownership interest in Alantra Corporate Portfolio Advisors, S.L. fell to 60%. In addition, given that Alantra Corporate Portfolio Advisors, S.L. already formed part of the Group, this transaction gave rise to a negative reserve of EUR 593 thousand.

## **Main transactions during previous financial years**

### *Acquisition of 100% of Alantra Corporate Finance LLP (formerly Catalyst Corporate Finance, LLP) (operation carried out in 2017):*

As disclosed in the Material Disclosure to the Spanish securities exchange authority (Comisión Nacional del Mercado de Valores) on 1 October 2017, Alantra Partners, S.A. reached an agreement to acquire all of the capital of Alantra Corporate Finance LLP (formerly Catalyst Corporate Finance, LLP) – a British company that provides financial advisory services in connection with mergers and acquisitions and corporate finance. This acquisition formed part of the process to expand internationally that the Group embarked on some time ago in its investment banking division. This involved Alantra gaining a stronger foothold in London. The conditions precedent to which the transaction was subject were fulfilled on 5 October 2017.

The main terms of the deal regarding agreed compensation were:

- A cash payment of GBP 15 million (EUR 16,831 thousand), of which GBP 13.9 million will be paid as the price for acquiring 45.15% of Alantra Corporate Finance LLP (formerly Catalyst Corporate Finance, LLP) and GBP 1.1 million as a capital contribution.
- Delivery of 1,635,592 new Alantra Partners, S.A. shares (following the equity issue approved by the General Meeting), which will be subscribed and paid up by the partners of Alantra Corporate Finance LLP (formerly Catalyst Corporate Finance, LLP) as compensation for the non-monetary contribution of 54.85% of the membership interest. This along with Alantra Corporate Finance LLP's (formerly Catalyst Corporate Finance, LLP) membership interest that the Company will acquire for the aforementioned cash payment, comprise 100% of the membership interests in Alantra Corporate Finance LLP (formerly Catalyst Corporate Finance, LLP).

Pursuant to article 67 of the Corporate Enterprises Act, the Company's Board of Directors called on the Madrid Companies Registry to appoint an independent expert to issue the report stipulated in said article. The report issued on 5 November 2017 by Grant Thornton, S.L.P. (the independent expert appointed by the Madrid Companies Registry). It described the contributions made by Alantra Corporate Finance LLP's (formerly Catalyst Corporate Finance, LLP) partners and the valuation thereof, setting out the criteria used and concluding that it is equal to at least the par value and share premium of the shares that were finally issued after the capital increase described in the report was approved by the Extraordinary General Meeting.

On 21 November 2017, the Company's Extraordinary General Meeting voted to increase capital by issuing 1,635,592 new ordinary shares with a par value of EUR 3 each and a share premium of EUR 8.79 per share, to be subscribed and paid up by the partners of Alantra Corporate Finance LLP (formerly Catalyst Corporate Finance, LLP) through a non-monetary contribution of 54.85% of Alantra Corporate Finance LLP's (formerly Catalyst Corporate Finance, LLP) capital. The difference between the nominal amount of the capital increase and the share premium and the market value of the consideration received for the 1,635,592 new shares of Alantra Partners, S.A. (adjusted for the dividend approved by the General Meeting of the Company's shareholders on 21 November 2017) was taken to the Company's equity and recorded under "Reserves" at 31 December 2017 (see Note 15). The Company shares received by the transferors as part of the deal will be subject to a lock-up period of up to six years since that date.

- A contingent consideration of GBP 4 million (net of tax effect) provided that during the 12-month period between July 1, 2017 and June 30, 2018, Catalyst Corporate Finance, LLP reached certain results under the conditions established in the contract. The Company estimated that the contingent consideration amounted to GBP 2 million sterling and, therefore, at 31 December 2017

the amount of EUR 1,821 thousand was recorded under "Current financial liabilities – Other financial liabilities" in the consolidated statement of financial position (see Note 18.2). As a result of non-fulfilment of the conditions established in the contracts, this amount was recovered this year and recognised as income for EUR 1,811 thousand under "Gain (loss) on disposal of financial instruments – Other financial instruments" in the 2018 consolidated statement of profit or loss (see Note 28).

The total cost of the transaction was EUR 38,836 thousand at that date (GBP 34,474 thousand). The deal was agreed with effect from 30 June 2017, whereby the Group's consolidated profit generated up to that date was distributed to the Company's shareholders immediately prior to the transaction, as approved by the Company's Extraordinary General Meeting on 21 November 2017.

The acquisition of the stake in Catalyst Corporate Finance, LLP was recognised in the accounts in November 2017. Goodwill of GBP 31,733 thousand was generated as a result of the difference between the purchase price and fair value of Catalyst Corporate Finance, LLP's assets and liabilities at said date. This was recognised under "Intangible assets – Goodwill" on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017 (see Note 6). The consideration paid for this amount is in euros, after applying the European Central Bank reference rate (see Notes 3-h and 6).

Catalyst Corporate Finance, LLP's tax year ends on 31 March. As resolved in the partners' agreement signed as part of the transaction, in 2018 this tax year-end was moved to 31 December as from 2019.

In addition, on 29 November 2017 the Company granted a line of credit of GBP 1.5 million to the former shareholders of Alantra Corporate Finance LLP (formerly Catalyst Corporate Finance, LLP). At 31 December 2018 and 2017 this loan had not been drawn down. On 25 January 2019, GBP 353 thousand of this finance was drawn down (equivalent to EUR 395 thousand).

Lastly, on 27 April 2018 the company resolved to change its name from Catalyst Corporate Finance, LLP to the current name.

#### *Acquisition of 100% of the Downer Group (operation carried out in 2016)*

As reported in the Material Disclosure submitted on 24 November 2015, the Company signed a sale-purchase agreement (the "sale-purchase agreement") to acquire all of the units representing the share capital of Downer & Company, LLC, a US company and head of a group (hereinafter, the "Downer Group") with presence in the United States and other countries (primarily, Germany, France, Ireland, China and India), dedicated to corporate finance advisory activities. The inclusion of Downer & Company, LLC allowed the Alantra Group to broaden its industrial specialisation, thanks to the former's experience in sectors such as manufacturing, warehousing and cargo transport, food, consumer products, aerospace and defence. The acquisition also marked a major step forward in the Alantra Group's strategy of constructing a global mid-market financial advisory platform.

The deal was made subject, amongst other conditions precedent, to approval by the Financial Industry Regulatory Authority (hereinafter, "FINRA"), the US regulatory authority that supervises Downer & Company, LLC in the United States.

On 27 April 2016, after that clearance was attained, the Company, directly and indirectly through its US subsidiary incorporated for that purpose under the name Alantra US Corporation LLC, acquired from Upper Partners, LLC (hereinafter, the "Seller") 100% of the equity of Downer & Company, LLC, which, in turn, held equity stakes in Downer & Company, SAS, C.W. Downer & Co. India Advisors, LLP and C.W. Downer & Co GmbH.

The main terms of the acquisition were as follows:

- Acquisition by Alantra Partners, S.A. of 26,742 units of Downer & Company, LLC, representing 35.66% of its share capital. The consideration consists in delivery by the Company of 1,262,652 shares (after a prior capital increase approved by the General Meeting) or, if the Company was unable for whatever reason to issue or deliver said shares before 30 May 2017, in a cash payment by the Company of USD 12,685,968.

On 27 April 2016, the partners of Alantra International Corporate Advisory, S.L. resolved to increase said company's share capital by issuing 14,901 units with nominal value of one euro each and a total acquisition premium of EUR 9,135,119. The new units were acquired by Alantra Partners, S.A. by way of non-monetary contribution of the above-described 26,742 shares of Downer & Company, LLC, with no nominal value, representing 35.656% of the share capital de Downer & Company, LLC. That resolution was entered in the Companies Registry on 11 May 2016. As a result of that capital increase the Company increased its interest from 94.33% to 95.08% in Alantra International Corporate Advisory, S.L.

In turn, and simultaneously, Alantra International Corporate Advisory, S.L., as sole shareholder of Alantra US Corporation, LLC, resolved to increase the share capital of the latter by issuing 26,742 shares with no nominal value. The new shares were acquired in their entirety by Alantra International Corporate Advisory, S.L. by way of the non-monetary contribution, once again, of the 26,742 shares of Downer & Company, LLC, with no nominal value, representing 35.656% of the share capital of Downer & Company, LLC and a cash contribution of USD 6,060,000.

- Acquisition by Alantra US Corporation, LLC of 48,258 shares of Downer & Company, LLC, representing 64.34% of the share capital of Downer & Company LLC. The consideration payable for those shares was:
  - An initial cash consideration at the closing date of the sale-purchase agreement of USD 14,828,498 and the interest accruing thereon from 1 January 2016 (date which the parties agreed in the sale-purchase contract as effective economic date of the acquisition), which amounted to USD 71,712.
  - In this connection, on 27 April 2016 the Company granted a loan to Alantra US Corporation, LLC and to Alantra International Corporate Advisory, S.L. for USD 8,940,000 and EUR 5,365,205.85, respectively, so that Alantra US Corporation, LLC could pay the cash consideration for the acquisition of 48,258 shares of Downer & Company, LLC. Said loans have a maturity date of 31 December 2025 and bear floating interest per annum referenced to the 1-year Euribor + 600 basis points, payable at the close of each calendar year (with a floor of 600 basis points). On 5 April 2017 the Company signed an agreement with Alantra International Corporate Advisory, S.L. and Alantra US Corporation, LLC to capitalise the loan denominated in US dollars which at that date amounted to USD 9,371,466.15 (EUR 8,798,672.57). Finally, on 15 December 2017, Corporate Advisory, S.L. capitalised the loan by means of a capital contribution to Alantra US Corporation, LLC of USD 9,371,466.15. Prior to the capitalisation, the Company transferred the loan, for the same amount, to Alantra International Corporate Advisory, S.L., which must repay it within one year from the signing of the agreement. Nonetheless, on 22 March 2019 a sole partner capital contribution was agreed and subsequently extinguished due to confusion of the aforementioned loan.
  - Deferred cash consideration of USD 3,750,000 in three instalments of USD 1,250,000 each, payable in January 2017, January 2018 and January 2019. At 31 December 2018, EUR 1,103 thousand was recognised for this concept under "Current financial liabilities – Other financial liabilities" in the consolidated statement of financial position (EUR 1,042 thousand and EUR 1,084 thousand under "Non-current financial liabilities – Other financial liabilities" and "Current financial liabilities – Other

financial liabilities" for this concept at 31 December 2017). All amounts had been paid at the date of preparation of the accompanying consolidated financial statements (see Note 18).

- A contingent consideration of 50% of the tax credits the Alantra Group recovers in a period of 5 years after the close, up to a maximum of USD 1,400,000. This sum is pending payment. The Group estimates it will recover the maximum amount. This amount is recorded under "Non-current financial liabilities – Other financial liabilities" in the consolidated statement of profit or loss (see Note 18).

The sale-purchase of the Downer & Company, LLC shares was recognised for accounting purposes on 27 April 2016 (date the FINRA cleared the acquisition) and, as a consequence of what has been described above, 100% of the holding is owned by Alantra US Corporation LLC. Also, as a result of the difference between the price of acquisition and the net fair value of the assets and liabilities of the Downer Group at that date, goodwill of USD 28,024 thousand was generated and was recorded under the "Intangible assets – Goodwill" on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017 (see Note 6). The countervalue of that amount is expressed in euros, subsequent to the Group's application of the European Central Bank's exchange rate (see Notes 3-h and 6). In 2018, the Group recognised an impairment loss for part of this goodwill of EUR 1,866 thousand under "Impairment" in the 2018 consolidated statement of profit or loss (see Note 6).

On 16 August 2016 an agreement was signed between Downer & Company, LLC and Alantra Deutschland GmbH whereby Downer & Company, LLC sold the share it owns in the Germany subsidiary N+1 Downer GmbH, with a nominal value of EUR 25 thousand, representing a 100% ownership interest in that company, for EUR 85 thousand. In addition, on 29 August 2016 an agreement was reached for merger-takeover of N+1 Downer GmbH by Alantra Deutschland GmbH. Therefore, as from said dates, the only investees of Downer & Company, LLC are Downer & Company, S.A.S. and C.W. Downer & Co. India Advisors LLP.

Lastly, as projected, on 13 December 2016 the General Meeting of the Company resolved to increase its share capital, by set-off of loans and issuing and placing in circulation 1,262,652 ordinary shares with a nominal value of EUR 3 each and a share premium of approximately EUR 6.525 per share. The total amount of the capital increase was fully subscribed and paid in by the seller. Subsequent to the issuance of the shares, certain shareholders' agreements entered into effect that restrict or condition the free transferability of the issued shares.

As a consequence of the change in the Group's name (see Note 1), on 7 November 2016 Downer & Company, LLC was renamed Alantra, LLC.

*Acquisition of additional units in Alantra Wealth Management with takeover of control (operation carried out in 2016) and agreement for the sale of a partial ownership interest in Alantra Wealth Management (agreement entered into in 2018 but whose completion, scheduled for 2019, is subject to certain conditions precedent):*

As reported in a Material Disclosure of 17 May 2016, the Company reached an agreement with Financière Syz, S.A. to acquire an additional 27.01% (on top of the 23% already held since 2015) of the share capital of the companies Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., the entities through which the Alantra Group carries on its private banking activity. The transaction stems from the Alantra Group's interest in the private banking business, of strategic value on its own and also for the potential synergies with other areas of the Alantra Group.

In addition, on 17 May 2016 a shareholders' agreement was signed (hereinafter, the "Shareholders' Agreement") covenanting various aspects regarding the companies' governance. Given the terms of the



agreement, the Directors of the Company believe that the companies meet the conditions to be considered subsidiaries, once they fulfil the conditions precedent established for the transaction. On 4 October 2016 the Company reported in a Material Disclosure that on the transaction had been executed on 3 October 2016 subsequent to fulfilment of the condition precedent.

The price paid by the Company for the acquisition of 146,743 Class A shares of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and 102,721 Class A shares of Alantra Wealth Management, A.V., S.A. was EUR 1,638 thousand and EUR 3,822 thousand, respectively, and has been paid in 2016. Simultaneously to the above, 3Axis Involvement, S.L. (also shareholder in the companies) reached an agreement with Financière Syz, S.A. to acquire a further 18.99% (in addition to the 31% it already held) of the share capital of the companies.

As a result of the above transactions, the Company's interest in Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. rose from 23% to 50.01%. In addition, 3Axis Involvement, S.L. owns the remaining 49.99% of both companies. The two companies are thus wholly owned by the Company and the management team of the private banking area.

Also, in the aforesaid Shareholders' Agreement a put option was covenanted over all of the shares of the companies owned from time to time by 3Axis Involvement, S.L. Under that put option, 3Axis Involvement, S.L. has the right, but not the obligation, to sell and transfer all of its shares in Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. to the Company, which has the obligation to buy, acquire and pay the price, in certain situations.

The accounting criterion for recognising the liability generated by these options (put for minority interests) and subsequent measurement is described in the section on "Acquisition of an additional equity interest in Alantra AG involving obtainment of control" (operation described beforehand). Consequently, at 31 December 2018 and 2017, "Liabilities associated with non-current assets held for sale" and "Non-current financial liabilities – Other financial liabilities", respectively, in the consolidated statement of financial position includes EUR 8,345 thousand and EUR 7,328 thousand, respectively, corresponding to the put option for 3Axis Involvement, S.L. (see Notes 10 and 18). On measuring the liability at fair value, a charge to reserves has been recognised of EUR 1,400 thousand and EUR 1,538 thousand at 31 December 2018 and 2017, respectively (see Note 15).

As provided by IFRS 3 "Business combinations", on acquiring control of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., and as it involves an acquisition in stages because an investment had been held previously, the Company measured at fair value the previous investment that had been classified as an investment in associates.

Furthermore, the Directors of the Company, in the process of recognising the identifiable assets acquired, considered that the requirements were met for recognising deferred tax assets from the tax loss carryforwards existing in Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. These are recognised for EUR 1,854 thousand and EUR 6,090 thousand, respectively, under "Non-current assets held for sale" in the consolidated statement of financial position at 31 December 2018 (EUR 1,984 thousand and EUR 6,590 thousand under "Deferred tax assets" in the consolidated statement of financial position at 31 December 2017 – see Notes 10 and 20). That intangible asset, recorded under "Intangible assets - Other intangible assets" on the assets side of the consolidated statement of financial position, is amortised over the defined useful life, initially estimated at ten years. At 31 December 2018 the intangible asset totals EUR 852 thousand (EUR 963 thousand at 31 December 2017), recognised respectively at that date under "Non-current assets held for sale" and "Intangible assets – Other intangible assets" (see Notes 6 and 10).

Considering the consideration paid to obtain control of the companies, the amount corresponding to non-controlling stakes, the fair value attributed to the 23% interest previously held and the fair value of the identifiable net assets of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A., including those described in the preceding paragraph, goodwill of EUR 4,463 thousand was generated, and assigned to a cash generating unit composed of the two Wealth Management companies, which has been recorded under "Non-current assets held for sale" at 31 December 2018 and under "Intangible assets – Goodwill" at 31 December 2017 on the consolidated statement of financial position (see Notes 6 and 10).

As announced by way of a Material Disclosure dated 14 December 2018, Alantra Partners, S.A. and Grupo Mutua reached an agreement for the acquisition by Grupo Mutua of approximately 25% of the share capital of Alantra Wealth Management Agencia de Valores, S.A. and Alantra Wealth Management Gestión, SGIIC, S.A. The transaction also involved the participation of the management team of Alantra Wealth Management, from whom Grupo Mutua acquired another ownership interest of approximately 25% of the share capital. Following completion of the transaction, the Group would have an equity interest of approximately 25% in both companies.

The main terms and conditions of the transaction, with regard to the agreed consideration, are as follows:

- Cash consideration of EUR 23,755 thousand.
- Contingent consideration of up to EUR 6,250 thousand that will be determined based on the degree of fulfilment of the 2018-2022 business plan of Alantra Wealth Management.

Completion of this transaction is subject only to no objection being raised by the CNMV and to its being authorised, as appropriate, by the markets and competition supervisory authorities. It is expected to be completed in the course of 2019.

If the transaction were ultimately to be completed in 2019, the Group would lose control over Alantra Wealth Management, which would be reclassified to "Investments accounted for using the equity method" on the asset side of the consolidated statement of financial position. In addition, the accounting for this transaction would give rise to significant income for the Group in 2019. Lastly, as a result of this sale agreement, which had virtually been completed at 2018 year-end, and in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the Company's directors classified the assets and liabilities allocable to the two companies as held for sale, which entails certain presentation and disclosure obligations with regard to these consolidated financial statements (see Notes 3-x and 10). In any event, the foregoing refers solely to presentation requirements and does not have any impact on the Group's consolidated shareholders' equity and total equity figures at 31 December 2018.

#### *Acquisition of a 50% interest in the Landmark Group (operation carried out in 2016)*

On 20 April 2016 Alantra International Corporate Advisory, S.L. incorporated Alantra Chile Spa (formerly Nmás1 Chile Spa), with a contribution of USD 1 thousand.

As reported in a Material Disclosure on 24 May 2016, Alantra Chile Spa (formerly Nmás1 Chile Spa) signed a sale-purchase contract on 23 May 2016 to acquire 50% of the shares of Landmark Capital, S.A., a Chilean company and head of a corporate group (hereinafter, the "Landmark Group") with operations in Chile and Argentina, Brazil and Colombia. The company specialises in advising on corporate transactions in Latin America. Landmark Capital, S.A.'s investee companies include Landmark Capital Assesoría Empresarial Ltda., Landmark Capital Argentina SRL and Landmark Capital Colombia SAS.

The sale-purchase was organised in two stages:

- First stage (already completed): at the date of the sale-purchase contract, Alantra Chile Spa (formerly Nmás1 Chile Spa) acquired 30.0705% of the share capital of Landmark Capital, S.A. for USD 5,011,758, paid in cash at the signing date of the share sale-purchase agreement. The sale-purchase contract fixed 1 January 2016 as effective date of the acquisition of the 30.0705% of the Landmark Group shares, with Alantra Chile Spa (formerly Nmás1 Chile Spa) from that time forth obtaining 30.0705% of the earnings generated by the Landmark Group.
- Second stage (not completed at the reporting date): acquisition by Alantra Chile Spa (formerly Nmás1 Chile Spa) of approximately an additional 20% of the Landmark Capital, S.A. share capital in 2019 at a price calculated according to the earnings recorded by the Landmark Group in 2016, 2017 and 2018. However, on 9 June 2017 the Group acquired additional shares of Alantra Chile SPA, bringing its ownership interest to 30.95%. The effective date of this second transaction was established as 1 January 2019, and from this date Nmás1 Chile SPA would have acquired the rights and obligations pertaining to approximately 50% of the Landmark Group. The Group considered that this second transaction generated a financial derivative as it corresponds to a commitment to purchase in the future a further 19.05% of the shares of the Landmark Group. At 31 December 2017, since the earnings for two of the three years used to calculate the purchase price were already known, the Group recognised a financial derivative amounting to EUR 256 thousand under "Non-current financial assets – At fair value through profit or loss" on the asset side of the consolidated statement of financial position – see Note 9.1 -. At 31 December 2018, the aforementioned financial derivative was derecognised, and a loss was recorded under "Change in fair value of financial instruments" in the consolidated statement of profit or loss for 2018.

On 23 and 24 May 2016 the Company granted respective loans to Alantra Chile Spa (formerly Nmás1 Chile Spa) and to Alantra International Corporate Advisory, S.L., of USD 3,761,943 and EUR 1,152,557.34, respectively, to finance Alantra Chile Spa (formerly Nmás1 Chile Spa) payment of the cash consideration for its acquisition del 30.0705% of Landmark Capital, S.A. (first stage). These loans matured on 31 December 2026 and bore annual interest at 600 basis points payable at the end of each calendar year. On 5 April 2017 the Company signed an agreement with Alantra International Corporate Advisory, S.L. and Alantra Chile Spa formerly Nmás1 Chile Spa) to capitalise the loan denominated in US dollars which at that date amounted to USD 3,957,357.90 (EUR 3,715,480.14). For that purpose, prior to the capitalisation, the Company transferred the loan, for the same amount, to Alantra International Corporate Advisory, S.L., which had to be settled within one year from the signing of the agreement. Subsequently, on 20 December 2017, Alantra Chile Spa (formerly Nmás1 Chile Spa) carried out a capital increase. The new shares were subscribed and paid in by Alantra International Corporate Advisory, S.L. by means of the capitalisation of the loan. Finally, on 22 March 2019 a sole partner capital contribution was agreed and subsequently extinguished due to confusion of the aforementioned loan.

The Directors of the Company consider that at 31 December 2018 and 2017 the conditions for considering the Landmark Group as an associate were met and that the Alantra Group did not have control of the Landmark Group. Accordingly, the investment in the Landmark Group was recorded applying the equity method under "Investments accounted for using the equity method" on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017.

#### *Other transactions*

On 23 January 2014, N+1 IBG, as sole shareholder of Alantra International Corporate Advisory, S.L., resolved to increase its share capital by issuing 5,538 new units with a nominal value of one euro each and a share premium of EUR 90.24 per unit. The new units were fully subscribed and paid by certain natural persons by way of a non-monetary contribution of 35% of the capital of Nplus 1 Daruma Finansal Danışmanlık Hizmetleri A.Ş. and Nplus 1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş. Nevertheless, the 7.5% equity stake owned by minority interests, under the cross options

sale-purchase contract executed on that same date, is subject to an adjustment that will be made, if applicable, on the basis of a calculation of the average EBITDAs of Nmás1 International Corporate Advisory, S.L. and the acquired company for the period 2014-2016. In addition, those minority interests also participated in the capital increase of Alantra International Corporate Advisory, S.L. primarily intended for the investment in the formerly Swiss Capital Corporate Finance AG (see below).

On 30 May 2014 an agreement was signed between Alantra International Corporate Advisory, S.L. and Swiss Capital Corporate Finance AG whereby the shareholders of Swiss Capital Corporate Finance AG sold 50.002% of the voting shares of the company (which nonetheless did not give the Group control under the existing shareholders' agreements), which carried 25.001% of the financial rights, to Alantra International Corporate Advisory, S.L. in exchange for an initial amount of EUR 2,516 thousand plus a sum that was determined at year-end 2016. That sum has been determined at 25% of six times the average EBITDA of Swiss Capital Corporate Finance AG in 2014, 2015 and 2016 less the amount initially paid, with a maximum of EUR 5,000 thousand. Therefore, if the variable amount yielded by that calculation at year-end 2016 had been equal to or less than the EUR 2,516 thousand initially paid, no additional minimum amount would have been payable. Eventually, that variable sum exceeded the initial payment, so the Group has recognised a financial liability in the consolidated statement of financial position at 31 December 2016 in respect thereof in the amount of EUR 72 thousand. Simultaneously, there was an agreement between the two companies for cross options maturing in 2019, which would be carried out at arm's length, whereby Alantra International Corporate Advisory, S.L. was granted an option to acquire an additional 25% of the financial rights of Swiss Capital Corporate Finance AG, with the latter being given the right to demand that the former acquire the said additional 25% in exchange for shares in Alantra International Corporate Advisory, S.L. After the signing of this agreement, Swiss Capital Corporate Finance AG was renamed N+1 Swiss Capital AG, Zürich. Subsequently, in 2016 N+1 Swiss Capital AG, Zürich was renamed Alantra AG. As a result of the corporate action performed in Alantra AG during 2018 (see previous section entitled "Acquisition of an additional equity interest in Alantra AG involving obtainment of control" in "Significant transactions in 2018") the previous agreements were cancelled, especially those involving cross options.

During 2017 Alantra International Corporate Advisory, S.L. acquired additional shares in Nplus1 Singer Ltd, increasing its holding at 31 December 2017 to 27.35%. Lastly, additional units were acquired in 2018, whereby at 31 December 2018 Alantra International Corporate Advisory, S.L.'s stake in Nplus1 Singer, Ltd totals 27.46%.

On 17 May 2017 the Belgian company Alantra Belgium NV was incorporated. Its corporate purpose is the provision of financial advisory services and its majority shareholder is Alantra International Corporate Advisory, S.L., which holds 99.99% of the share capital by means of a capital contribution of EUR 61 thousand. Moreover, on 6 December 2017 Alantra Belgium NV resolved to increase its capital by creating and issuing 124,999 shares. Alantra International Corporate Advisory, S.L. subscribed 46,875 shares and as a result of the capital increase, saw its stake in Alantra Belgium, NV fall from 99.99% to 58.11%.

On 22 June 2017 Alantra Investment Managers, S.L.U. acquired 100% of the share capital of Brooklin Buy-Out Ltd for EUR 3 thousand.

VK Advisory GmbH was incorporated on 17 July 2017 with capital of EUR 35 thousand. On 21 July 2017, VK Advisory GmbH increased its capital by EUR 82 thousand, which was fully subscribed by Alantra International Corporate Advisory, S.L.U. This company's ownership interest in VK Advisory GmbH stands at 70%. On the same date, Alantra International Corporate Advisory, S.L.U. made a partners' contribution of EUR 1,137 thousand. On 28 November 2017, VK Advisory GmbH changed its name to Alantra Austria & CEE GmbH.

On 8 and 9 November 2017, Alantra Partners, S.A. acquired from the minority equity holders of Alantra International Corporate Advisory, S.L. all the stakes they held in this company for a non-material amount.

As a result of the equity issue, the Company's ownership interest in Alantra International Corporate Advisory, S.L. rose from 95.30% to 100% and the usufructs granted over the financial rights in said investment (detailed below) have terminated. This acquisition therefore had no effect on the consolidated financial statements.

Alteralia II Management S.à.r.l. was incorporated on 28 December 2017 with Alantra Investment Managers, S.L.U. contributing EUR 12 thousand and holding 100% of the capital thereof.

On 29 December 2017 the process of winding up Alpina Real Estate GP I, S.A., Alpina Real Estate GP II, S.A. and Alpina Real Estate GP, S.A. began.

### **3. Accounting policies and measurement bases**

As disclosed in Notes 2.4 and 2.7, adoption of IFRS 9 "Financial instruments" has involved the modification of certain accounting policies and measurement bases, applicable as from 1 January 2018. The following accounting principles, policies and measurement bases were applied in the preparation of the Group's 2018 consolidated financial statements:

#### ***a) Definitions and classification of financial instruments***

##### *i. Definitions*

A "financial instrument" is a contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity simultaneously.

An "equity/capital instrument" is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument, the value of which changes in response to a change in an observable market variable (such as an interest rate, exchange rate, financial instrument price or market index), whose initial investment is very small compared to other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

##### *ii. Classification of financial assets for measurement and presentation purposes*

Financial assets are initially presented in the consolidated statement of financial position, firstly according to whether they are "current" or "non-current" (see Note 3.k). Moreover, IFRS 9 "Financial instruments" introduces a new classification approach based on the contractual cash flow characteristics of the assets and the Group's business model. Financial assets are therefore classified into the following categories for the purposes of measurement and assignment to line items:

##### *- At amortised cost*

Financial assets classified in this measurement category involve a business model that entails holding a financial asset to collect contractual cash flows and, in accordance with the terms and conditions of the contract, cash flows are received on specified dates that are solely payments of principal and interest on the principal amount outstanding.

This measurement category therefore comprises loans to third parties that, even if they are not contractual in nature, are not remunerated according to the gross profit or loss obtained by the

borrower, and accounts receivable (primarily from the Group providing services). It also includes any reverse repurchase agreements and deposit accounts at credit institutions held by the Group and maturing within three months.

This measurement category also includes: "Non-current financial assets – At amortised cost" and "Current financial assets – At amortised cost"; "Trade receivables for sales and services" and "Other receivables" under "Trade and other receivables"; and "Other non-current assets", "Other current assets" and "Cash and cash equivalents" on the consolidated statement of financial position.

- At fair value through other comprehensive income (equity)

Debt securities classified in this measurement category involve a business model that entails collecting contractual cash flows and selling the asset and, in accordance with the terms and conditions of the contract, cash flows are received on specified dates that are solely payments of principal and interest on the principal amount outstanding. It also includes equity instruments comprising investments in entities that are not subsidiaries, joint ventures or associates, designated voluntarily and at the start and irrevocably in this category and that cannot be classified as held for trading.

Consequently, in the Group's case, this measurement category includes the stakes held in closed-end entities (basically venture capital companies and funds). It was decided to irrevocably classify all of these in this category, which means the aforesaid amounts cannot be taken to profit or loss if the investment is sold; only dividends received are recognised as income.

This measurement category includes "Current/non-current financial assets – At fair value through other comprehensive income" in the consolidated statement of financial position.

- At fair value through profit or loss

This category includes financial assets held for trading and any other assets that cannot be or are not classified at amortised cost or at fair value through other comprehensive in accordance with the requirements set out in the previous sections. Financial assets held for trading are those acquired with the intention of selling them in the near term or which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking, along with derivatives not designated as hedging instruments.

Consequently, the Group includes in this measurement category: loans to third parties remunerated according to the gross profit or loss obtained by the borrower; investments in collective investment undertakings and listed equities; financial derivatives not deemed to be accounting hedges; and subsidiaries over which the Group has significant influence through an "investment vehicle" (see Note 2.14.4). This category also includes financial assets that are managed jointly with financial liabilities, eliminating significantly any inconsistencies in recognition or valuation.

This measurement category includes "Current/non-current financial assets – At fair value through profit or loss" in the consolidated statement of financial position.

Financial assets are reclassified if, and only if, the aim of an entity's business model changes significantly. No assets were reclassified during the year and no reclassifications are envisaged.

The primary objective of the new hedge accounting model in IFRS 9 "Financial instruments" is for the hedge accounting to represent the effect of an entity's risk management activities. Hedging operations

are classified as fair value hedges, cash flow hedges or hedges of a net investment. The option exists to continue applying the hedge accounting model in IAS 39 for all the Group's hedging operations. The Group had no hedging operations in 2018 or 2017.

"Investments accounted for using the equity method" includes equity/capital instruments in jointly-controlled entities and associates (see Note 2.14), except those classified as "Other financial assets at fair value through profit or loss".

"Non-current assets held for sale" includes any assets (including financial assets) or disposal groups that are available for immediate sale (see Note 3-x).

### *iii. Classification of financial liabilities for measurement and presentation purposes*

Financial liabilities are initially presented in the consolidated statement of financial position as "current" or "non-current" (see Note 3 k)), and subsequently based on their nature. The greater part of the Group's financial liabilities includes debts and payables by the Group that have arisen from the purchase of goods or services in the normal course of business and those which, while not having commercial substance, cannot be classed as derivative financial instruments. The Group's financial liabilities are recognised under "Non-current financial liabilities", "Other current liabilities", "Non-current financial liabilities", "Trade and other payables" and "Other current liabilities" on the liabilities side of the consolidated statement of financial position. All are classified, for measurement purposes, as financial liabilities at amortised cost.

The Group also recognises certain financial liabilities under "Trade and other payables – Other payables" (see Note 19), which are jointly managed with certain assets classified "At fair value through profit or loss" (see Note 9.1). For measurement purposes, these liabilities are designated as financial liabilities at fair value through profit or loss.

Furthermore, "Non-current financial liabilities – Other financial liabilities" includes financial liabilities deriving from recognition of the put options (of minority interests) arising as a result of the current agreements with the non-controlling shareholders or partners of Alantra EQMC Asset Management, S.G.I.I.C., S.A. and Alantra AG (see Notes 2.14 and 18).

"Liabilities associated with non-current assets held for sale" includes those liabilities (including financial liabilities) directly associated with the assets held for sale of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. (see Notes 3-x and 10).

Financial liabilities cannot be reclassified.

## ***b) Measurement and recognition of gain (loss) on financial assets and liabilities***

Financial assets and liabilities are initially recognised at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. This amount is then adjusted by the transaction costs that are directly attributable to the acquisition of the financial asset or issuance of the financial liability, except for financial instruments recognised, where applicable, at fair value through profit or loss. Financial assets and liabilities are subsequently measured at each year-end as follows:

### *i. Measurement of financial assets*

Financial assets classified for measurement purposes as "at amortised cost" are initially measured at fair value (which, unless evidence exists to the contrary, is equal to the transaction price), including



any directly attributable transaction costs. Subsequently, these assets are measured at amortised cost using the effective interest rate method. "Amortised cost" is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and the accumulated amortisation taken to the consolidated statement of profit or loss for the difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost furthermore includes any reductions for impairment or uncollectability. However, balances expected to be collected within one year from the reporting date are measured at their nominal value, insofar as the effect of not discounting them is not significant.

The "effective interest rate" is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life. For fixed-rate financial instruments, the effective interest rate coincides with the contractual rate of interest at the time of acquisition, adjusted as necessary for any commissions or fees which by their nature are assignable to a rate of interest. In the case of floating-rate financial instruments, the effective interest rate coincides, where applicable, with the rate of return prevailing in all connections until the first revision of the benchmark interest rate.

On the other hand, financial assets classified for measurement purposes as "At fair value through other comprehensive income" or "At fair value through profit or loss" are initially measured at "fair value" including, in the case of the former, any directly attributable transaction costs. Subsequently, both categories of assets are measured at fair value and any changes in the fair value of assets classified as "at fair value through other comprehensive income" are recognised in equity under "Accumulated other comprehensive income" until they are disposed of. Subsequently, these latter assets are reclassified to profit or loss in the case of debt instruments and to reserves in the case of equity instruments. As the name suggests, any changes in the fair value of other financial assets "at fair value through profit or loss" are recognised with a charge or credit to profit or loss. In the Group's case, all of the assets classified in this category are equity instruments and any changes in fair value are recognised, net of their tax effect, under "Items that will not be subsequently reclassified to profit or loss for the period – Equity instruments at fair value through other comprehensive income".

The fair value of a financial instrument on a given date is the amount at which the asset could be exchanged between knowledgeable, willing parties in an arms' length transaction on that date. Fair value is determined without deducting transaction costs incurred on disposal. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price") (see Note 30).

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it. Nevertheless, the limitations of the valuation models that have been developed and the possible inaccuracies in the assumptions required by these models may give rise to the fair value thus estimated of a financial instrument differing somewhat from the price at which the instrument could be bought or sold on the valuation date.

Disclosures on the fair value of financial instruments, their classification and the measurement bases used are provided in Note 30.

The amounts at which the financial assets are recognised represent, in all material respects, the Group's maximum exposure to credit risk at each reporting date.

## *ii. Measurement of financial liabilities*

Financial liabilities classified for measurement purposes as “Debts and payables” are initially measured at fair value (which, unless evidence exists to the contrary, is equal to the transaction price), including any directly attributable transaction costs. These financial liabilities are then measured at amortised cost, while any accrued interest is recognised under “Finance costs” in the consolidated statement of profit or loss. However, balances expected to be paid within one year from the reporting date are measured at their nominal value, insofar as the effect of not discounting them is not significant.

Furthermore, financial liabilities classified for measurement purposes as “Financial liabilities at fair value through profit or loss” are wholly measured at their fair value, using the same criteria as used for the financial assets with which they are jointly managed.

Lastly, changes in the value of financial liabilities originating from put options to non-controlling interests (see section i) are recorded with an offsetting in reserves (see Note 2.14).

## *iii. Recognition of fair value changes*

As a general rule, changes in the fair value of financial assets and liabilities are recognised with a balancing entry in the consolidated statement of profit or loss. A distinction is made between the changes resulting from the accrual of interest or dividends (which are recognised under “Finance income” or “Finance costs”, as appropriate); those arising from the impairment of asset quality and those arising for other reasons, which are recognised for their net amount under “Loss/reversal of loss on impairment of financial instruments” in the consolidated statement of profit or loss.

However, changes in the fair value (gains or losses) of “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss” are recognised, net, under “Changes in fair value of financial instruments”. Any changes deriving from reclassifications of assets are recognised under “Gain (loss) on reclassification of financial assets at amortised cost to financial assets at fair value” or “Gain (loss) on reclassification of financial assets at fair value through other comprehensive income” in the consolidated statement of profit or loss.

Any changes in fair value involving financial assets “at fair value through other comprehensive income”, which in the Group’s case solely comprise equity instruments, are recognised, net of their tax effect, in equity (“Accumulated other comprehensive income – Items that will not be subsequently reclassified to profit or loss for the period – Equity instruments at fair value through other comprehensive income”).

Financial assets are only derecognised when the contractual rights to the cash flows expire or the risks and rewards incidental to ownership of the financial assets have been substantially transferred to third parties. Similarly, financial liabilities are only derecognised when the obligations that gave rise to them have been settled or when they have been acquired, whether with a view to cancellation or resale. Any gains or losses are recognised under “Gain (loss) on disposal of financial instruments”.

Lastly, details of the profit (loss) of companies accounted for using the equity method are provided in Note 2.14.

## **c) Derecognition of financial assets and liabilities**

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

1. If substantially all the risks and rewards of the assets transferred are transferred to third parties – unconditional sales, sales under an agreement to repurchase them at their fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option that is deeply out of the money, and other similar cases – the transferred financial asset is derecognised and any rights or obligations retained or created in the transfer are recognised simultaneously.
2. If the Group retains substantially all the risks and rewards associated with the transferred financial asset – sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, and other similar cases – the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognised:
  - a. An associated financial liability, for an amount equal to the consideration received and subsequently measured at amortised cost.
  - b. The income from the transferred financial asset not derecognised and any expense incurred on the new financial liability – recognised directly in profit and loss.
3. If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset – sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money and other similar cases – the following distinction is made:
  - a. If the transferor does not retain control of the transferred financial asset, the asset is derecognised and any rights or obligations retained or created in the transfer are recognised.
  - b. If the transferor retains control of the transferred financial asset, it continues to recognise it for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognised when the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only derecognised from the consolidated statement of financial position when the obligations that gave rise to them have been settled or when they have been acquired, whether with a view to cancellation or resale.

#### **d) Offsetting**

Asset and liability balances are offset and therefore, reported in the consolidated statement of financial position at their net amount, when, and only when, they arise from transactions for which a contractual or legal right of set-off exists and there is an intention to settle them on a net basis, or to realise the asset and settle the liability simultaneously, and that one of the parties involved is a financial institution.

#### **e) Impairment of financial assets**

A financial asset is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of impairment – when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.
- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated statement of financial position for the period in which the impairment becomes evident, and the reversal, if any, of previously recognised impairment losses is recognised in the consolidated statement of financial position for the period in which the impairment ceases to exist or is reduced. When the recovery of any recognised amount is considered unlikely due to impairment, the amount is written off, without prejudice to any actions that the Group may initiate to seek collection until its contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The new impairment model in IFRS 9 is based on expected loss and is the same for all financial assets. An impairment allowance will be recognised for any losses expected over the next 12 months or expected losses over the life of the asset. A simplified approach can be used, which is what the Group does, to recognise the expected credit loss over the life of all its trade and other receivables. The Group has its own model for measuring the risk posed by its debtors and estimating expected losses based on the probability of default and exposed balances based on available debtor portfolio information. The general criterion in this model is that a balance receivable is deemed to be irrecoverable and has to be fully impaired after the debtor has been 12 months in arrears. These criteria are applied when there is no other objective evidence that a balance receivable will not be settled such as insolvency proceedings. The other financial instruments – primarily other current and non-current financial assets at amortised cost – are monitored on a case-by-case basis to determine if credit risk has increased. In the case of all these assets, the effect of calculating expected loss using the simplified approach rather than debtors' credit risk status is not significant.

The other financial instruments – primarily other current and non-current financial assets at amortised cost – are monitored on a case-by-case basis to determine if credit risk has increased.

Losses due to impairment are recognised under "Loss/reversal of loss on impairment of financial instruments" in the consolidated statement of profit or loss.

Impairment losses on "Investments accounted for using the equity method" are estimated and recognised by the Group pursuant to the criteria described in Note 2.14.

#### **f) Recognition of income and expenses**

The paragraphs below summarise the most significant criteria applied by the Group in recognising income and expense:

*i. Interest income and expenses and similar items*

Interest income and expenses and similar items are generally recognised on an accrual basis using the effective interest method under "Finance income" and "Finance costs", respectively, in the consolidated statement of profit or loss. Dividends received from other companies not included in the Group's scope of consolidation are recognised as income under "Finance income" in the consolidated statement of profit or loss when the Group's right to receive them arises. Interest and dividends accrued prior to the acquisition date are not recognised in the consolidated statement of profit or loss, and the corresponding asset is cancelled when these items are collected.

*ii. Income and expenses from provision of services*

Income and expenses from provision of services (processing and execution of orders, preparation of investment reports and financial analysis, management and administration of CISs and private equity firms, discretionary portfolio management, and the provision of business advisory services, search for and placement of packages in secondary markets and marketing of collective investment schemes, etc. – see Note 25), all basically comprising commissions and similar fees, are recognised in the consolidated statement of profit or loss using different criteria depending on their nature. The main fees and commissions are as follows:

Income from the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date, provided the outcome of the transaction can be estimated reliably. This income is recognised in the consolidated statement of profit or loss in accordance with criteria based on the nature of the revenues, the most significant of which are:

- Those arising as a result of transactions and services that extend over a prolonged period of time, which are recognised over the life of the transaction or service.

This type of income from provision of services includes that from the management and administration of CISs, the management and administration of private equity firms, discretionary portfolio management, and the provision of business advisory services (excluding performance fees) and from marketing collective investment schemes, and is included in the balance of "Revenue – Revenue from rendering of services" in the consolidated statement of profit or loss.

Part of the aforementioned income from the management and administration of Collective Investment Schemes is variable, being based on the performance of the investment under management. In these cases, the Group reviews, and if necessary adjusts, the income recognised from said fees if at any time after recognition (within the crystallisation period of one year) there is any likelihood the fees must be refunded, if returns fall in this later period.

In this category of expenses, those from agency, marketing of collective investment schemes, third-party management and customer representation services are included in "Revenue – Transfers to third parties for joint execution" in the consolidated statement of profit or loss.

- Those relating to services provided in a single act, which are recognised when the single act is carried out.

This type of income includes commissions charged for the provision of financial advisory services which accrue in line with the performance of the transactions (performance fees) in accordance with the contractual terms established. In these cases, the performance fee accounts for almost all or a large part of the remuneration earned on each individual contract and, furthermore, the contractual

benchmark hurdle is highly sensitive to factors outside the Group's control, such as the actions of third parties. For this type of income, therefore, it is very important to pass the benchmark hurdle, as the recognition of ordinary income will be postponed until this has taken place.

In addition, this type of income from the provision of services includes performance fees based on the final gains generated by the Capital Risk Funds and Capital Risk Firms managed by the Group on the sale of their investments.

This type of income from the provision of services also includes the revenues from securities brokerage services, identifying and placing bundles on secondary markets, and preparing investment and financial analysis reports which are recorded under "Revenue – Revenue from rendering of services" in the consolidated statement of profit or loss.

### *iii. Non-finance income and costs and other operating income*

Income and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

## **g) Property and equipment**

This line item comprises the cost of furniture, facilities, computer hardware and other property and equipment owned by the Group, all classified as "Property and equipment for own use" given its intended purpose.

Property and equipment is initially measured at acquisition cost or production cost, and subsequently reduced by any accumulated depreciation or impairment losses.

Depreciation is calculated by applying the straight-line method to the acquisition cost of the assets less their residual value.

The depreciation charge for the year is recognised under "Depreciation and amortisation" in the consolidated statement of profit or loss and is basically calculated using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual depreciation rate
Facilities	10%
Computer hardware	25%
Furniture	10%
Other property and equipment	10%

At each statement of financial position date, the Group assesses whether there are any internal or external indications that the carrying amount of an item of property or equipment exceeds its recoverable amount, in which case the asset is written down to the recoverable amount and the future depreciation charges are adjusted in proportion to the written-down carrying amount and the new remaining useful life, should it need to be reestimated.

Similarly, if there is an indication of a recovery in the value of an impaired item of property or equipment, the Group recognises the recovery of the impairment loss recognised in prior periods and adjusts the future depreciation charges accordingly. Under no circumstances may the recovery of an impairment loss on an asset increase its carrying amount above the amount at which it would have been stated if no impairment losses had been recognised in prior years.

The Group recognises any impairment losses on these assets with a charge to "Impairment of non-current assets" in the consolidated statement of profit or loss.

The estimated useful lives of the items of property and equipment for own use are reviewed at least at the end of the reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognised in the consolidated statement of profit or loss in future years on the basis of the new useful lives.

Any gain (loss) on the sale of an item of property or equipment is recognised under "Gain (loss) on disposal of non-current assets" in the consolidated statement of profit or loss.

Upkeep and maintenance expenses relating to property and equipment for own use are recognised as an expense in the period in which they are incurred. Conversely, costs incurred that increase capacity or efficiency or extend the useful life of the assets are capitalised as part of the cost of the related assets.

## ***h) Intangible assets***

### *Other intangible assets*

These assets are identifiable (i.e. separable from other assets) non-monetary assets without physical substance which arise from contractual or other legal rights or which are developed internally by the Group. They are only recognised when their cost can be estimated reliably and when it is considered probable that they will generate future economic benefits.

Intangible assets are recognised initially at acquisition or production cost and subsequently measured at cost less any accumulated amortisation and impairment losses.

All the Group's assets included under "Other intangible assets" have a finite useful life and comprise software acquired for valuable consideration and the contractual rights arising from relations with customers from acquired businesses and their lists of customers (see Note 2.14). The estimated useful lives of the items of these intangible assets are reviewed at least at the end of the reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the amortisation charge to be recognised in the consolidated statement of profit or loss in future years on the basis of the new useful lives.

These intangible assets are amortised over their finite useful life using methods similar to those used to depreciate property and equipment. The average annual amortisation rate for software is 33.33% and 10% for contractual rights arising from relations with customers from acquired businesses in the case of Alantra Wealth (the only existing at 31 December 2018 and 2017). Intangible assets for contractual rights arising from the acquisition of Portfolio Solutions Group, KPMG LLP (UK)'s global division (see previous section "Other transactions in 2018") were fully amortised at year-end.



Charges for the amortisation of these assets are recognised under "Amortisation and depreciation" in the consolidated statement of profit or loss.

The Group recognises any impairment losses on these assets with a charge to "Impairment of non-current assets" in the consolidated statement of profit or loss. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for property and equipment (see Note 2 g)).

Any gain (loss) on the sale of an intangible asset is recognised under "Gain (loss) on disposal of non-current assets" in the consolidated statement of profit or loss.

### *Goodwill*

Goodwill represents advance payments made by the acquirer for future economic benefits arising from the assets that are not individually and separately identifiable and recognisable. It is calculated as the difference between the fair value of the assets acquired and liabilities assumed and the cost of the business combination, both at the acquisition date.

Goodwill is assigned to one or more cash-generating units that are expected to benefit from synergies deriving from the business combination. Cash generating units are the smallest identifiable groups of assets that generate cash inflows for the Group that are largely independent of the cash inflows generated from other assets or groups of assets of the Group. Each unit or units to which goodwill is assigned:

- Represents the lowest level within the entity at which goodwill is monitored internally.
- Is not larger than an operating segment.

Cash generating units to which goodwill has been allocated are tested for impairment, with the goodwill assigned included in their carrying amount. This testing is done at least annually or whenever there are indications of impairment.

Goodwill arising upon the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree, and is translated to euros at the exchange rate prevailing on the consolidated statement of financial position.

Goodwill is never amortised but is periodically tested for impairment, and written down if there is any evidence thereof.

Impairment of a cash-generating unit to which goodwill has been assigned is determined by comparing the unit's carrying amount – adjusted by any goodwill attributable to non-controlling interests if non-controlling interests are not measured at fair value – and its recoverable amount.

A cash-generating unit's recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is calculated as the discounted value of projected future cash flows estimated by the unit's management based on the latest available budgets for forthcoming years. The main assumptions used in the calculation are: a sustainable growth rate to extrapolate cash flows in perpetuity and a discount rate for discounting the cash flows (see Note 6). Any impairment losses are recognised under "Impairment of non-current assets" in the consolidated statement of profit or loss. Impairment losses on goodwill are not reversed in subsequent periods.

If the carrying amount of a cash generating unit is greater than its recoverable amount, the Group recognises an impairment loss. The impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the unit and, second, if losses remain to be allocated, to reduce the carrying amount of the other assets of the unit; with any remaining loss being assigned in proportion to the carrying amount of each of the assets of the unit. If the option of measuring non-controlling interests at fair value has been applied, there will be recognised the impairment of the goodwill attributable to those non-controlling interests.

#### **i) Accounting for leases**

##### *Finance leases*

Finance leases are deemed to be those in which the risks and rewards relating to the leased asset are transferred to the lessee.

Certain consolidated companies operate as lessors in financial leases, recording the present value of the payments receivable from the lessee plus the guaranteed residual value (usually the exercise price of the lessee's purchase option at the end of the agreement period) as a loan to third parties. It is therefore included under "Other non-current liabilities" in the consolidated statement of financial position, reflecting the nature of the lessee.

The finance income generated from these contracts, which is not material, is taken to income as "Finance income" using the effective interest method.

##### *Operating leases*

In operating leases, the ownership of the leased asset and substantially all the risks and rewards of ownership are retained by the lessor.

When the Group acts as lessee, lease expenses, including any incentives granted by the lessor, are charged to "Other operating expenses" in the consolidated statement of profit or loss on a straight-line basis (Note 27).

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

#### **j) Tax assets and liabilities**

"Deferred tax assets", "Deferred tax liabilities" and "Trade and other receivables – Current tax assets" and "Trade and other payables – Current tax liabilities" in the consolidated statement of financial position include the amount of all corporate income tax assets and liabilities, which are classified where applicable as: "current" (balances receivable or payable for tax within the next 12 months) and "deferred" (balances receivable or payable for tax in future years including, as the case may be, those arising from tax loss carryforwards or unused tax credit or deductions).

***k) Current and non-current assets and liabilities***

Current assets are those that the Group intends to sell, consume or realise during the normal operating cycle, and those that are expected to mature, be disposed of or realised within twelve months of the reporting period; or are cash or cash equivalents. All other assets are classified as non-current.

Current liabilities comprise any obligations related with the normal operating cycle that the Group intends to settle during said cycle, and those that are expected to mature or expire within twelve months of the reporting period. They include salaries payable. All other liabilities are classified as non-current.

***l) Other non-current assets and liabilities***

"Other current assets" and "Other non-current assets" in the consolidated statement of financial position comprise the balance of assets not recognised under other line items, and include advances and loans to personnel and other assets.

"Other current liabilities" and "Other non-current liabilities" in the consolidated statement of financial position comprise the balance of payables not included in other categories.

These balances include all prepayments and accrued income and accrued expenses and deferred income, with the exception of accrued interest which is recognised in the line items including the financial instruments giving rise to the corresponding interest balances. They are also classified as "current" and "non-current" as per the criteria described in point k) of this note.

***m) Own equity instruments***

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities. Own equity instruments are only those that meet the following conditions:

- The instrument includes no contractual obligation for the issuer that requires it: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.
- If the instrument will or may be settled in the issuer's own equity instruments, it is: (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Gains or losses on trading in own equity instruments, including issuance and cancellation of these instruments, are recognised directly against equity. Any costs incurred in transactions involving own equity instruments are charged against equity after deducting any related tax incentives.

The changes in value of own equity instruments are not recognised in the financial statements. The considerations received or delivered in exchange for these instruments are directly included in or deducted from consolidated equity.

#### ***n) Assets under management***

Assets managed by the Group that are owned by third parties are not recognised in the consolidated statement of financial position. Income from such activity is recognised under "Revenue" in the consolidated statement of profit or loss (see Note 25).

#### ***o) Personnel expenses***

##### *Pension plan and other post-employment commitments*

The Group had no material pension plan commitments with its staff at the 2018 and 2017 reporting closes.

##### *Termination benefits*

Under current Spanish legislation, the Group is required to pay termination benefits to employees whose employment is terminated when certain conditions are met. Compensation paid to employees laid off in 2018 and 2017 is recognised under "Personnel expenses" in the consolidated statement of profit or loss (see Note 26). The Company's directors considered that at 31 December 2018 and 2017, there were no reasons for booking an additional provision for such commitments at said dates.

#### ***p) Income tax***

Income tax expenses or income tax rebates include both current and deferred tax expense or income, and are recognised under "Income tax" on the consolidated statement of financial position.

A temporary difference exists when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Group to a rebate or a reduction in the tax charge in the future.

Tax credits and deductions and tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met, and the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within 12 months from the date they are recognised. Deferred tax assets and liabilities are amounts of income tax expected to be recoverable or payable, respectively, in future periods.

Deferred tax liabilities are recognised for all significant taxable temporary differences. Deferred tax assets arising from deductible temporary differences and from tax credits and rebates and tax loss carryforwards are only recognised when it is deemed probable that the Group will generate future taxable profits against which these assets may be utilised.

Deferred tax assets and liabilities are not recognised in connection with the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (tax loss).

The deferred tax assets and liabilities recognised are reassessed each year in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Article 7 of Act 16/2012 of 27 December, adopting various tax measures aimed at consolidating public finances and boosting economic activity, establishes that depreciation and amortisation of property and equipment, intangible assets and investment property for the tax periods beginning in 2013 and 2014 for those entities that, in those years, did not meet the requirements established in sections 1, 2 or 3 of Article 108 of the Consolidated Spanish Corporate Tax Act (approved by Royal Decree-Law 4/2004 of 5 March) will be deducted from the tax base up to 70% of that which would have been tax deductible if this percentage had not been applied, pursuant to sections 1 and 4 of Article 11 of this act. Any depreciation or amortisation charges that are not tax deductible pursuant to this article will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset as from the first tax period beginning in 2015. Moreover, Additional Transitional Provision 37 of Corporate Tax Act 27/2014 of 27 November, establishes that taxpayers subject to the tax rate stipulated in section 1 of Article 29 of said act and to whom the limit on tax-deductible depreciation and amortisation charge set forth in Article 7 of Act 16/2012 of 27 December, applies will be entitled to deduct from the tax liability 5% of the amounts in the tax base (2% in the tax periods beginning in 2015) deriving from depreciation and amortisation charges not deducted in the tax periods commencing in 2013 and 2014.

Article 13.2 of Spanish Corporate Tax Act 27/2014 of 27 November provides that impairment losses on property, plant and equipment, on investment property, on intangible assets (including goodwill), on securities representing a share of the capital or equity of entities and on debt securities are not considered tax deductible expenses. In this respect, Transitional Provision 15 of Corporate Tax Act 27/2014 of 27 November provides that the reversal of impairment losses on property, plant and equipment, investment property, intangible assets and debt securities that were considered tax deductible in tax periods begun prior to 1 January 2015 will be included in the Corporate Tax base for the tax period in which their value is recovered for accounting purposes; and Transitional Provision 16 of said Corporate Tax Act provides that the reversal of impairment losses on securities representing a share of the capital or equity of entities that were taken as tax deductible in the Corporate Tax base in tax periods begun prior to 1 January 2013 (in accordance with the provisions of the then prevailing Royal Decree 4/2004 of 5 March which approved the revised text of the Corporate Tax Act), irrespective of their accounting allocation in the profit or loss statement, will be included in the tax base for the period in which the value of equity at year-end exceeds the value at the start of the year, in proportion to their share, taking into account the contributions or returns of contributions made therein, and limited by said excess. For these purposes, the positive difference between the value of equity at the end and start of the year, on the terms of this paragraph, will be understood to correspond, first, to impairment losses that have been taken as tax deductible.

Nevertheless, Royal Decree-Law 3/2016 of 2 December, which adopted tax measures aimed at strengthening public finances and other urgent social measures, provides that, in all cases, the reversal of impairment losses on securities representing a share of the capital or equity of entities that were tax deductible in the Corporate Tax base in tax periods begun prior to 1 January 2013, will be included, at least, in equal parts in the tax base for each of the five tax periods begun on or after 1 January 2016.

Corporation Tax Law 27/2014, of 27 November, establishes, inter alia, a reduction over two years of the standard corporate income tax rate which was 30% until 31 December 2014. Since 1 January 2016 the rate has been 25%.

Lastly, Article 16 of Corporate Tax Act 27/2014 of 27 November provides that net financial expenses will be deductible up to the limit of 30 percent of operating profit for the year (within the meaning given in said article). In any event, net financial expenses of EUR 1 million will be deductible for the tax period.

As a result of the takeover described in Note 1, at its meeting on the 22 July 2015 the Company's Board of Directors resolved that the Company would file consolidated tax returns with the Alantra Group of which it is parent (see Note 20), and comprising the companies in which it holds an indirect stake (Alantra Corporate Finance, S.A.U., Mercapital Private Equity, S.G.E.I.C., S.A.U., Partilonia Administración, S.L.U., Mideslonia Administración, S.L.U., Paulonia Servicios de Gestión, S.L.U., Flenox, S.L.U., Alantra Private Equity Advisor, S.A.U., Alantra Private Equity Servicios, S.L.U., QMC Directorship, S.L.U y Alantra Capital Privado, S.G.E.I.C., S.A.U.); and those in which it holds a direct stake (Alantra Reim, S.L.U., Alantra International Corporate Advisory, S.L.U., Alantra Equity and Credit Management, S.A.U., Alantra Infrastructure, S.L.U., Alantra Asset Management, S.G.I.I.C., S.A.U., Alantra Debt Solutions, S.L., Alantra Investment Managers, S.L.U., Alantra Capital Markets, S.V., S.A.U. and Alantra Dinamia Portfolio II, S.L.U.)

Further, as a result of the aforementioned merger, at its meeting on 22 July 2015 the Company's Board of Directors agreed to file VAT returns under the special regime for the new tax group of which it is parent (see Note 20), and which at 31 December 2018 includes both the indirect investees Alantra Corporate Finance, S.A.U., Mercapital Private Equity, S.G.E.I.C., S.A.U., Partilonia Administración, S.L.U., Mideslonia Administración, S.L.U., Paulonia Servicios de Gestión, S.L.U., Flenox, S.L.U., Alantra Private Equity Advisor, S.A.U., Alantra Private Equity Servicios, S.L.U., Alantra Capital Privado, S.G.E.I.C., S.A.U., Alantra EQMC Asset Management, S.G.I.I.C., S.A.U. and Alantra Corporate Portfolio Advisors, S.L., and the direct investees Alantra Reim, S.L.U., Alantra International Corporate Advisory, S.L.U., Alantra Equity and Credit Management, S.A.U., Alantra Infrastructure, S.L.U., Alantra Asset Management, S.G.I.I.C., S.A.U., Alantra Debt Solutions, S.L., Alantra Investment Managers, S.L.U., Alantra Capital Markets, S.V., S.A.U., Alantra Equities, S.V., S.A., Alantra Wealth Management Gestión, S.G.I.I.C., S.A., Alantra Wealth Management, A.V., S.A. and Alantra Dinamia Portfolio II, S.L.U.

The Company filed individual tax returns prior to the Merger described in Note 1 because it did not pertain to a group.

#### **q) Consolidated statement of cash flows**

The following terms are used in the consolidated statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents, which are considered current, highly liquid investments that have little risk of changing in value.
- Operating activities: the principal revenue-producing activities of the Group, and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group provided these are not operating activities.

In preparing the consolidated statements of cash flows, "Cash and cash equivalents" were considered to be short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

The Group therefore classifies the balances of current accounts and any time deposits or those concerning reverse repurchase agreements under "Cash and cash equivalents" on the assets side of the consolidated statement of financial position (see Note 14).

A reconciliation of the carrying amount of the liabilities arising from the Group's financing activities is set out in Note 18, distinguishing those changes that generate cash flows from those that do not.

***r) Consolidated other comprehensive income***

The consolidated statement of other comprehensive income presents the income and expenses generated by the Group as a result of its business activity in the year. A distinction is made between income and expenses recognised in the consolidated statement of profit or loss, on one hand, and, on the other, income and expenses recognised directly in consolidated equity pursuant to prevailing laws and regulations.

Accordingly, this statement presents:

- a. The consolidated profit or loss for the period.
- b. Net income and expense recognised temporarily in consolidated equity (and therefore subsequently taken to profit and loss for the period).
- c. Net income and expense recognised definitively in consolidated equity (and therefore not subsequently taken to profit and loss for the period).
- d. The income tax incurred in respect of the items indicated in b) and c) above.
- e. Total recognised income and expense, calculated as the sum of all of the above (total comprehensive income for the period).

Changes in income and expense recognised in consolidated equity as hedging transactions, debt instruments at fair value through other comprehensive income, translation differences or share in other comprehensive income from investments in joint ventures and associates, as well as other income and expenses are broken down into:

- a. Valuation gains (losses): includes the amount of income, net of expenses incurred in the year, recognised directly in consolidated equity.
- b. Amounts transferred to profit or loss: includes the amount of the revaluation gains and losses previously recognised in equity, albeit in the same year, which are recognised in the consolidated statement of profit or loss.
- c. Other reclassifications: includes, where applicable, the amount of the transfers made in the year between line items in accordance with current regulations.

The amounts of these items are presented gross and the related tax effect is recognised under "Income tax", except for amounts relating to entities accounted for using the equity method which are presented net of the tax effect.

#### **s) Consolidated statement of changes in equity**

The consolidated statement of changes in equity presents all the changes in consolidated equity, including any arising from changes in accounting policies and from the correction of errors. This statement accordingly presents a reconciliation between the carrying amount of each component of consolidated equity at the beginning and the end of the period, grouping changes into the following headings according to their nature:

- a. Adjustments for changes in accounting criteria and restatements to correct errors: include the changes in consolidated equity arising as a result of the retrospective adjustments and restatements of the balances in the consolidated financial statements due to changes in accounting policies or to the correction of errors.
- b. Total comprehensive income for the period: includes, in aggregate form, the total items recognised in the consolidated statement of recognised income and expense.
- c. Transactions with partners and owners: includes any items recognised in relation to capital increases and decreases, dividend pay-outs, transactions with treasury shares and own equity instruments, and other transactions with partners and owners.
- d. Other changes in equity: includes the remaining items recognised in consolidated equity, including allocations of profit, equity-instrument-based payments, transfers between consolidated equity items, and any other increases or decreases in consolidated equity.

#### **t) Foreign currency transactions**

The Group's functional currency and presentation currency in its consolidated financial statements is the euro. Therefore, transactions in currencies other than the euro are deemed to be foreign currency transactions and are recognised by applying the exchange rates prevailing at the date of the transaction.

Balances in foreign currencies are translated to euros in two consecutive phases:

- Translation of foreign currency to the functional currency (currency of the primary economic environment in which the entity operates) and
- Translation to euros of the aforesaid balances in the functional currencies of the entities with a non-euro functional currency.

Exchange differences arising on translating foreign currency balances into the functional currency of consolidated entities are generally recognised net under "Exchange differences" in the consolidated statement of profit or loss. As an exception to this rule, exchange differences concerning financial instruments measured at fair value through profit or loss are recognised in the consolidated statement of profit or loss together with all other changes that may affect the fair value of the instrument, and exchange differences arising on non-monetary items measured at fair value through equity are recognised under "Items that can be subsequently reclassified to profit or loss for the period – Translation differences" in the consolidated statement of financial position until they are realised.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses, where applicable, are recognised directly in the consolidated statement of profit or loss in the year in which they arise.



The gain generated on the acquisition of a business abroad is recognised in the same functional currency as the business and converted at the rate prevailing at the end of the reporting period.

Income and expenses arising from exchange differences on intragroup payables and receivables denominated in a currency other than the functional currency of one of the parties are not eliminated on consolidation. Unless the payable or receivable is part of a net investment in a foreign company, said differences are recognised in the consolidated statement of profit or loss.

The exchange rates used by the Company in translating the foreign currency balances to euros for the purpose of preparing the financial statements, taking into account the criteria mentioned above, were the official rates published by the European Central Bank.

In 2018 and 2017, the Group held cash in foreign currencies (i.e. currencies other than the functional currency of each company at individual level). In addition, the Group granted loans to the former shareholders of Downer & Company, LLC (see Note 9.3) in foreign currency and held other assets and liabilities in foreign currency. During the year, the Company also had loans to a group company (see Note 2.14) denominated in a foreign currency. These items generated losses in the year of EUR 167 thousand (losses of 498 thousand in 2017). That amount is recorded under "Exchange differences" in the 2018 consolidated statement of profit or loss.

#### *Translation of financial statements denominated in foreign currencies*

The financial statements of subsidiaries with a functional currency other than the presentation currency (the euro) were translated to euros as follows:

- The assets and liabilities in their consolidated statement of financial position were translated at the exchange rates prevailing at the end of the reporting period.
- Equity items were translated at historical exchange rates.
- Profit or loss statement items and the corresponding reserves were translated at the cumulative average exchange rates for the period in which they arose. Pursuant to that policy, the Group considers that during the year there were significant variations in exchange rates which, due to their relevance for the accounts as a whole, required application of the exchange rate prevailing at the transaction date instead of the aforesaid average exchange rates.
- Any resulting exchange differences were recognised as a separate component of equity under "Items that can be subsequently reclassified to profit and loss for the period – Translation differences" or "Non-controlling interests".

When control, joint control or a significant influence over a company with a functional currency other than the euro is lost, the translation differences recognised as a component of equity relating to that company are recognised in profit or loss at the same time as the gain or loss on the disposal is recognised. If the investee with a functional currency other than the euro is a jointly-controlled entity or associate and it is partially disposed of, without giving rise to a change in its classification as an investee or the jointly-controlled entity becomes an associate, only the proportional part of the translation differences is recognised in profit or loss. If an ownership interest in a subsidiary with these characteristics is disposed of without losing control over said company, this proportional part of the cumulative translation difference is attributed to the share of non-controlling interests.

The exchange values in euros of the main consolidated asset and liability balances held by the Group in foreign currencies at 31 December 2018, classified according to their nature, are detailed below:

	Thousands of euros			
	Exchange value			
	US dollar	Pound sterling	Other currencies	Total foreign currencies
<b>Assets</b>				
Intangible assets – Goodwill (Note 6)	21,843	36,145	12,089	<b>70,077</b>
Property and equipment (Nota 7)	177	596	155	<b>928</b>
Investments accounted for using the equity method (Note 8)	-	9,718	2,018	<b>11,736</b>
Non-current financial assets (Note 9)	2,620	2,238	138	<b>4,996</b>
Trade and other receivables – Trade receivables (Note 11)	7,859	7,375	24	<b>15,258</b>
Current financial assets (Note 12)	-	1	507	<b>508</b>
Cash and cash equivalents – Current accounts (Note 14)	4,108	11,426	6,897	<b>22,431</b>
<b>Total assets</b>	<b>36,607</b>	<b>67,499</b>	<b>21,828</b>	<b>125,934</b>
<b>Liabilities</b>				
Non-current financial liabilities (Note 18)	3,249	233	-	<b>3,482</b>
Deferred tax liabilities (Note 20)	176	518	-	<b>694</b>
Current financial liabilities (Note 18)	1,103	-	-	<b>1,103</b>
Trade and other payables –				
Payables to suppliers	2,334	8,554	2,355	<b>13,243</b>
Current tax liabilities	175	394	986	<b>1,555</b>
<b>Total liabilities</b>	<b>7,037</b>	<b>9,699</b>	<b>3,341</b>	<b>20,077</b>

The exchange values in euros of the main consolidated asset and liability financial position held by the Group in foreign currencies at 31 December 2017, classified according to their nature, are detailed below:

	Thousands of euros			
	Exchange value			
	US dollar	Pound sterling	Other currencies	Total foreign currencies
<b>Assets</b>				
Intangible assets – Goodwill (Note 6)	22,689	35,766	97	<b>58,552</b>
Property and equipment (Nota 7)	121	522	21	<b>664</b>
Investments accounted for using the equity method (Note 8)	-	9,177	6,512	<b>15,689</b>
Non-current financial assets (Note 9)	2,313	2,404	35	<b>4,752</b>
Trade and other receivables – Trade receivables (Note 11)	1,091	713	9	<b>1,813</b>
Cash and cash equivalents – Current accounts (Note 14)	4,245	5,666	314	<b>10,225</b>
<b>Total assets</b>	<b>30,459</b>	<b>54,248</b>	<b>6,988</b>	<b>91,695</b>
<b>Liabilities</b>				
Non-current financial liabilities (Note 18)	4,131	-	-	<b>4,131</b>
Deferred tax liabilities (Note 20)	553	518	-	<b>1,071</b>
Other non-current liabilities	-	421	-	<b>421</b>
Current financial liabilities (Note 18)	1,084	1,821	-	<b>2,905</b>
Trade and other payables –				
Payables to suppliers	2,100	4,330	196	<b>6,626</b>
Current tax liabilities	107	-	24	<b>131</b>
<b>Total liabilities</b>	<b>7,975</b>	<b>7,090</b>	<b>220</b>	<b>15,285</b>

The effect of translating values in the functional currencies of the foreign companies to the Company's functional currency is recognised under "Items that can be subsequently reclassified to profit and loss for the period – Translation differences". The breakdown of this line item by company at 31 December 2018 and 2017 is as follows:

	Currency	Thousands of euros	
		31/12/2018	31/12/2017
Nplus1 Singer Ltd (1) (6)	Pound sterling	(724)	(1,265)
Alantra AG (2)	Swiss franc	445	14
Alantra US Corporation, LLC (2) (3)	US dollar	(826)	(1,848)
Alantra Chile SPA (formerly Nmás1 Chile SPA) (2) (4)	Chilean peso	(495)	(395)
EQMC GP, LLC (2)	US dollar	(1)	5
Alantra Nordics, AB (2)	Swedish krona	(17)	(13)
Alantra Corporate Finance (formerly Catalyst Corporate Finance, LLP) (2) (5)	Pound sterling	(728)	28
Alantra Corporate Portfolio Advisors International Limited (2) (7)	Pound sterling	(17)	-
Alantra Corporate Finance México, S.A. de C.V. (2) (7)	Mexican peso	-	-
		<b>(2,363)</b>	<b>(3,474)</b>

(1) Companies consolidated using the equity method (see Note 2.14)

(2) Fully consolidated companies (see Note 2.14).

(3) Includes the effect of unifying the treatment of subsidiary Alantra, LLC, which is fully consolidated and whose functional currency is the US dollar.

(4) Includes the effect of unifying the treatment of subsidiary Landmark Capital S.A., which is consolidated using the equity method and whose functional currency is the Chilean peso.

(5) Company acquired during 2017.

(6) Includes the effect of unifying the treatment of subsidiary Nplus1 Singer Ltd. which is consolidated using the equity method and whose functional currency is the Pound sterling.

(7) Company incorporated during 2018.

#### **u) Related-party transactions**

Related-party transactions are those carried out with group companies and entities or individuals meeting the requirements set forth in IAS 24.

The Group carries out all transactions with related parties at arm's length.

#### **v) Provisions and contingencies**

In preparing the consolidated financial statements, the Company's directors distinguish between:

a. Provisions: balances payable for an amount that is estimated to cover present obligations, arising from past events, whose nature is clearly specified but of uncertain timing or amount, the settlement of which is expected to result in an outflow of resources embodying economic benefits. These obligations may arise as a result of:

- A legal or contractual obligation.

- A tacit or implicit obligation deriving from the creation by the Group of a valid expectation on the part of third parties with regard to its discharge of certain responsibilities. These expectations are created when the Group publicly accepts certain responsibilities or by means of an established pattern of past behaviour or published policies.
- The virtually certain trend in regulation in certain aspects, specifically draft legislation which the Group will certainly be bound by.

Over the ordinary course of its operations, the Group is subject to the supervision of competent regulatory bodies. The Company's directors do not expect any matters to arise as a result of the actions of these bodies that would have a significant impact on the accompanying consolidated financial statements.

Provisions are quantified using the best information available regarding the consequences of the obligating event and are re-estimated at each reporting date, taking into account the financial effect if significant. The same provisions are applied to meet the specific obligations for which they were initially recognised and are reversed, totally or partially, whenever said obligations disappear. They are recognised under "Non-current provisions" and "Current provisions" in the consolidated statement of financial position according to their nature.

- b. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. They include present obligations whose settlement is not likely to generate an outflow of cash resources embodying economic benefits or whose amount cannot be quantified in a sufficiently reliable manner.
- c. Contingent assets: possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Group. Contingent assets are not recognised in either the consolidated statement of financial position or the consolidated statement of profit or loss, but their existence is disclosed in the accompanying notes wherever it is deemed probable that they will give rise to an inflow of resources embodying economic benefits.

Contingent liabilities are recognised neither in the consolidated statement of financial position nor in the consolidated statement of profit or loss (except for those recorded in a business combination), but are disclosed in the consolidated financial statements.

At the end of 2018 certain litigation and claims were in process against the Company arising from the ordinary course of its operations. The Company's directors and external lawyers consider that it is unlikely these legal proceedings will prejudice the Company and that it is not necessary to recognise a provision at year-end 2018.

#### w) Business combinations

The acquisition by the parent of control over a subsidiary constitutes a business combination and is accounted for using the acquisition method. In subsequent consolidations, the elimination of the investment in, or net assets of, these subsidiaries is carried out, as a general rule, on the basis of the amounts resulting from the use of the acquisition method on the date control was obtained. Thus, the acquisition date is determined and the cost of the business combination calculated, recognising the identifiable assets acquired and liabilities assumed at their fair value on said date.

The cost of the business combination is the sum of:

- The acquisition-date fair values of any assets transferred, liabilities incurred or assumed and equity instruments issued, and
- The fair value of any contingent consideration that depends on future events or on compliance with certain pre-established conditions.

The cost of the business combination does not include expenses relating to the issue of equity instruments offered or financial liabilities delivered in exchange for the items acquired.

Lawyers' fees and fees for other professional services related to the combination, in addition to expenses generated internally in this connection, are also excluded from the cost of the combination. These amounts are taken directly to consolidated statement of profit or loss.

In a business combination achieved in stages, goodwill or negative goodwill on any previously held equity interest prior to the acquisition date (the date on which it gains control) is the difference between:

- The cost of the business combination plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and
- The value of the identifiable assets acquired less the liabilities undertaken, determined in the manner described above.

The acquirer will also recognise an asset in the consolidated statement of financial position under "Intangible assets – Goodwill" if on the acquisition date there is a positive difference between:

- The sum of the price paid plus the amount of all non-controlling interests, plus the fair value of any previously held equity interest in the acquiree; and
- The fair value of the assets acquired and liabilities assumed.

In the exceptional case that the difference arising in the business combination is negative, it is recognised as income in the consolidated statement of profit or loss (see Note 1).

Any gain or loss arising from measurement at fair value at the date control of the investee is obtained is recognised in the consolidated statement of profit or loss. If the equity interest had been measured previously at fair value, any changes in fair value not recognised in profit or loss for the period are transferred to the consolidated statement of profit or loss. The cost of the business combination is presumed to be the best estimate of acquisition-date fair value of any previously held equity interest (see Note 2.14).

If the measurement procedures of a business combination necessary to apply the acquisition method explained above are incomplete by the end of the reporting period, the acquirer will report the provisional amounts. The acquirer may adjust the provisional amounts recognised during the period necessary to obtain the required information. This period will not exceed one year. The effects of the adjustments made in this period are accounted for retrospectively, also adjusting the comparative information retrospectively if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case, subsequent changes in its fair value are not recognised.

**x) *Non-current assets held for sale***

Non-current assets held for sale and directly associated liabilities (disposal group) which will be disposed of jointly, as a group, in a single transaction, are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset (or disposal group including current and non-current assets and liabilities) is classified as held for sale if its carrying amount will be recovered primarily through its sale rather than through continued use.

In order to apply the aforesaid classification, the asset or disposal group must be available for immediate sale in their present condition, subject to normal and usual terms and conditions of sale of these assets, and their sale must be highly probable and be expected to take place within 12 months. For the sale to be highly probable, management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated.

As described in Note 2, on 14 December 2018, Alantra Partners, S.A. and Grupo Mutua reached an agreement under which Grupo Mutua would acquire approximately 25% of the share capital of Alantra Wealth Management Agencia de Valores, S.A. and Alantra Wealth Management Gestión, SGIIC, S.A. (jointly, Alantra Wealth Management, which comprises a cash-generating unit). The transaction is solely subject to not being blocked by the CNMV, and is expected to be approved in 2019. Pursuant to applicable legislation, the Group considers all the assets and liabilities assigned to both companies qualify for classification as a disposal group, which means that certain presentation and disclosure obligations described in the following paragraphs must be fulfilled when preparing the accompanying consolidated financial statements. The Group considers that the fair value of Alantra Wealth Management exceeds its carrying amount.

At 31 December 2018 the Group has therefore presented separately in the consolidated statement of financial position the assets and liabilities associated with the investment in Alantra Wealth Management ("Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale", respectively) – see Note 10.

**y) *Share-based payments***

The Group measures goods or services received and any corresponding increase in equity in transactions with share-based payments directly at the fair value of the goods or services received, unless the fair value cannot be reliably estimated. If the Group cannot reliably estimate the fair value of the goods or services received, their value and any corresponding increase in equity will be measured indirectly based on the fair value of the equity instruments allocated.

If the equity instruments granted do not vest until the counterparty completes a specified period of service, the Group shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The Group shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity.

Typically, equity instruments are granted to employees on the basis they continue to provide their services in the Group over a specific period of time. Conditions may also be imposed involving performance targets (such as a specified increase in the Group's profit or increase in its share price). Any vesting conditions other than market conditions shall not be taken into consideration when estimating the fair value of the shares or equity instruments on the measurement date.

When applying the aforementioned requirements, the Group recognises an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition.

One of the subsidiaries is subject to a shareholders' agreement including the payment of shares in this subsidiary, although this has no material impact on the accompanying consolidated financial statements (see Note 2).

#### **z) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's most senior operating decision-maker (Board of Directors) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment reporting as per applicable standards (IFRS 8) for the main business units, geographies and main customers is provided in Note 29.

### **4. Distribution of the Company's profit**

#### **a) Distribution of the Company's profit**

At the General Meeting on 25 April 2018, shareholders approved the proposed distribution of the Company's profit for the year ended 31 December 2017.

The proposed distribution of the Company's 2018 profit that the Board of Directors will bring before the General Meeting for approval is shown below, together with the proposal approved for 2017:

	Thousands of euros	
	2018	2017
<b>Basis of distribution:</b>		
Net profit for the period	33,978	25,227
<b>Distribution:</b>		
Legal reserve	875	981
Final dividend	8,055	7,698
Interim dividends–		
Approved prior to year-end	25,048	16,548
	<b>33,978</b>	<b>25,227</b>

On 25 April 2018, the Company's General Meeting agreed to distribute a final dividend of EUR 7,698 thousand against 2017 profits. This final dividend was paid on 11 May 2018.

At its meeting on 25 April 2018, the Company's General Meeting also resolved to distribute an interim dividend of EUR 6,070 thousand against 2018 profit, which was paid on 11 May 2018.

Furthermore, on 5 December 2018 the Company's Board of Directors resolved by way of a written vote not at a board meeting to distribute another interim dividend of EUR 18,978 thousand against 2018 profit, which was paid on 17 December 2018.

The General Meeting of Shareholders approved on 21 November 2017 the distribution of an interim dividend against 2017 profits of EUR 16,548 thousand, which was paid on 30 November 2017.

The provisional financial statements prepared by the Company's Board of Directors pursuant to legal requirements (Article 277 of the Spanish Corporate Enterprises Act) demonstrating the existence of sufficient funds to distribute said interim dividends were as follows:

	Thousands of euros	
	31 March 2018	4 December 2018
Net profit at dividend distribution date	11,409	33,388
Interim dividend paid out	-	6,070
Allowance to legal reserve (*)	-	875
Available net profit	11,409	26,443
<b>Amount of profit proposed for distribution</b>	<b>6,070</b>	<b>18,978</b>
Available cash before pay-out (including repo)	37,775	33,369
Gross amount of interim dividend	6,070	18,978
<b>Remaining cash</b>	<b>31,705</b>	<b>14,391</b>

(\*) Includes the share increase in 2018 (see Note 15) and the allowance to the legal reserve until the statutory limit is reached.

## b) Earnings per share

### i. Basic earnings per share

The Group's basic earnings per share is calculated by dividing its net profit for a specific period by the weighted average number of shares outstanding during said period, excluding the average number of treasury shares held in the period.

Accordingly:

	Thousands of euros	
	2018	2017
Net profit for the period attributable to the parent	35,031	30,316
Weighted average number of shares outstanding	37,758,278.86	35,521,932.29
Conversion of convertible debt	-	-
Adjusted number of shares	37,758,278.86	35,521,932.29
<b>Basic earnings per share (euros)</b>	<b>0.93</b>	<b>0.85</b>

### ii. Diluted earnings per share

The Group's diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders, adjusted for the effects of dilutive potential ordinary shares and the weighted average number of ordinary shares outstanding during the period plus the weighted average number



of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company.

The diluted earnings per share would therefore be:

	Thousands of euros	
	2018	2017
Net profit for the period attributable to the parent	35,031	30,316
Adjusted number of shares	37,758,278.86	35,521,932.29
<b>Basic earnings per share (euros)</b>	<b>0.93</b>	<b>0.85</b>

The consideration agreed in the Company's acquisition of a determined number of shares of Alantra AG, Alantra France Corporate Finance, S.A.S., Quattrocento, S.A.S. and Alantra, s.r.l. representing 55%, 21%, 100% y 40% of the share capital, respectively, (see Note 2.14) consisted in delivery by the Company of 1,458,852 shares. Accordingly, the adjusted number of shares of 2018 calculated taking into consideration the capital increase the Company had to carry out to deliver said shares and which the Company's General Meeting eventually approved on 25 July 2018. The following treasury share transactions have also been taken into account.

## **5. Remuneration and other benefits to the Company's Board of Directors and Key Management Personnel**

### ***5.1 Remuneration of the Board of Directors***

As per the Company's Bylaws, board members will be remunerated as follows for performing their duties as such:

- A fixed annual fee; and
- Per diems for attending meetings of the Board of Directors and the Board committees on which they serve.

On approval by shareholders at the General Meeting, board remuneration can consist of the delivery of shares or share options. At the General Meeting, shareholders will, where applicable, set the maximum number of shares that can be assigned each year, the price or system for calculating the strike price of the options, or the value of the shares that may be used as a reference, and the duration of the plan. This method of remuneration has not been used to date.

Each board member's remuneration for serving on the Board will be determined by the Board of Directors taking into account his/her duties and responsibilities, positions held on board committees and other relevant objective factors.

An individual breakdown of the remuneration of the Company's board members, showing fixed pay and *per diems* for attending the meetings of the Board and board committees in 2018 and 2017 is as follows:

Board Member	Type of director	Euros			
		2018		2017	
		Fixed remuneration	Per diem	Fixed remuneration	Per diem
Mr. Santiago Eguidazu Mayor	Executive	54,000	12,000	54,000	12,000
Mr. Santiago Bergareche Busquet	External	54,000	10,500	54,000	10,500
Mr. Alfred Merton Vinton	External	36,000	10,500	36,000	6,750
Mr. José Javier Carretero Manzano	Independent	36,000	27,750	36,000	24,750
Mr. Luis Carlos Croissier Batista	Independent	45,000	25,500	45,000	24,000
Mr. Rafael Jiménez López (1)	Proprietary	-	-	14,400	6,750
Mr. Jorge Mataix Entero	Proprietary	36,000	15,000	36,000	14,250
Mr. José Antonio Abad Zorrilla	Proprietary	36,000	18,000	36,000	16,500
Ms. María Luisa Garaña Corces	Independent	36,000	16,500	36,000	15,000
Mr. Ricardo Portabella Peralta (2)	Proprietary	8,000	-	21,100	1,500
Mr. Josep Pique Camps (3)	Proprietary	28,000	9,000	-	-
		<b>369,000</b>	<b>144,750</b>	<b>368,500</b>	<b>132,000</b>
		<b>513,750</b>		<b>500,500</b>	

- (1) Mr. Rafael Jiménez López, ceased to be a director on 24 May 2017.
- (2) Mr. Ricardo Portabella Peralta was coopted as a director of the Company on 30 May 2017. On 21 November 2017 the General Meeting of Shareholders ratified his reappointment as a member of the Board of Directors. Mr. Ricardo Portabella ceased to be a director on 21 March 2018.
- (3) D. Josep Pique Camps was coopted as a director of the Company on 21 March 2018. On 25 April 2018 the General Meeting of Shareholders ratified his reappointment as a member of the Board of Directors.

The Board of Directors also agreed to the payment of an additional fixed remuneration in 2018 and 2017 to the following Directors for their additional dedication to their duties as Directors:

	Euros	
	2018	2017
Mr. Santiago Bergareche Busquet	15,000	20,000
Mr. Alfred Merton Vinton	45,000	50,000
Mr. José Javier Carretero Manzano	30,000	20,000
Mr. Luis Carlos Croissier Batista	30,000	20,000
Ms. María Luisa Garaña Corces	15,000	20,000
Mr. Josep Pique Camps	15,000	-
	<b>150,000</b>	<b>130,000</b>

At year-end 2018 and 2017, the number of directors of Alantra Partners, S.A. was 9 in both years, 8 men and one woman.

The amount accrued in this respect was EUR 664 thousand and EUR 630 thousand in 2018 and 2017, respectively, recorded under "Other operating expenses" in the 2018 and 2017 consolidated statement of profit or loss (see Note 27). At 31 December 2018 and 2017, some EUR 278 thousand and EUR 252 thousand, respectively were pending payment in this respect, which are included under "Trade and other payables – Other payables" on the liabilities side of the consolidated statement of financial position (see Note 19).

In 2018, EUR 638 thousand was effectively paid for this concept (EUR 739 thousand in 2017).

At 31 December 2018 and 2017, no loans or advances had been granted to the Company's serving and former board members, and no guarantee obligations or pension or life insurance commitments had been assumed on their behalf.

In 2018 and 2017, the Company recorded EUR 24 thousand and EUR 14 thousand, respectively, under "Other operating expenses" in the 2018 and 2017 consolidated statement of profit or loss in respect of the premiums paid for civil liability insurance covering damages caused by acts or omissions of Directors.

#### *Board members' ownership interests in the Company*

Pursuant to Act 26/2003 of 17 July, amending Securities Market Act 24/1988 of 28 July, and the Corporate Enterprises Act, the Company is required to disclose any ownership interests in the Company held by the board members of Alantra Partners, S.A.

A breakdown of the ownership interests in the Company of members of the Board of Directors at 31 December 2018 and 2017 is as follows:

	31/12/2018 (1)				31/12/2017 (2)			
	Total shares	Percentage ownership interest	Direct	Indirect	Total shares	Percentage ownership interest	Direct	Indirect
Mr. Santiago Eguidazu Mayor	6,756,273	17.49%	1,033,969	5,722,304	6,756,273	18.18%	660,209	6,096,064
Mr. Santiago Bergareche Busquet	14,351	0.04%	4,522	9,829	14,351	0.04%	4,522	9,829
Mr. Alfred Merton Vinton	-	-	-	-	-	-	-	-
Mr. José Javier Carretero Manzano	20,000	0.05%	20,000	-	20,000	0.05%	20,000	-
Mr. Luis Carlos Croissier Batista	-	-	-	-	-	-	-	-
Mr. Rafael Jiménez López	-	-	-	-	-	-	-	-
Mr. Jorge Mataix Entero	2,754,780	7.13%	252,038	2,502,742	2,754,780	7.41%	300,038	2,454,742
Mr. José Antonio Abad Zorrilla	2,764,132	7.16%	162,038	2,602,094	2,764,132	7.44%	240,038	2,524,094
Ms. María Luisa Garaña Corces	-	-	-	-	-	-	-	-
Mr. Ricardo Portabella Peralta	-	-	-	-	7,028,661	18.91%	-	7,028,661
Mr. Josep Pique Camps	-	-	-	-	-	-	-	-
	<b>12,309,536</b>	<b>31.87%</b>	<b>1,472,567</b>	<b>10,836,969</b>	<b>19,338,197</b>	<b>52.03%</b>	<b>1,224,807</b>	<b>18,113,390</b>

(1) At 31 December 2018, the Company's capital was represented by 38,631,404 shares.

(2) At 31 December 2017, the Company's capital was represented by 37,172,552 shares.

In relation to Mr. Santiago Eguidazu Mayor's shares, as a professional shareholder his swap shares are subject to a 4-year lock-up reckoned from the date of the Merger's entry in the Companies Registry.

## **5.2. Remuneration of Key Management Personnel and members of the Board of Directors as directors of the Group**

At 31 December 2018 and 2017, the Group had 4 and 5 senior managers (not including the executive director). Based on this figure, total remuneration to key management personnel in 2018 was EUR 4,617 thousand; recognised under "Personnel expenses" in the consolidated statement of profit or loss (EUR 4,598 thousand at 31 December 2017) (see Note 26). At 31 December 2018, EUR 1,660 thousand was payable for this concept and recognised under "Trade and other payables – Other payables" on the liabilities side of the consolidated statement of financial position (31 December 2017: EUR 3,395 thousand) (see Note 19). These were practically all settled in full at the date of preparation of the accompanying consolidated financial statements. The amount actually paid for this item in 2018 was EUR 1,500 thousand (EUR 1,521 thousand in 2017).

The Board chairman, Mr. Santiago Eguidazu Mayor, accrued EUR 1,000 thousand fixed remuneration and a EUR 1,484 thousand bonus in 2018 for serving as executive director, which was approved by the Board of Directors on the recommendation of the Appointments and Remuneration Committee (2017: EUR 300 thousand fixed, and EUR 1,891 thousand bonus). At 31 December 2018, EUR 1,734 thousand was payable for this concept and recognised under "Trade and other payables – Other payables" on the liabilities side of the consolidated statement of financial position (31 December 2017: EUR 2,056 thousand) (see Note 19). An amount of EUR 2,806 thousand was effectively paid in this connection in 2018 (31 December 2017: EUR 1,800 thousand). At the date of preparation of the accompanying consolidated financial statements, EUR 1,141 had been paid.

This bonus has two components: i) a quantitative component (requiring the approval of the Company's audit committee) equivalent to 3.2% of the Company's pre-tax profit, excluding the result of operations or accounting adjustments not realised in cash or cash equivalents, which the Company's Audit Committee is required to verify; and ii) a qualitative component calculated according to criteria, indicators and/or parameters determined annually by the Appointments and Remuneration Committee.

At 31 December 2018 and 2017, no loans or advances had been granted to the Company's serving and former key management personnel, and no guarantee obligations or pension or life insurance commitments had been assumed on their behalf.

#### *Information regarding directors' conflicts of interest*

At year-end 2018, none of the Company's directors had reported to the Board of Directors any situation of direct or indirect conflicts between the interests of the Company and their own or those of related parties.

## **6. Intangible assets**

### **a) Goodwill**

At 31 December 2018 and 2017, "Intangible assets – Goodwill" on the assets side of the consolidated statement of financial position included goodwill generated from the acquisition of shares conferring control of the following companies:

	Year control taken	Thousands of euros	
		31/12/2018	31/12/2017
<b>By investee:</b>			
Alantra Equities, Sociedad de Valores, S.A.	2010	2,999	2,999
Alantra Deutschland GmbH	2013	416	416
Alantra Investment Managers, S.L.U.	2013	47	47
Alantra Corporate Portfolio Advisors, S.L.	2014	31	31
Alantra France Corporate Finance, S.A.S.	2015	141	141
Alantra Nordics AB	2016	93	97
Partnersalantra Portugal LDA	2016	23	23
Alantra, LLC (Boston)	2016	21,843	22,689
Alantra Wealth Management (*)	2016	-	4,463
Alantra Austria & CEE GmbH	2017	-	267
Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP)	2017	35,474	35,766
Alantra Corporate Portfolio Advisors International Limited	2018	671	-
Alantra AG	2018	11,996	-
		<b>73,734</b>	<b>66,939</b>
<b>By currency:</b>			
Euro		3,657	8,387
Pound sterling		36,145	35,766
Swedish Krona		93	97
US dollar		21,843	22,689
Swiss Franc		11,996	-
		<b>73,734</b>	<b>66,939</b>

(\*) Amount reclassified to "Non-current assets held for sale" in the consolidated statement of financial position at 31 December 2018 (see Notes 2.14 and 10)".

The movement recorded in 2018 and 2017 in the balance of "Intangible assets – Goodwill" on the assets side of the consolidated statement of financial position is shown below:

	Thousands of euros	
	2018	2017
Balance at the beginning of the period	66,939	34,034
Additions	12,667	36,388
Impairment	(2,133)	-
Other changes (*)	(3,739)	(3,483)
<b>Balances at the end of the period</b>	<b>73,734</b>	<b>66,939</b>

(\*) Exchange differences and reclassification of amounts corresponding to Alantra Wealth Management to "Non-current assets held for sale" - see Notes 2.14 and 10.

Movement in this heading in 2018 is mainly due to the acquisition of the additional 55% of Alantra AG's capital and the acquisition of Alantra Corporate Portfolio Advisors International Limited. The variation in the balance of this heading in 2017 was mainly due to the acquisition of 100% of Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP).

Shown below is a breakdown of the carrying amount of the consolidated assets and liabilities of Alantra AG, the only significant acquisition during the year, right before the purchase and the related fair values that were calculated according to the acquisition method of IFRS 3.

	Thousands of Swiss franc	
	Carrying amount	Fair value
<b>Consideration transferred and minority interests (A)</b>	-	<b>11,368</b>
<b>Prior investment fair value (B)</b>	-	<b>3,789</b>
Intangible assets	-	-
Property and equipment	148	148
Trade and other receivables	2,283	2,283
Cash and cash equivalents	1,775	1,775
Trade and other payables	(2,566)	(2,566)
<b>Total fair value of acquired assets and liabilities (C)</b>	-	<b>1,640</b>
<b>Goodwill (A) + (B) - (C)</b>	-	<b>13,517</b>

To determine the cost of the business combination, as part of said cost was paid with shares of the Group's parent company, requiring an increase in the capital of said Company, the consideration transferred has been calculated as the sum of multiplying the share price on the date the General Meeting approved the aforesaid capital increase by the number of shares exchanged, i.e. 571,488. The agreements between the Group and the minority interests holding 20% of the economic and political rights still held by minority interests have been taken into consideration (see Note 2.14).

The calculation of those amounts is subject to change as the estimate of all fair values are being reviewed and, in accordance with IFRS 3, could be modified during a term of one year after the acquisition.

In 2018 the Group's directors recognised an impairment loss for part of the goodwill associated with the CGU, Alantra, LLC (Boston), of EUR 1,866 thousand under "Impairment and losses" in the 2018 consolidated statement of profit or loss. The Group's directors also recognised an impairment loss for all of the goodwill associated with the CGU, Alantra Austria & CEE GmbH, under "Impairment and losses" in the 2018 consolidated statement of profit or loss. At year-end 2017, the Group's directors did not deem it necessary to recognise any impairment of goodwill.

As mentioned in Note 3-h, the cash generating units ("CGUs") to which goodwill has been assigned are periodically tested for impairment, with their carrying amount including the part of goodwill assigned. This testing is done at least annually or whenever there are indications of impairment.

Both the fair values of the CGUs and the assignment of fair value to their assets and liabilities are based on estimates and assumptions which the Group's management have considered appropriate for the circumstances. However, changes in the measurement assumptions used could give rise to a difference in the result of the impairment testing.

The impairment testing calculation uses three key assumptions, which are the ones to which the amount of recoverable value is most sensitive:

- The cash flows projections made by the Group's management, based on the latest available budgets for the next 5 years.
- The constant sustainable growth rate to extrapolate the cash flows, as from the fifth year (2023), beyond the period covered by the budgets or forecasts.

- The rate for discounting future cash flows, which is the same as the cost of capital assigned to each CGU, and which is composed of a risk-free rate plus a premium reflecting the inherent risk of each of the businesses evaluated.

The approach used by the Group's management to determine the values of these assumptions is based both on their projections or, where applicable, on past experience. Those values are uniform with external information sources. Also, the measurement of the two most significant goodwills (CGU assigned to Alantra, LLC – Boston and CGU assigned to Alantra Corporate Finance, LLP – formerly Catalyst Corporate Finance, LLP) were reviewed by an independent expert (not the Group's external auditor).

Discussed below are the main characteristics (key assumptions, discount rate, growth rates and sensitivity analysis) used in impairment testing of the most important cash generating units:

The measurement methodology used to determine the value in use of the Alantra, LLC (Boston) cash generating unit was to discount the future free cash flows associated with that business for a projection period of five years (until 2023). The carrying amount of this asset was determined with the assistance of an independent expert. The key variables on which the financial projections are constructed come from estimates of future revenues and expenses of that company, as well as the capital required to pursue its activity. The present value of the future flows to be distributed that was used to obtain the value in use has been calculated taking the risk-free return on assets plus a specific risk premium for the business analysed as discount rate. According to this method, the discount rate used was 12.79%. The residual value has been estimated as present value of a perpetual income stream as from the last year of the projection (taking as base the normalised net operating income for the projected period) and assuming a nominal annual growth rate of 1%. An analysis was also conducted of sensitivity to the growth rate in the residual value of between 0.75% and 1.25% and the discount rate between 12.29% and 13.29%. In addition, as a check, the measurement metric used by the independent expert was the comparable transaction multiples method. As a result of the aforementioned methods, impairment losses of USD 2,200 thousand arose, which the Group has recognised as per the criteria described beforehand.

The measurement methodology used to determine the value in use of the Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP) cash generating unit was to discount the future free cash flows associated with that business for a projection period of five years (until 2023). The key variables on which the financial projections are constructed come from estimates of future revenues and expenses of that company. The present value of the future flows to be distributed that was used to obtain the value in use has been calculated taking the risk-free return on assets plus a specific risk premium for the business analysed as discount rate. According to this method, the discount rate used was 12.88%. The residual value has been estimated as present value of a perpetual income stream as from the last year of the projection (taking as base the normalised net operating income for the projected period) and assuming a nominal annual growth rate of 1%. An analysis was also conducted of sensitivity to the growth rate in the residual value of between 0.5% and 1.3% and the discount rate between 12.4% and 13.9%. In addition, as a check, the measurement metric used by the independent expert was the comparable transaction multiples method. No additional impairment losses have been detected.

The measurement methodology used by the Group's specialised department to obtain the value of the Alantra AG cash generating unit, was to discount the future free cash flows associated with that business for a 5-year projection period (until 2023). The key variables on which the financial projections are constructed come from estimates of future revenues and expenses of that company. The present value of the future flows to be distributed that was used to obtain the value in use has been calculated taking the risk-free return on assets plus a specific risk premium for the business analysed as discount rate. According to this method, the discount rate used was 8.6%. The residual value has been estimated

as present value of a perpetual income stream as from the last year of the projection (taking as base the normalised net operating income for the projected period) and assuming a nominal annual growth rate of 0.5%. An analysis was also conducted of sensitivity to the growth rate in the residual value of between 0% and 1% and the discount rate between 8.1% and 9.1%, with no impairment losses being seen in any event. In any event, as this goodwill was generated in 2018, in order to determine the consideration transferred, the Group estimates fair value based on the record of income and expenses associated with this company used to determine the exchange ratio.

The method used by the Group's specialist department to measure the value in use associated with the business performed by Alantra Equities, Sociedad de Valores, S.A. at 31 December 2018 was to discount future dividends from this business over a five-year projection period (until 2023). Key variables on which the financial projections were based are those relating to the estimate of the future income and expenses associated with said company and the amount of own equity needed to perform its activity. The present value of future cash flows to be distributed used to determine value in use was calculated using as the discount rate the yield on risk-free assets plus a specific risk premium commensurate with the business analysed. As per this method, the discount rate was 10.80%. The residual value was estimated as the present value of perpetual income as from the last year of the projection (based on the average normalised net operating profit for the projection period) and considering a nominal annual growth rate of 0%. The growth rate of residual value was also analysed for sensitivity, which was determined at between -2% and +2% and the discount rate between 10% and 12.4%, with no impairment losses being detected in any scenario.

As a result of the transaction described in the section "Acquisition of additional units in Alantra Wealth Management with takeover of control (operation carried out in 2016) and agreement for the sale of a partial ownership interest in Alantra Wealth Management (agreement entered into in 2018 but whose completion, scheduled for 2019, is subject to certain conditions precedent)", the goodwill associated with the investment in Alantra Wealth Management is recognised under "Non-current assets held for sale" in the 2018 consolidated statement of financial position (see Note 10). Moreover, given the main terms and conditions of the transaction, the directors consider that this investment has resulted in impairment losses.

#### ***b) Other intangible assets***

The balance of this heading on the assets side of the consolidated statement of financial position at 31 December 2018 records software acquired by the Group for EUR 192 thousand (EUR 308 thousand at 31 December 2017). The contractual rights arising from relations with customers from acquired businesses originating in Alantra Wealth Management of EUR 852 thousand (net) (31 December 2017: EUR 963 thousand) have been reclassified to "Non-current assets held for sale" in the consolidated statement of financial position (see Notes 2.14 and 10). Shown below is the movement recorded in this heading in 2018 and 2017:



	Thousands of euros					
	Software		Client list		Total	
	2018	2017	2018	2017	2018	2017
<b>Cost:</b>						
Balance at the beginning of the period	1,595	1,326	1,100	1,100	2,695	2,426
Additions	123	280	988	-	1,111	280
Other changes (*)	(779)	(11)	(1,100)	-	(1,879)	(11)
Balances at the end of the period	939	1,595	988	1,100	1,927	2,695
<b>Accumulated amortisation:</b>						
Balance at the beginning of the period	(1,287)	(1,173)	(137)	(27)	(1,424)	(1,200)
Allowances	(160)	(125)	(1,099)	(110)	(1,259)	(235)
Other changes (*)	700	11	248	-	948	11
Balances at the end of the period	(747)	(1,287)	(988)	(137)	(1,735)	(1,424)
<b>Intangible assets, net</b>	<b>192</b>	<b>308</b>	<b>-</b>	<b>963</b>	<b>192</b>	<b>1,271</b>

(\*) Movement in 2018 due to reclassification of the amounts corresponding to Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. to "Non-current assets held for sale" – see Notes 2.14 and 10.

An intangible asset (client list) was recognised arising from the acquisition of Portfolio Solutions Group, KPMG LLP (UK)'s global division (see Note 2.14). This has been fully amortised at year-end with an expense of EUR 988 thousand charged to "Amortisation and depreciation" in the consolidated statement of profit or loss.

Fully amortised intangible assets in use amounted to EUR 1,268 thousand, EUR 1,105 thousand at 31 December 2018 and 2017 respectively.

At 31 December 2018 and 2017 there were no intangible assets acquired or transferred under a finance lease.

At year-end 2018 and 2017 the Directors of the Group did not regard it necessary to record any impairment of other intangible assets.

## **7. Property and equipment**

The changes in "Property and equipment" on the assets side of the consolidated statement of financial position in 2018 and 2017, entirely comprising property and equipment for own use, were as follows:

	Fixtures	Computer hardware	Furniture	Other items of property and equipment	Property and equipment in progress	Total
<b>Cost:</b>						
Balances at 1 January 2017	2,922	1,261	678	248	-	5,109
Additions	132	416	127	12	235	922
Disposals	-	-	-	-	-	-
Other changes (*)	773	511	30	-	-	1,314
Balances at 31 December 2017	3,827	2,188	835	260	235	7,345
Additions	544	465	452	46	-	1,507
Disposals	-	-	-	-	-	-
Transfers	235	-	-	-	(235)	-
Other changes (**)	(974)	(255)	(258)	(41)	-	(1,528)
Balances at 31 December 2018	3,632	2,398	1,029	265	-	7,324
<b>Accumulated depreciation:</b>						
Balances at 1 January 2017	(1,311)	(928)	(357)	(157)	-	(2,753)
Allowances	(284)	(181)	(103)	(22)	-	(590)
Disposals	-	-	-	-	-	-
Other changes (*)	(416)	(401)	(58)	-	-	(875)
Balances at 31 December 2017	(2,011)	(1,510)	(518)	(179)	-	(4,218)
Allowances	(400)	(324)	(79)	(24)	-	(827)
Disposals	-	-	-	-	-	-
Other changes (**)	635	217	171	39	-	1,062
Balances at 31 December 2018	(1,776)	(1,617)	(426)	(164)	-	(3,983)
<b>Impairment:</b>						
Balances at 1 January 2017	-	-	-	-	-	-
Allowances (Note 3)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Balance at 31 December 2017	-	-	-	-	-	-
Allowances (Note 3 a)	(709)	-	(65)	-	-	(774)
Other changes	-	-	-	-	-	-
Balance at 31 December 2018	(709)	-	(65)	-	-	(774)
<b>Property and equipment, net:</b>						
<b>Balances at 31 December 2017</b>	<b>1,816</b>	<b>678</b>	<b>317</b>	<b>81</b>	<b>235</b>	<b>3,127</b>
<b>Balances at 31 December 2018</b>	<b>1,147</b>	<b>781</b>	<b>538</b>	<b>101</b>	<b>-</b>	<b>2,567</b>

(\*) Movement originating, basically from the purchase of the 100% of Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP) (see Note 2.14).

(\*\*) Movement due to reclassification of the amounts corresponding to Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. to "Non-current assets held for sale" – see Notes 2.14 and 10.

Fully depreciated property and equipment in use amounted to EUR 1,647 thousand at 31 December 2018, EUR 1,518 thousand at 31 December 2017.

Property and equipment are covered by appropriate insurance policies. The directors of the Company estimate that the risks to which those fixed assets are subject are sufficiently covered.

An impairment loss of EUR 720 thousand was recognised in 2018 affecting some of these items as a result of relocating the Company's head office (see Note 1), which is included under "Impairment of non-current assets" in the 2018 consolidated statement of profit or loss. These losses have been recognised based on the Company's best estimate.

No significant impairment losses on these assets arose in 2017.

At 31 December 2018 the Group held assets acquired under finance leases amounting to EUR 233 thousand (EUR 350 thousand at 31 December 2017).

## **8. Investments accounted for using the equity method**

This line item comprises the equity/capital instruments issued by Alantra Group investees, which are associated and jointly-controlled entities accounted for using the equity method.

### **a) Breakdown**

Details of this line item on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017, contractual currency and whether or not investees' securities are listed or non-listed are as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
<b>By investee:</b>		
Nplus1 Singer Ltd	9,718	9,177
Alpina Real Estate GP I, S.A., in liquidation	22	22
Alpina Real Estate GP II, S.A., in liquidation	75	75
Alpina Real Estate GP, S.A., in liquidation	122	125
Alantra AG (see Nota 2.14)	-	3,654
Sociedades Daruma	-	-
Phoenix Recovery Management, S.L.	146	147
Landmark Capital, S.A.	2,018	2,858
Tertenia Directorship, S.L.	40	-
	<b>12,141</b>	<b>16,058</b>
<b>By currency:</b>		
Euro	405	369
Pound sterling	9,718	9,177
Swiss franc	-	3,654
Chilean pesos	2,018	2,858
	<b>12,141</b>	<b>16,058</b>
<b>Listing status:</b>		
Non-listed	12,141	16,058
	<b>12,141</b>	<b>16,058</b>

Material disclosures on associates belonging to the Alantra Group in 2018 and 2017, respectively, are included in Note 2.14.

Since all the companies included in the previous table generated net profits in 2018, the Group recognised these in the consolidated statement of profit or loss. These profits attributable to the Group totalled EUR 2,453 thousand in 2018 (2017: EUR 3,433 thousand), recognised under "Share of profit (loss) of companies accounted for using the equity method" in the consolidated statement of profit or loss (see Note 24).

The amount attributable to Nplus1 Singer Ltd includes the consolidated figures of the sub-group comprising Nplus1 Singer Ltd, Nplus1 Singer Advisory LLP and Nplus1 Singer Capital Markets Ltd. This amount includes EUR 645 thousand of implicit goodwill generated from the Group's acquisition of Nplus1 Singer Ltd shares in 2012 (see Note 2.14). Said implicit goodwill was generated in sterling, the

functional currency of Nplus1 Singer Ltd, and was converted to the Group's functional currency at the rate prevailing at the end of the reporting period.

The figure for Landmark Capital, S.A. includes the consolidated figures for the subgroup composed of Landmark Capital, S.A., Landmark Capital Asesoría Empresarial Ltda., Landmark Capital Argentina SRL and Landmark Capital Colombia SAS. Said amount includes EUR 1,447 thousand (net of impairment) in respect of the implicit goodwill generated on the Group's acquisition in 2016 of shares of Landmark Capital, S.A. (see Note 2.14). During 2018 and 2017 the Group recognised EUR 843 thousand and EUR 458 thousand, respectively of impairment of that goodwill under "Loss/reversal of loss on impairment of financial instruments" in the 2018 and 2017 consolidated statement of profit or loss (see Note 28). Said implicit goodwill was generated in Chilean pesos, the functional currency of Landmark Capital, S.A., and was converted to the Group's functional currency at the rate prevailing at the end of the reporting period.

At year-end 2018 the Directors of the Company did not regard it as necessary to record any further impairment.

## 9. Non-current financial assets

The breakdown of this line item at 31 December 2018 is as follows:

	Thousands of euros			
	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	Total
Balances at 1 January 2018	12,830	15,827	3,947	32,604
Additions (*)	2,615	14,516	1,790	18,921
Transfers to current assets/ liquidations	-	-	-	-
Disposals (*)	(1,423)	(2,207)	(424)	(4,054)
<b>Balances at 31 December 2018</b>	<b>14,022</b>	<b>28,136</b>	<b>5,313</b>	<b>47,471</b>

(\*) Includes valuation adjustments or impairment, as applicable.

The breakdown of this line item at 31 December 2017 was as follows:

	Thousands of euros				
	Available-for-sale financial assets	Other financial assets at fair value through profit or loss	Loans	Other financial assets	Total
Balances at 1 January 2017	32,096	1,483	4,104	9,552	47,235
Additions (*)	9,128	712	19	278	10,137
Transfers to current assets/ liquidations	-	-	-	(8,701)	(8,701)
Disposals (*)	(14,952)	(824)	(291)	-	(16,067)
<b>Balances at 31 December 2017</b>	<b>26,272</b>	<b>1,371</b>	<b>3,832</b>	<b>1,129</b>	<b>32,604</b>

(\*) Includes valuation adjustments or impairment, as applicable.

### 9.1 Financial assets at fair value through profit or loss

Details of this line item on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017, by nature, are as follows:

	Thousands of euros	
	31/12/2018	31/12/2017 (*)
Equity instruments	11,494	11,816
Debt securities	-	-
Derivatives	-	256
Other financial assets	2,528	758
	<b>14,022</b>	<b>12,830</b>

(\*) Corresponds to balances classified at 31 December 2017 under "Non-current financial assets – Available-for-sale financial assets" of EUR 10,445 thousand; "Non-current financial assets – Loans" of EUR 758 thousand; and "Non-current financial assets – Other financial assets" of EUR 256 thousand (see Note 2.4). It also includes the amount previously recognised under "Non-current financial assets – At fair value through profit or loss".

Details of "Financial assets at fair value through profit or loss" at 31 December 2018 and 2017 are as follows:

	2018		2017	
	Percentage ownership interest	Thousands of euros Fair value	Percentage ownership interest	Thousands of euros Fair value
<b>Equity instruments:</b>				
EQMC Europe Development Capital Fund, Plc. (1) (3)	N/A	-	N/A	78
QMC III Iberian Capital Fund II, FIL (1) (2)	0.40%	293	0.70%	313
Mutufondo Corto Plazo, F.I. (1)	0.89%	9,949	1.31%	10,004
Tryo Communication Technologies, S.L.	N/A	-	24.57%	289
EQMC, FIL (1) (3)	0.49%	1,202	0.49%	1,082
DIVA-E Management Beteiligungs GmbH	N/A	50	N/A	50
		<b>11,494</b>		<b>11,816</b>
<b>Other financial assets:</b>				
Grupo Gestión Integral Novolux Internacional, S.L.	N/A	-	48.54%	580
Nueva Capital Privado Inversiones, S.L.	N/A	34	N/A	178
Loans to employees	N/A	2,494	N/A	-
		<b>2,528</b>		<b>758</b>
<b>Derivatives:</b>				
Financial derivative Landmark Capital, S.A.	N/A	-	N/A	256
		-		<b>256</b>
		<b>14,022</b>		<b>12,830</b>

(1) Fair value calculated on the basis of the last net asset value published by each investee at the measurement date.

(2) This entity is coordinated, managed and administrated by Alantra Asset Management, S.G.I.I.C., S.A.U. (an Alantra Group company – see Note 2.14).

(3) This entity is coordinated, managed and administrated by Alantra EQMC Asset Management, S.G.I.I.C., S.A. (an Alantra Group company – see Note 2.14). Previously, this entity was coordinated, managed and administrated by Alantra Asset Management, S.G.I.I.C., S.A.U (an Alantra Group company – see Note 2.14).

Details of the fair value of "Financial assets at fair value through profit or loss" are provided in Note 30.

During 2017, the Group received EUR 7,869 thousand in respect of a performance fee for EQMC Europe Development Capital Fund, Plc., recorded under "Revenue" in the 2017 consolidated statement of profit

or loss and as an addition to the value of its shares in that fund (see Note 25). The part pending receipt at 31 December 2017 was recorded under "Trade and other receivables – Trade receivables for sales and services" on the assets side of the consolidated statement of financial position in the amount of EUR 2,074 thousand (during 2018 said amount had been settled – see Note 11.1). These units were also redeemed on 20 July 2018.

The fund QMC III Iberian Capital Fund, FIL, managed by Alantra Asset Management, SGIIC, S.A.U. was incorporated on 15 September 2017 with equity of EUR 300,000 euros which was fully paid in by the Company. No contributions or redemptions were received in 2018.

In addition, on 16 June 2016 the Group subscribed for EUR 10,000 thousand shares in the fund Mutuafondo Corto Plazo, Fondo de Inversión. There were no movements in this investment in 2018 or 2017.

The Company invested through Tryo Communication Technologies, S.L. in Teltronic, S.A.U. and Scati Labs, S.A. On 26 May 2015, Tryo Communication Technologies, S.L. closed the sale of 100% of its subsidiary Teltronic S.A.U. to the company Sepura Plc. Also, on 22 April 2016, Tryo Communication Technologies, S.L. disinvested in the company Scati Labs. In addition, as a result of the sale of the whole of the investments in Tryo Communication Technologies, S.L.'s investment portfolio, the Group has taken as best fair value reference. Furthermore, in 2018 the Group received a dividend of EUR 148 thousand, recognised under "Finance income" in the 2018 consolidated statement of profit or loss. This investee was sold in 2018, generating a gain of EUR 3 thousand recognised under "Gain (loss) on disposal of financial instruments – Other financial instruments" in the 2018 consolidated statement of profit or loss (see Note 28). Furthermore, in 2018 and 2017 the change in value of Tryo Communication Technologies, S.L. totalled EUR 149 thousand and EUR 286 thousand, respectively, recognised under "Changes in fair value of financial instruments" in the 2018 and 2017 consolidated statement of profit or loss, respectively.

In 2018 and 2017 Alantra Asset Management, S.G.I.I.C., S.A.U. subscribed EUR 330 thousand and EUR 570 thousand to Class C shares in EQMC, Fondo de Inversión Libre in order to meet its commitments in respect of a multi-year incentive programme for certain employees of the Company as agreed by the respective Boards of Directors. The gains on this investment were distributed to the employees in accordance with the terms and conditions established in said programmes. The fair value of said investments at 31 December 2018 and 2017 was EUR 1,202 thousand and EUR 1,082 thousand, respectively, amounts which matched the payables to said employees recorded under "Trade and other payables – Other payables" in the consolidated statement of financial position at 31 December 2018 and 2017 (see Note 19). This financial asset is managed jointly with a financial liability, thereby significantly eliminating recognition or measurement inconsistencies.

In addition, on 12 April 2016 the Group acquired shares of DIVA-E Management Beteiligungs GmbH for EUR 50 thousand. There were no movements in this investment in 2018 or 2017.

At 31 December 2017 the Group held a 48.54% stake in Grupo Gestión Integral Novolux, and a participating loan granted by the Company before the merger described in Note 1. The Group valued the investment in Grupo Gestión Integral Novolux based on the multiples of listed comparable companies, putting the total value of the investment at EUR 580 thousand and assigning the whole of this amount to the participating loan at 31 December 2017. Lastly, on 19 July 2018 the Group sold the aforementioned investment and the participating loan to a third party for EUR 1,224 thousand and EUR 684 thousand, respectively. As a result of this transaction, a gain of EUR 1,224 thousand was generated from the sale of the investment, as well as a gain on selling the loan and therefore, a reversal of impairment of EUR 104 thousand. This is recognised under "Loss/reversal of loss on impairment of financial instruments" and "Gain (loss) on disposal of financial instruments – Other financial instruments" in the 2018 consolidated statement of profit or loss, respectively (see Note 28).

At 31 December 2018 and 2017 included EUR 34 thousand and EUR 178 thousand, respectively, corresponding to a loan granted to Nueva Capital Privado Inversiones, S.L. (limited partner of Nmás1 Private Equity Fund US No.1, L.P.), Nmás1 Private Equity Fund US No.2, L.P. and Nmás1 Private Equity Fund US No.3, L.P. The loan will remain in force until the date on which the aforementioned investment complex is completed and settled. In 2018 EUR 25 thousand was recovered. However, due to the financial position of these entities, part of the aforementioned loan has been impaired, with an impairment loss of EUR 119 thousand being recognised under "Loss/reversal of loss on impairment of financial instruments" in the 2018 consolidated statement of profit or loss (see Note 28).

In November 2018 Alantra Capital Privado, SGEIC, S.A.U. (an Alantra Group company) granted several credit facilities to staff with a maximum limit equal to 56.083% of their commitments to pay into the structure of Alantra Private Equity Fund III (formerly, Nmás1 Private Equity Fund, III) which manages this company and subject to pledging the units acquired as collateral. These employees will use the finance to partly settle some of the payment commitments assumed. These credit agreements expire on the same day as the fund's settlement period ends, and therefore any amounts borrowed over the drawdown period must be repaid by employees on the expiration date. This finance generates interest for the management company, which will be paid at each distribution date and calculated as stipulated in the agreements. At 31 December 2018 these loans at fair value totalled EUR 2,494 thousand.

The Group considers that the acquisition of 50% of the shares of Landmark Capital, S.A. in two stages generated a financial derivative, as the second stage involves a commitment to purchase in the future a further 19.05% of the shares of the Landmark Group. A financial derivative amounting to EUR 256 thousand was therefore recognised at 31 December 2017. This derivative was derecognised in 2019 with a charge of EUR 251 thousand to "Change in fair value of financial instruments" in the consolidated statement of profit or loss.

## 9.2 Financial assets at fair value through other comprehensive income

Details of this line item on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017, by nature, are as follows:

	Thousands of euros	
	31/12/2018	31/12/2017 (*)
Equity instruments	28,136	15,827
Debt securities	-	-
Derivatives	-	-
Other financial assets	-	-
	<b>28,136</b>	<b>15,827</b>

(\*) Corresponds solely to balances classified at 31 December 2017 under "Non-current financial assets – Available-for-sale financial assets" (see Note 2.4).

Details of "Financial assets at fair value through other comprehensive income" at 31 December 2018 and 2017 are as follows:

	2018		2017	
	Percentage ownership interest	Thousands of euros	Percentage ownership interest	Thousands of euros
		Fair value		Fair value
<b>Equity instruments</b>				
QMC II Iberian Capital Fund II, FIL (1) (4)	0.77%	289	0.77%	853
Alteralia S.C.A., SICAR (1) (5)	4.57%	5,121	4.57%	4,625
Alteralia II S.C.A., SICAR (1) (7)	1.50%	239	99.99%	30
Nmás1 Dinamia Portfolio, S.C.R., S.A. (2) (6)	8.50%	4,750	7.50%	3,459
Alantra Private Equity Fund III, F.C.R. (formerly Nmás1 Private Equity Fund, III, F.C.R.) (1) (6)	8.91%	13,257	8.91%	2,510
Alantra Private Equity Fund, III, S.C.R. (formerly Nmás1 Private Equity Fund, III, S.C.R.) (1) (6)	9.58%	2,189	9.58%	416
Nmás1 Private Equity Fund II, F.C.R. (1) (6)	1.316%	102	1.316%	1,520
Electra Partners Club 2007, LP (1)	11.76%	2,183	11.76%	2,404
Gestora del Fondo de Garantía de Inversiones, S.A. (3)	N/A	6	N/A	6
Other equity instruments (3)	N/A	-	N/A	4
		<b>28,136</b>		<b>15,827</b>

- (1) Fair value calculated on the basis of the last net asset value published by each investee at the measurement date.
- (2) Fair value calculated on the basis of the last net asset value published and applying a discount for liquidity to make it consistent with the value applied the previous year.
- (3) Financial instruments measured at cost.
- (4) This entity is coordinated, managed and administrated by Alantra Asset Management, S.G.I.I.C., S.A.U. (an Alantra Group company – see Note 2.14).
- (5) This entity is coordinated, managed and administrated by Alteralia Management, S.à.r.l. (an Alantra Group company – see Note 2.14).
- (6) This entity is coordinated, managed and administrated by Alantra Capital Privado, S.G.E.I.C., S.A.U. (an Alantra Group company – see Note 2.14).
- (7) This entity is coordinated, managed and administrated by Alteralia II Management, S.à.r.l. (an Alantra Group company – see Note 2.14).

The amounts committed with respect to certain risk capital vehicles and hedge funds and the Group's disbursement commitments at 31 December 2018 are as follows:

	Thousands of euros	
	Initial amount committed	Outstanding disbursement commitments
QMC II Iberian Capital Fund II, FIL (*)	1,000	89
Alteralia S.C.A., SICAR	6,358	1,389
Alteralia II S.C.A., SICAR	3,000	2,735
Nmás1 Private Equity Fund, III, F.C.R.	34,668	19,289
Nmás1 Private Equity Fund, III, S.C.R.	5,750	3,178
Nmás1 Private Equity Fund II, F.C.R. (*)	4,000	207
Electra Partners Club 2007, LP (*) (**)	11,271	186

(\*) No additional disbursements are expected to be requested by this vehicle.

(\*\*) Commitment of GBP 10 million, and disbursement commitment of GBP 165 thousand.



Details of the fair value of "Financial assets at fair value through other comprehensive income" are provided in Note 30.

In 2018 the Group received payments from QMC II Iberian Capital Fund, FIL of EUR 578 thousand (gross), recognised under "Finance income" in the 2018 consolidated statement of profit or loss. On 13 April 2017, 28 July 2017 and 27 October 2017 the Company received disbursements from QMC II Iberian Capital Fund, FIL of EUR 155 thousand, EUR 348 thousand and EUR 192 thousand, respectively, generating a gain of EUR 178 which was recorded under "Gain (loss) on disposal of financial instruments – Other financial instruments" in the consolidated statement of profit or loss for 2017 (see Note 28).

On 25 May 2015 and 29 May 2015, N+1 IBG signed a contract with Alteralia Management, S.à.r.l. to subscribe for Special Class and Class C shares of Alteralia S.C.A., SICAR, with an ultimate commitment to disburse EUR 313 thousand and EUR 1,044 thousand, respectively, after the placement period for the vehicle concluded on 24 October 2016. Furthermore, on 14 May 2015 the Company signed a contract with Alteralia Management, S.à.r.l. to subscribe for Class C shares of Alteralia S.C.A., SICAR, with a disbursement commitment of €5,000 thousand. Also in 2018 Alteralia S.C.A., SICAR disbursed EUR 913 thousand (reducing the cost of the investment), with disbursement commitments of EUR 1,389 thousand therefore remaining at 31 December 2018 (31 December 2017: EUR 1,847 thousand). Furthermore, in 2018 and 2017 the Company received dividends of EUR 349 thousand and EUR 327 thousand, respectively, recognised under "Finance income" in the 2018 and 2017 consolidated statement of profit or loss.

On 28 December 2017 Alteralia II S.C.A., SICAR was incorporated. The Group paid in EUR 30 thousand of the share capital in said company. In 2018 new disbursements of EUR 235 thousand were made.

On 13 July 2018 the extraordinary general meeting of shareholders of Nmás1 Dinamia Portfolio, SCR, S.A. voted to distribute partners' contributions totalling EUR 7,434 thousand, with the Group's contribution amounting to EUR 558 thousand. This amount was paid in 2018. On the same date, it was agreed to increase capital by EUR 6,109 thousand by issuing and placing on the market 6,109,417 new shares of EUR 1 par value each. Alantra Investment Managers, S.L.U. (a solely owned subsidiary of Alantra Partners, S.A.) subscribed 183,283 Class D shares for EUR 3,666 thousand. Subsequently, Alantra Investment Managers, S.L.U. sold a total of 122,189 shares to a number of the Group's employees for the same value (previously acquired shares) of EUR 2,444 thousand. On 9 October 2017 the extraordinary general meeting of shareholders of Nmás1 Dinamia Portfolio, SCR, S.A. voted to distribute share premium totalling EUR 19,699 thousand, with the Group receiving EUR 1,477 thousand. This amount was settled in 2017.

On 17 June 2015 Alantra Capital Privado, S.G.E.I.C., S.A.U. incorporated a venture capital fund under the name Nmás1 Private Equity Fund III, FCR, with initial assets of EUR 165 thousand, all of which were contributed by the Alantra Group. During 2016 the Fund returned to the Group the amount paid in by the latter at the Fund's formation. Also, during 2016 the Group signed contracts with Alantra Capital Privado, SGEIC, S.A.U. to subscribe for shares in Nmás1 Private Equity Fund III, FCR. The Group disbursed EUR 11,442 thousand in 2018 (EUR 3,849 thousand in 2017).

On 13 April 2016 Nmás1 Private Equity Fund III, S.C.R., S.A. was incorporated with share capital of EUR 1,200 thousand, represented by 120,000 registered shares with a nominal value of EUR 10 each. All shares representing the capital were fully subscribed and paid in at 50% of their nominal value by the Company against a contribution of EUR 600 thousand. It was thus allocated the 120,000 shares with a paid-in value of 50% of their nominal value. On 22 April 2016, the Company, as sole shareholder of Nmás1 Private Equity Fund III, S.C.R., S.A., decided to reduce the capital from the EUR 1,200 thousand fixed at that time to EUR 0 by redeeming and cancelling the 120,000 shares for the purpose of returning the capital contributions made by the sole shareholder. The Company was thus repaid the EUR 600 thousand it had paid in. On that same date it was likewise resolved to increase the capital by

EUR 1,200 thousand by issuing and placing in circulation 118,800 Class A registered shares and 1,200 Class B registered shares with a nominal value of EUR 10 each. The Group subscribed for 35,800 Class A shares and 1,200 Class B shares against a payment of EUR 184 thousand. In addition, on 22 April 2016 the Group signed a letter of acceptance in which it made certain investment commitments in Nmás1 Private Equity Fund III, S.C.R., S.A. In November 2016 and January 2017 the Group signed a number of sale-purchase agreements for shares of Nmás1 Private Equity Fund III, S.C.R., S.A. whereby it sold a total of 25,500 Class A shares for EUR 162 thousand. These operations did not generate any gain or loss for the Group. The Group made contributions in this respect of EUR 1,904 thousand in 2018 (EUR 645 thousand in 2017).

In 2018 and 2017, the Group received redemptions of the Nmás1 Private Equity Fund II units of EUR 23,578 thousand and EUR 514 thousand, respectively. The amount received in 2018 is basically recognised under "Revenue – Revenue from rendering of services" in the consolidated statement of profit or loss (see Note 25.1). In 2018 and 2017 the Company also received dividends of EUR 1,478 thousand and EUR 427 thousand, respectively, from Nmás1 Private Equity Fund II recognised under "Finance income" in the 2018 and 2017 consolidated statement of profit or loss.

In 2018 and 2017 the Group received distributions of units of Electra Partners Club 2007, LP totalling GBP 612 thousand and GBP 3,842 thousand, respectively (equal to EUR 685 thousand and EUR 4,485 thousand included under "Finance income" and "Gain (loss) on disposals of financial instruments – Other financial instruments" in the consolidated statement of profit or loss, respectively – partial recognition in 2017 as part of the consideration received was treated as a reduction in cost). The investment period for new investments has ended.

Adjustments due to changes in the fair value of "Financial assets at fair value through other comprehensive income" are recognised, net of the corresponding tax effect, in consolidated equity under "Items that will not be subsequently reclassified to profit or loss for the period – Equity instruments through other comprehensive income". At 31 December 2018 and 2017, details of "Items that will not be subsequently reclassified to profit or loss for the period – Equity instruments through other comprehensive income" in the consolidated statement of financial position are as follows:

	Thousands of euros			
	31/12/2018		31/12/2017	
	Valuation	Valuation adjustments	Valuation	Valuation adjustments
QMC II Iberian Capital Fund II, FIL	289	40	853	168
Alteralia S.C.A., SICAR	5,121	133	4,625	86
Alteralia II S.C.A., SICAR	239	(26)	30	-
Nmás1 Dinamia Portfolio, S.C.R., S.A.	4,750	(498)	3,459	(1,039)
Alantra Private Equity Fund III, F.C.R. (formerly, Nmás1 Private Equity Fund, III, F.C.R.)	13,257	(2,121)	2,510	(1,427)
Alantra Private Equity Fund, III, S.C.R. (formerly Nmás1 Private Equity Fund, III, S.C.R.)	2,189	(382)	416	(251)
Nmás1 Private Equity Fund II, F.C.R.	102	40	1,520	694
Electra Partners Club 2007, LP	2,183	1,636	2,404	1,801
Gestora del Fondo de Garantía de Inversiones, S.A.	6	-	6	-
Other equity instruments	-	-	4	-
	<b>28,136</b>	<b>(1,178)</b>	<b>15,827</b>	<b>32</b>

### 9.3 Financial assets at amortised cost

Details of this line item on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017, by nature, are as follows:

	Thousands of euros	
	31/12/2018	31/12/2017 (*)
Equity instruments	-	-
Debt securities	-	-
Derivatives	-	-
Other financial assets	5,313	3,947
	<b>5,313</b>	<b>3,947</b>

(\*) Corresponds to balances classified at 31 December 2017 under "Non-current financial assets - Loans" of EUR 3,074 thousand; and "Non-current financial assets - Other financial assets" of EUR 873 thousand (see Note 2.4).

Details of "Financial assets at amortised cost" at 31 December 2018 and 2017 are as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
<b>Other financial assets</b>		
Guarantees	579	450
Tamsi, S.L.	58	423
Segur Ibérica, S.A.	-	-
Quattrocento	-	59
Former shareholders Downer & Company, LLC	2,533	2,403
Loans to employees	2,143	612
	<b>5,313</b>	<b>3,947</b>

"Guarantees" in the previous table comprises the security deposit given by the Company to secure the lease of the offices from which it conducts business, set at EUR 579 thousand and EUR 450 thousand at 31 December 2018 and 2017, respectively. Subsequently, at year-end 2018 the security deposit

given by the Company will be reimbursed and the security deposit given as a result of relocating the head office will be recognised (see Note 1).

On 16 October 2015, the sale of the 25% stake held by Nmás1 Dinamia Portfolio, S.A. in Tamsi Spain, S.L. was also formalised and completed for EUR 12,679 thousand. The Company was the holder of said investment until the date of the carve-out described in Note 1. This transaction involved the sale of the investment and full repayment of the participating loans granted by the Company to Tamsi Spain, S.L. totalling EUR 9,321 thousand, which were recognised under "Non-current financial assets – Loans" on the assets side of the Group's consolidated statement of financial position. The net amount obtained from the divestment, already settled, was EUR 20,500 thousand. It was planned that this amount would be increased by EUR 1,483 thousand, and would depend on the amount to be recovered if Tamsi Spain, S.L., in turn, recovered the balance of an account in Banco de Madrid, S.A.U. In this connection, the Company considered that it was reasonably doubtful that this additional amount would be collected in full, and it therefore recognised an allowance of EUR 310 thousand under "Impairment losses and gain (loss) on disposal of financial instruments" in the 2015 consolidated statement of profit or loss (which is maintained at 31 December 2018 and 2017), whereby the amount finally recognised in the balance of the "Tamsi Spain, S.L." account was EUR 1,173 thousand. During 2016, Tamsi Spain, S.L. recovered EUR 750 thousand of the account it held in Banco Madrid and the Company granted a loan for that amount to Tamsi Spain, S.L., with maturity on 16 April 2017, and recorded under "Other current financial assets" on the assets side of the consolidated statement of financial position at 31 December 2017. It accrues interest of 4% per annum during the first 12 months and 6% per annum thereafter. The interest accrued on said loan in 2017 amounted to EUR 3 thousand and was recorded under "Finance income" in the consolidated statement of profit or loss for 2017. Lastly, in 2018 Tamsi Spain, S.L. recovered EUR 365 thousand of the balance of the account held in Banco Madrid. The net balance outstanding was therefore EUR 58 thousand at 31 December 2018; an allowance of EUR 310 thousand has been recognised.

"Non-current financial assets – Loans" on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017 also includes EUR 631 thousand in both years, corresponding to a loan granted by the Company to Segur Ibérica, S.A. on 7 September 2011 (principal of EUR 559 thousand and interest accrued to that date of EUR 72 thousand). During 2016, as a result of the financial position faced by that company (insolvency proceedings), the Company wrote off the whole of the loan. This loan falls due on 31 December 2018. There were no changes in this loan during 2018 and it has been fully impaired.

On 19 January 2015 the Group granted a EUR 147-thousand loan to Quattrocento (a company that joined the Group in 2018 – see Note 2.14). This loan fell due on 31 December 2017. Interest generated on this loan in 2017 was not material.

On 27 April 2016 the Group granted six loans totalling USD 2,313 thousand and EUR 414 thousand to the former shareholders of Downer & Company, LLC. The interest rate on these loans is floating and tied to 1M Euribor + 1.5% (with a floor of 1.5%), payable when the loans fall due on 27 April 2020. These loans are secured by the shares the Group handed over to Downer & Company, LLC's former shareholders. In 2018 and 2017 interest of EUR 36 thousand was accrued in both years, recognised under "Finance income" in the 2018 and 2017 consolidated statement of profit or loss. Moreover, at the 2018 and 2017 year-ends, the Group converted the US-dollar loan granted to the former shareholders of Downer & Company, LLC to its functional currency at the year-end exchange rate, generating a gain of EUR 96 thousand and a loss of EUR 270 thousand recognised under "Exchange differences" in the consolidated statement of profit or loss for 2018 and 2017, respectively.

Lastly, the Group granted certain loans to employees of the Group totalling EUR 2,143 thousand and EUR 612 thousand at 31 December 2018 and 2017, respectively. These included a loan of EUR 679 thousand to an employee of Alantra Capital Markets, S.V., S.A. (an Alantra Group company) to acquire

50,000 of the Company's treasury shares under the Share Purchase and Retention Bonus Plan (see Note 15). This loan accrues interest at a floating rate tied to the Euribor + 1%, and matures on 5 December 2022. Interest generated on this loan in 2018 is not material.

#### **9.4 Impairment losses**

Details of impairment losses as a result of entry into force of IFRS 9 and as per the simplified approach used by the Group (see Note 2.4) on "Non-current financial assets – At amortised cost", which are recognised under "Loss/reversal of loss on impairment of financial instruments" (see Note 28) in the consolidated statement of profit or loss are provided below:

	Thousands of euros	
	31/12/2018	31/12/2017 (*)
Equity instruments	-	-
Debt securities	-	-
Derivatives	-	-
Other financial assets	46	49
	<b>46</b>	<b>49</b>

(\*) This amount corresponds to the impact of first-time application and is recognised under "Reserves".

#### **10. Non-current assets held for sale and liabilities associated with non-current assets classified as held for sale**

As described in Note 2.14, on 14 December 2018, Alantra Partners, S.A. and Grupo Mutua reached an agreement under which Grupo Mutua would acquire approximately 25% of the share capital of Alantra Wealth Management Agencia de Valores, S.A. and Alantra Wealth Management Gestión, SGIIC, S.A. (jointly, Alantra Wealth Management, which comprises a cash-generating unit). The transaction is solely subject to not being blocked by the CNMV, and is expected to be approved in 2019.

Since the requirements set forth in the applicable standard for these assets to be classified as "Non-current assets held for sale" have been met (see Note 3-x), the pertinent reclassifications were made at year-end 2018. A detailed description of the equity items classified under this heading are as follows:

	Thousands of euros
<i>Intangible assets</i>	5,394
Goodwill	4,463
Other intangible assets	931
<i>Property and equipment</i>	466
<i>Non-current financial assets</i>	120
At fair value through profit or loss	-
At fair value through other comprehensive income	3
At amortised cost	117
<i>Deferred tax assets</i>	1,998
<i>Trade and other receivables</i>	2,217
Trade receivables for sales and services	2,192
Other receivables	8
Current tax assets	17
<i>Other current assets</i>	26
<i>Cash and cash equivalents</i>	1,857
<b>TOTAL ASSETS</b>	<b>12,078</b>
<i>Non-current financial liabilities</i>	8,345
Other financial liabilities	8,345
<i>Trade and other payables</i>	2,673
Payables to suppliers	60
Other payables	2,589
Current tax liabilities	24
<i>Other current liabilities</i>	30
<b>TOTAL LIABILITIES</b>	<b>11,048</b>

At the 2018 and 2017 year-ends, the Group's directors did not consider it necessary to recognise any impairment of goodwill associated with this cash-generating unit (see Note 6).

The balance of the heading "Intangible assets – Other intangible assets" shown in the above table comprises software totalling EUR 79 thousand and contractual rights arising from relations with customers from acquired businesses of EUR 852 thousand (net) – see Notes 2.14 and 6.

At 31 December 2018 "Non-current financial liabilities – Other financial liabilities" in the above table includes a financial liability of EUR 8,345 thousand corresponding to the put option for 3Axis Involvement, S.L. (minority shareholders of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A.) agreed in the shareholders' agreement signed by both parties (see Note 2.14). This put option requires a liability to be recognised at fair value.

## **11. Trade and other receivables**

### **11.1 Trade receivables**

#### *a) Breakdown*

At 31 December 2018 and 2017, "Trade and other receivables – Trade receivables" on the assets side of the consolidated statement of financial position was as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
<b>By category and situation of the transactions:</b>		
Fees and commissions	6,556	17,014
Business and advisory services	45,390	23,107
Impaired assets	6,658	3,647
Valuation adjustments–		
Impairment losses	(6,658)	(3,647)
Other receivables	159	1,114
	<b>52,105</b>	<b>41,235</b>
<b>By currency:</b>		
Euro	36,847	39,422
Other currencies	15,258	1,813
	<b>52,105</b>	<b>41,235</b>

At 31 December 2018 and 2017, “Fees and commissions” in the above table comprises the receivable associated with commission accrued by the Group in the years ended on these dates (see Note 25), broken down as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
Management of investment vehicles:		
Nmás1 Private Equity Fund II	23	39
Alantra Private Equity Fund III (formerly Nmás1 Private Equity Fund III)	2,048	-
Nmás1 Dinamia Portfolio, SCR, S.A.	718	262
EQMC Europe Development Capital Fund, Plc	1,406	3,907
QMC II Iberian Capital Fund, FIL	132	1,823
QMC III Iberian Capital Fund, FIL	261	246
EQMC, F.I.L.	677	5,576
Alteralia Debt Fund, FIL	8	30
Open-ended Investment Companies (*)	-	461
Mercer Investment Fund 2	1,182	2,794
Marketing (*)	-	994
Portfolio management (*)	100	620
Advising (*)	-	261
Other fees and commissions	1	1
	<b>6,556</b>	<b>17,014</b>

(\*) Amount primarily reclassified to “Non-current assets held for sale” in the consolidated statement of financial position at 31 December 2018 (see Notes 2.14 and 10).”

At 31 December 2017, the fees and commissions of EUR 2,074 thousand charged to EQMC Europe Development Capital Fund, Plc shown in the above table comprised the performance fee receivable associated with holding the Class B units in EQMC Europe Development Capital Fund, Plc as specified in the fund’s prospectus (see Notes 9 and 25). The remaining balance under “Commissions – EQMC Europe Development Capital Fund, Plc” above corresponds to the management of a vehicle totalling EUR 1,406 thousand at December 2018 (31 December 2017: EUR 1,833 thousand). These units were also redeemed on 20 July 2018. (see Notes 9 and 25).

At 31 December 2017 the balance of the account “Fees and commissions – EQMC, F.I.L.” includes the balance receivable comprising the performance fee accrued for managing the vehicle and totalling EUR 3,580 thousand. No amounts were receivable for this concept at 31 December 2018.

At 31 December 2018 the balance of "Fees and commissions – Alantra Private Equity Fund III (formerly Nmás1 Private Equity Fund III)" in the above table includes EUR 1,738 thousand and EUR 310 thousand of the balance receivable comprising the management fee associated with Alantra Private Equity Fund III, F.C.R. (formerly Nmás1 Private Equity Fund III, F.C.R.) and Alantra Private Equity Fund III, S.C.R. (formerly Nmás1 Private Equity Fund III, S.C.R.), respectively. No amounts were receivable for this concept at 31 December 2017.

"Business and advisory services" also includes the fees and commissions receivable primarily for business and advisory services rendered, totalling EUR 45,390 thousand at 31 December 2018 (31 December 2017: EUR 23,107 thousand).

Furthermore, at 31 December 2018 the balance of "Other receivables" in the above table includes EUR 154 thousand of balances receivable comprising income from expenses previously assumed by the Group and comprising the expenses incurred in organising and administering the vehicles managed by Mercapital Private Equity, S.G.E.I.C., S.A.U. (see Note 25). The balance under "Other receivables" above included revenues of EUR 650 thousand in respect of establishment, organisation and administration costs for the Nmás1 Private Equity Fund III vehicle (see Note 25) which were assumed by the Group and were pending collection at 31 December 2017.

All the balances included in this line item are payable on demand.

#### *b) Impairment losses*

The changes during 2018 and 2017 in impairment losses associated with financial assets recognised under "Trade and other receivables – Trade receivables" on the assets side of the consolidated statement of financial position were as follows:

	Thousands of euros	
	2018	2017
Balance at the beginning of the period	<b>3,647</b>	<b>3,150</b>
Impairment losses with a charge to profit and loss (*)	4,095	1,706
Reversal of impairment losses credited to income (*)	(908)	(1,151)
Writeoffs	(176)	(58)
<b>Balances at the end of the period</b>	<b>6,658</b>	<b>3,647</b>

(\*) Amounts recognised under "Impairment and gain (loss) on disposal of financial instruments" in the consolidated statement of profit or loss (see Note 28).

#### *Impaired assets*

At 31 December 2018 and 2017, financial assets classified as loans and deemed to be fully impaired due to the associated credit risk totalled EUR 6,658 thousand and EUR 3,647 thousand, respectively. At 31 December 2018, EUR 414 thousand of the total comprises impairment losses recognised on applying the expected loss model that came into force in 2018, EUR 310 thousand of which is assigned to the impact of first-time application. The remaining amount basically comprises impairment losses recognised by the Group having detected objective evidence of impairment after analysing the balances on a case-by-case basis.



### **11.2 Other receivables**

At 31 December 2018 and 2017, "Trade and other receivables – Other receivables" on the assets side of the consolidated statement of financial position comprised receivables from public entities, excluding income tax rebates, totalling EUR 952 thousand and EUR 399 thousand, respectively (see Note 20).

In addition, the balance recorded under "Trade and other receivables - Oother receivables" at 31 December 2018 and 2017 also included the amount pending collection in respect of the dividend distributed by Phoenix Recovery Management, S.L. of EUR 77 thousand and EUR 26 thousand, respectively.

Lastly, at 31 December 2018 "Trade and other receivables – Other receivables" the consolidated statement of financial position includes 2018 income tax of EUR 282 thousand and temporary cash drawdowns of EUR 150 thousand of Nmás1 Dinamia Portfolio, S.C.R., respectively. At 31 December 2017 "Trade and other receivables – Other receivables" in the consolidated statement of financial position includes 2018 income tax of EUR 282 thousand and temporary cash drawdowns of EUR 150 thousand of Nmás1 Dinamia Portfolio, S.C.R., respectively

## **12. Other current financial assets – at amortised cost**

The balance of this line item on the assets side of the consolidated statement of financial position primarily comprises the deposit accounts opened by the Group in 2018 and 2017. Details of these accounts are shown below at 31 December 2018:

	Thousands of euros		Expiry rate	Annual interest rate
	Nominal value	Carrying amount		
Banco Santander, S.A.	1,250	1,250	14/12/2019	0.13%
Banco Santander, S.A.	1,250	1,250	14/12/2019	0.13%
Banco Santander, S.A.	1,250	1,250	14/12/2019	0.13%
Bankinter, S.A.	1,175	1,175	09/09/2019	0.05%
Bankinter, S.A.	3,000	3,000	25/04/2019	0.15%
	<b>7,925</b>	<b>7,925</b>		

Shown below is a summary of the deposits at 31 December 2017:

	Thousands of euros		Expiry rate	Annual interest rate
	Nominal value	Carrying amount		
Banco Santander, S.A.	1,250	1,250	14/12/2018	0.13%
Banco Santander, S.A.	1,250	1,250	14/12/2018	0.13%
Banco Santander, S.A.	1,250	1,250	14/12/2018	0.13%
Bankinter, S.A.	1,175	1,175	09/09/2018	0.05%
Bankinter, S.A.	3,000	3,000	25/04/2018	0.15%
	<b>7,925</b>	<b>7,925</b>		
Accrued interest pending collection	-	3		
	-	<b>3</b>		

Those deposits generated interest of EUR 5 thousand and EUR 9 thousand, recorded under "Finance income" in the 2018 and 2017 consolidated statement of profit or loss, respectively.

At 31 December 2018 and 2017 the Group had recognised an asset of EUR 188 thousand corresponding to balances assigned to an escrow account, following the sale of one of the Company's subsidiaries, Colegios Laude II, S.L., carried out prior to the Merger. This balance is expected to be settled in 2019.

As a result of the corporate action in Alantra AG (see Note 2.14 in the section on "Acquisition of an additional equity interest in Alantra AG involving obtainment of control"), the Group has recognised a balance receivable of EUR 507 thousand as per the agreement to exchange cash flows related with earnings in the period 2018-2020 (see Note 2.14).

At 31 December 2018 the amount corresponding to the loans to certain partners of EUR 680 thousand is also included. These loans fall due on 30 September 2019, and accrue interest at a fixed rate equal to the Euribor + 1% on any amount outstanding at 1 July 2019. The Group and its partners have agreed that

during the loan term, any distributions to partners will not be paid but will be used to pay down the loan and interest.

Impairment losses as a result of entry into force of IFRS 9 and as per the simplified approach used by the Group (see Notes 3-e and 9) have been estimated to total EUR 40 thousand at 31 December 2018, recognised under "Loss/reversal of loss on impairment of financial instruments" in the consolidated statement of profit or loss (see Note 28).

At 31 December 2017 other current financial assets also included a balance of EUR 360 thousand corresponding to the Group's contribution to the incorporation of a new management company, Alantra EQMC Asset Management, SGIIC, S.A. (see Note 2.14).

### **13. Other current assets and liabilities**

"Other current assets" on the assets side of the consolidated statement of financial position at 31 December 2018 and 2017 included prepaid expenses of EUR 1,316 thousand and EUR 915 thousand. Impairment losses as a result of entry into force of IFRS 9 and as per the simplified approach used by the Group (see Note 3) on current assets have been estimated at EUR 6 thousand, recognised under "Loss/reversal of loss on impairment of financial instruments" (see Note 28) in the consolidated statement of profit or loss.

At 31 December 2018, "Other current liabilities" includes accrued income of EUR 1,816 thousand (31 December 2017: EUR 290 thousand). The difference basically concerns invoices issued for performance fees in relation to providing financial advisory services that had not fulfilled the revenue recognition criteria described in Note 3-f at the aforesaid date.

### **14. Cash and cash equivalents**

#### ***a) Breakdown***

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

	Thousands of euros	
	31/12/2018	31/12/2017
<b>Cash:</b>		
Current accounts	102,772	104,295
Cash	45	113
	<b>102,817</b>	<b>104,408</b>
<b>Other cash equivalents:</b>		
Deposit accounts at credit institutions	-	-
	-	-
<b>Impairment losses:</b>	(545)	-
	<b>102,272</b>	<b>104,408</b>

At 31 December 2018 impairment losses as a result of entry into force of IFRS 9 and as per the simplified approach used by the Group (see Note 3-e) on cash and cash equivalents have been estimated at EUR 545 thousand, recognised under "Loss/reversal of loss on impairment of financial instruments" in the consolidated statement of profit or loss (see Note 28).

Income generated from current accounts in 2018 and 2017 was not material for the Group.

Details of the current accounts held by the Group at 31 December 2018 and 2017 are as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
<b>Currents accounts in euros:</b>		
Bankinter, S.A.	42,811	54,748
Banca March, S.A.	337	355
Banco Sabadell, S.A.	1,942	1,943
Bancoval Securities Services, S.A.U. (entidad absorbida por Banco Inversis, S.A.)	-	187
Banco Bilbao Vizcaya Argentaria, S.A.	121	121
Banco Santander, S.A.	12,085	10,621
Santander Securities Services, S.A.	-	288
UBI Banca	78	-
Grupo Bancario Credito Emiliano	1,906	870
Banca Albertini Syz & Co.	5	6
Zürcher Kantonalbank	349	-
Barclays Banc PLC	4,100	-
Bankia, S.A. (anteriormente denominado Banco Mare Nostrum, S.A.)	50	830
Crédit Lyonnais	776	642
Cajamar Caja Rural	6	-
Commerzbank, A.G.	10,472	9,698
BNP Paribas Securities Services	3,977	8,699
ING Bank, N.V.	312	1,955
Allied Irish Bank	185	345
Alpha Bank	188	30
Bank of Ireland	20	85
Erste Bank	105	943
Svenska Handelsbanken AB	325	210
Edmond de Rothschild	32	12
Société Générale	-	55
Barclays Bank PLC	-	1,420
EFG Bank (Luxembourg) S.A.	159	7
	<b>80,341</b>	<b>94,070</b>
<b>Current accounts in currencies other than the euro:</b>		
Banco Santander, S.A.	3,886	1,800
Allied Irish Bank	4	2,246
Crédit Lyonnais	1	1
Svenska Handelsbanken AB	1,088	64
Bank of America	424	-
Barclays Bank PLC	9,941	5,494
Banco Bilbao Vizcaya Argentaria, S.A.	114	-
Bank of Bahrain and Kuwait B.S.C.	60	78
China Merchants Bank	128	12
Zürcher Kantonalbank	5,281	-
Bankinter, S.A.	1,504	530
	<b>22,431</b>	<b>10,225</b>
	<b>102,772</b>	<b>104,295</b>

	Thousands of euros	
	31/12/2018	31/12/2017
<b>Current accounts by country:</b>		
Domestic market	60,587	70,076
UK	14,041	6,914
Italy	1,989	875
Germany	10,472	9,698
France	1,888	8,359
Greece	356	100
Netherlands	312	1,955
Portugal	1,009	342
Sweden	1,413	274
Belgium	381	119
Austria	105	943
Ireland	177	86
Luxembourg	191	74
Switzerland (see Note 2.14)	5,631	-
United States	3,565	4,152
India	60	78
China	128	11
Chile	353	239
Mexico	114	-
	<b>102,772</b>	<b>104,295</b>

Pursuant to Article 42 bis 4b) of Royal Decree 1065/2007, the Alantra Group individually identifies in its auxiliary accounting records the current accounts held outside Spain by the Company or its foreign and Spanish subsidiaries.

## **15. Equity**

The changes in 2018 and 2017 in this line item in the consolidated statement of financial position were as follows:

	Thousands of euros											
	Capital	Share premium	Reserves				Less: treasury shares and own equity instruments	Profit (loss) for the period attributable to the parent	Interim dividend	Other equity instruments	Total	Dividends
			Legal and statutory reserve	Other reserves	Reserves at consolidated companies	Reserves in companies accounted for using the equity method						
Balances at 31 December 2016	106,611	92,062	20,215	(58,151)	(2,684)	772	(1,138)	25,055	-	-	182,742	-
Equity issues	4,907	14,377	-	892	-	-	-	-	-	-	20,176	-
Distribution of profit for 2016	-	-	1,120	24,729	(950)	156	-	(25,055)	-	-	-	-
Purchase/sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Profit for 2017	-	-	-	-	-	-	-	30,316	-	-	30,316	-
Decreases in equity resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	(12,301)	-	-	-	-	-	-	-	-	(28,849)	-
Transaction with shareholders or owners	-	-	-	(1,538)	-	-	-	-	(16,548)	-	(1,538)	-
Other changes	-	-	-	138	(80)	17	-	-	-	-	75	-
<b>Balances at 31 December 2017</b>	<b>111,518</b>	<b>94,138</b>	<b>21,335</b>	<b>(33,930)</b>	<b>(3,714)</b>	<b>945</b>	<b>(1,138)</b>	<b>30,316</b>	<b>(16,548)</b>	<b>-</b>	<b>202,922</b>	<b>-</b>
Adjustments for changes in accounting criteria	-	-	-	(363)	-	-	-	-	-	-	(363)	-
Adjusted balances at 31 December 2017	<b>111,518</b>	<b>94,138</b>	<b>21,335</b>	<b>(34,293)</b>	<b>(3,714)</b>	<b>945</b>	<b>(1,138)</b>	<b>30,316</b>	<b>(16,548)</b>	<b>-</b>	<b>202,559</b>	<b>-</b>
Equity issues	4,376	17,725	-	(948)	-	-	-	-	-	-	21,153	-
Distribution of profit for 2017	-	-	981	916	3,373	800	-	(30,316)	16,548	-	(7,698)	7,698
Purchase/sale of treasury shares	-	-	-	309	-	-	370	-	-	-	679	-
Profit for 2018	-	-	-	-	-	-	-	35,031	-	-	35,031	-
Decreases in equity resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (Note 1)	-	-	-	-	-	-	-	-	(25,048)	-	(25,048)	-
Transaction with shareholders or owners	-	-	-	(3,380)	-	-	-	-	-	-	(3,380)	-
Other changes	-	-	-	(761)	(16,478)	(18)	-	-	-	-	(17,257)	-
<b>Balances at 31 December 2018</b>	<b>115,894</b>	<b>111,863</b>	<b>22,316</b>	<b>(38,157)</b>	<b>(16,819)</b>	<b>1,727</b>	<b>(768)</b>	<b>35,031</b>	<b>(25,048)</b>	<b>-</b>	<b>206,039</b>	<b>7,698</b>

## Capital

On 13 December 2016 the General Meeting of the Company resolved to increase the share capital by issuing and placing in circulation 1,262,652 ordinary shares with a nominal value of EUR 3 each and a share premium of approximately EUR 6.525 per share. The full amount of the capital increase was wholly subscribed and paid in by the former shareholders of Downer & Company, LLC (see Note 2.14). Also, on 13 December 2016 the General Meeting resolved to increase its share capital by issuing and placing in circulation 604,124 ordinary shares with a nominal value of EUR 3 each and share premium of approximately EUR 6.228 per share. The increase was fully subscribed and paid in by certain shareholders of Alantra International Corporate Advisory, S.L. by way of a non-monetary contribution of 509,012 shares of Company Alantra International Corporate Advisory, S.L. (see Note 2.14). On 4 January 2017 there was recorded in the Companies Registry of Madrid the deed executed on 20 December 2016 notarising the resolutions on the capital increases approved by the Extraordinary General Meeting of Shareholders of the Company on 13 December 2016.

As a result, at 31 December 2016 the share capital stood at EUR 106,610,880, represented by 35,536,960 shares each with a nominal value of EUR 3.

On 21 November 2017, the Company's General Meeting voted to increase capital by issuing 1,635,592 new ordinary shares with a par value of EUR 3 each and a share premium of EUR 8.79 per share, which were fully subscribed and paid up by the former partners of Catalyst Corporate Finance, LLP through a non-monetary contribution of 54.85% of Catalyst Corporate Finance, LLP's capital (see Note 2.14).

As a result, at 31 December 2017 the share capital stood at EUR 111,517,656.00 represented by 37,172,552 shares each with a nominal value of EUR 3.

On 25 July 2018, the Company's Extraordinary General Meeting voted to increase share capital by issuing and placing 1,458,852 ordinary shares of EUR 3 par value each and with a share premium of approximately EUR 12.15 per share. These have been subscribed and paid by certain partners through non-monetary contributions of 40% of the capital of Italian company, Alantra, S.r.l., 40% of the capital of the French company, Alantra France Corporate Finance S.A.S. (including 100% of Quattrocento, S.A.S.), and shares and units representing 29.998% of the political rights and 54.999% of the economic rights of the Swiss company, Alantra AG (see Note 2.14).

As a result, the Company's capital amounted to EUR 115,894,212.00 at 31 December 2018, represented by 38,631,404 shares of EUR 3 par value each.

All shares are of the same class and carry the same economic and political rights. These shares are listed on the electronic trading platforms of the Madrid and Barcelona stock exchanges.

Details of the Company's shareholders with stakes of 3% or higher at 31 December 2018 are as follows (as per the register of significant holdings kept by the CNMV):

Shareholders	2018			
	No. of shares held directly	% direct ownership	No. of shares held indirectly	% indirect ownership
Ánpora Patrimonio, S.A.R.L.	7,028,661	18.19%	-	-
Ricardo Portabella Peralta	-	-	7,028,661	18.19%
Certimab Control, S.L.	5,722,304	14.81%	-	-
Santiago Eguidazu Mayor	1,033,969	2.68%	5,722,304	14.81%
AV Málaga Capital, S.L.	2,602,094	6.74%	-	-
Jose Antonio Abad	162,038	0.42%	2,602,094	6.74%
Viviendas Vacacionales Cantabria, S.L.	2,502,742	6.48%	-	-
Jorge Mataix Entero	252,038	0.65%	2,502,742	6.48%
Sterr International Company, Inc	1,707,475	4.42%	-	-
Sterr International, AG	-	-	1,707,475	4.42%
Other shareholders	17,516,142	45.34%	-	-
Treasury shares	103,941	0.27%	-	-
	<b>38,631,404</b>	<b>100.00%</b>	<b>19,563,276</b>	<b>50.64%</b>

Details of the Company's shareholders with stakes of 3% or higher at 31 December 2017 were as follows (as per the register of significant holdings kept by the CNMV):

Shareholders	2017			
	No. of shares held directly	% direct ownership	No. of shares held indirectly	% indirect ownership
Ánpora Patrimonio, S.L.	7,028,661	18.91%	-	-
Ricardo Portabella Peralta	-	-	7,028,661	18.91%
Certimab Control, S.L.	5,722,304	15.39%	-	-
Santiago Eguidazu Mayor	660,209	1.78%	6,096,064	16.40%
AV Málaga Capital, S.L.	2,274,870	6.12%	-	-
Jose Antonio Abad	240,038	0.65%	2,524,094	6.79%
Dirervalor, S.A.	2,205,518	5.93%	-	-
Jorge Mataix Entero	300,038	0.81%	2,454,742	6.60%
Sterr International Company, Inc	1,699,891	4.57%	-	-
Sterr International, AG	-	-	1,699,891	4.57%
Other shareholders	16,887,082	45.43%	-	-
Treasury shares	153,941	0.41%	-	-
	<b>37,172,552</b>	<b>100.00%</b>	<b>19,803,452</b>	<b>53.27%</b>

N+1 IBG shareholders (see Note 1) signed a shareholders' agreement under which they assumed certain lock-up commitments. This agreement took effect on the date the Merger was entered in the Companies Register and will be automatically cancelled four years later.

Furthermore, after the issuance of the shares that have been received by the former shareholders of Downer & Company, LLC and certain shareholders of Alantra International Corporate Advisory, S.L., certain shareholders' agreements came into effect whereunder the new shareholders agreed to a lock-up of the shares of the Company obtained in the capital increases approved by the General Meeting of the Company on 13 December 2016 for a specified period of time. Those agreements came into effect on 18 January 2017 and will be automatically cancelled four years later.

Furthermore, after the issuance of the shares that were received by the former shareholders of Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP) and certain shareholders of Alantra



International Corporate Advisory, S.L., certain shareholders' agreements came into effect whereunder the new shareholders agreed to a lock-up of the shares of the Company obtained in the capital increases approved by the General Meeting of the Company on 21 November 2017 for a specified period of time. Those agreements came into effect on 20 December 2017 and will be automatically cancelled on 30 June 2021 for nine shareholders and on 30 June 2023 for six shareholders.

Lastly, following the issue of shares in 2018 received by the minority interests of Alantra AG, Alantra s.r.l. and Alantra France Corporate Finance S.A.S., a number of associative arrangements have come into force to ensure new shareholders assume certain lock-up obligations in connection with the Company's shares obtained through the capital increase approved by the Company's Extraordinary General Meeting on 25 July 2018 for a period of six years.

### Share premium

The Spanish Corporate Enterprises Act expressly permits the use of the share premium to increase capital and establishes no specific restrictions as to its use.

On 13 December 2016 the General Meeting of the Company approved a distribution of EUR 8,787 thousand to shareholders against the share premium, the equivalent of a gross EUR 0.25 per share, which was paid out to shareholders on 31 January 2017.

On 25 April 2017, the Company's General Meeting approved a payout to the shareholder with a charge to share premium of EUR 12,301 thousand, equivalent to EUR 0.35 (gross) per share.

In 2018 the Company's General Meeting did not approve any distributions to shareholders with a charge to share premium.

### Reserves

The breakdown, by type, of this line item in the consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
Legal reserve	22,303	21,322
Statutory reserve	13	13
Other reserves	(38,157)	(33,930)
Reserves in consolidated companies	(16,819)	(3,714)
Reserves in companies accounted for using the equity method	1,727	945
	<b>(30,933)</b>	<b>(15,364)</b>

### Legal and statutory reserve

Pursuant to the revised text of the Spanish Corporate Enterprises Act, companies posting a profit in a financial year must transfer 10% of profit to the legal reserve until the balance of this reserve reaches at least 20% of the share capital, except when losses from previous years reduced the Company's equity to less than its share capital. In the latter case, profit shall be allocated to offset such losses until equity equals share capital, and will transfer 10% of the remaining profit to the corresponding legal reserve.

The legal reserve may be used to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2018 the Company's legal reserve amounted to EUR 22,303 thousand (EUR 21,322 thousand at 31 December 2017) and the statutory reserve amounted to EUR 13 thousand (EUR 13 thousand at 31 December 2017).

### ***Other reserves***

"Other reserves" includes freely distributable reserves. Reserves are negative as a result of the takeover described in Note 1 and the need to redefine share N+1 IBG's capital.

"Other reserves" also includes the change in the financial liability recognised in reserves corresponding to the put option for 3Axis Involvement, S.L (minority interests of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A.) totalling EUR 1,400 thousand (31 December 2017: EUR 1,538 thousand), and the difference between the financial liability corresponding to the put option for Alantra AG and the amount associated with the minority interests of Alantra AG at 31 December 2018 – see Notes 2.14 and 18.

Furthermore, "Other reserves" likewise included at 31 December 2018 the negative reserve generated as a result of the capital increases carried out by Alantra Partners, S.A. and subscribed and paid in by the shareholders of Alantra AG, Alantra France Corporate Finance, S.A.S., Quattrocento, S.A.S. and Alantra, s.r.l. by way of a non-monetary contribution of shares representing 55%, 21%, 100% y 40% of said entities, in the amount of EUR 948 thousand (see Note 2.14).

### ***Reserves in consolidated companies***

The breakdown, by company, of this line item in the consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
Alantra International Corporate Advisory, S.L.U. (*)	(9,974)	(2,316)
Alantra Equity and Credit Management, S.A.U.	123	123
Alantra Investment Managers, S.L.U. (*)	(5,156)	773
Alantra Infrastructure, S.L.U. (*)	571	571
Alantra Equities, securities dealer, S.A.	(1,472)	(1,574)
Alantra Asset Management, S.G.I.I.C., S.A.U. (*)	754	752
Baruch Inversiones, S.L.	(26)	44
Alantra Debt Solutions, S.L.	1	-
Alantra Reim, S.L.U.	(157)	(259)
Alantra Dinamia Portfolio II, S.L.	20	20
Alantra Capital Markets, Sociedad de Valores, S.A.U.	144	116
Alantra Wealth Management Gestión, S.G.I.I.C., S.A.	(453)	(572)
Alantra Wealth Management, A.V., S.A.	(1,412)	(1,392)
Alantra AG	18	-
Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP)	200	-
	<b>(16,819)</b>	<b>(3,714)</b>

(\*) Corresponds to the reserves contributed to the Alantra Group by each of the consolidated sub-groups therein (see Note 2.14). The change for the Alantra Investment Managers, S.L.U. sub-group primarily corresponds to the put option for the minority interests of Alantra EQMC Asset Management, S.G.I.I.C., S.A. totalling EUR 5,756 thousand. The change for the Alantra International Corporate Advisory, S.L.U. sub-group mainly results from corporate actions performed during the year in Alantra, s.r.l. and Alantra France Corporate Finance, S.A.S. (see Note 2.14)

### **Reserves in companies accounted for using the equity method**

The breakdown, by company, of this line item in the consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
Nplus1 Singer Ltd (*)	1,569	974
Alpina Real Estate GP, S.A., in liquidation	107	108
Alpina Real Estate GP I, S.A., in liquidation	29	30
Alpina Real Estate GP II, S.A., in liquidation	58	55
Alantra AG	-	(35)
Phoenix Recovery Management, S.L.	12	12
Landmark Capital, S.A. (*)	(20)	(171)
Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş.	41	41
Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş.	(69)	(69)
	<b>1,727</b>	<b>945</b>

(\*) Corresponds to the reserves contributed to the Alantra Group by each of the consolidated sub-groups therein (see Note 2.14).

### **Treasury shares and own equity instruments**

In 2018 the Group sold 50,000 treasury shares (see Note 9) whereby its treasury share portfolio totalled 103,941 shares at 31 December 2018. No treasury share transactions were performed in 2017 and therefore the portfolio comprised 153,941 shares at 31 December 2017.

## **16. Non-controlling interests**

The balance of this line item in the consolidated statement of financial position comprises the value of the ownership interests of minority shareholders and partners in the subsidiaries. The balance under "Non-controlling interests" in the consolidated statement of profit or loss represents the share of subsidiaries' profit or loss to which these minority shareholders and partners are entitled.

"Non-controlling interests" in the consolidated statement of financial position at 31 December 2018 related to the ownership interests in the following companies:

	Thousands of euros						
	Capital	Reserves	Valuation adjustments	Translation differences	Profit (loss) for the period (*)	Interim dividends	Total
Alantra Equities, Sociedad de Valores, S.A.	1,000	516	-	-	101	-	1,617
Alantra Corporate Portfolio Advisors, S.L.U.	3	1,567	-	-	2,333	-	3,903
Alantra Corporate Portfolio Advisors International Limited	1,306	196	-	(13)	152	-	1,641
Alantra Corporate Portfolio Advisors (Ireland) Limited (formerly Alantra Ireland Corporate Finance Limited)	-	(14)	-	-	135	-	121
Baruch Inversiones, S.L.	15	(101)	45	-	(**) 9,488	(8,471)	976
Alantra Debt Solutions, S.L.	1	-	-	-	164	-	165
Alantra Greece Corporate Advisors, S.A.	6	(41)	-	-	109	-	74
Partnersalantra Portugal LDA	5	32	-	-	79	-	116
Alantra Nordics AB	5	8	-	(2)	158	-	169
Alantra Belgium, NV	75	1	-	-	(29)	-	47
Alantra Austria & CEE GmbH	35	184	-	-	(256)	-	(37)
C.W. Downer & Co. India Advisors LLP	-	(14)	-	1	(2)	-	(15)
Alantra Corporate Finance México, S.A. de C.V.	-	-	-	-	-	-	-
EQMC GP, LLP	-	6	-	(1)	(3)	-	2
	<b>2,451</b>	<b>2,340</b>	<b>45</b>	<b>(15)</b>	<b>12,429</b>	<b>(8,471)</b>	<b>8,779</b>

(\*) As part of the acquisition of the additional 55% of Alantra AG.'s share capital and incorporation of Alantra EQMC Asset Management, S.G.I.I.C., S.A., put options were arranged over all the shares of the aforementioned companies that the minority interest holds at any given time, with a financial liability recognised for the fair value of the best estimate of the balance payable under "Non-current financial liabilities – Other financial liabilities" in the consolidated statement of financial position at 31 December 2018 (see Note 18). Consequently, "Non-controlling interests" in the consolidated statement of financial position did not include the amounts attributable to minority interests in 2018, which are however shown in "Profit attributable to non-controlling interests" in the consolidated statement of profit or loss. Equally, "Profit attributable to non-controlling interests" in the consolidated statement of profit or loss includes the results obtained by those companies whose stake in the Alantra Group changed in 2018 (Alantra, s.r.l., Alantra France Corporate Finance, S.A.S., Alantra AG, Alantra Corporate Portfolio Advisors International Limited, Alantra Corporate Portfolio Advisors (Ireland) Limited – formerly Alantra Ireland Corporate Finance Limited, and Alantra Belgium, NV). Lastly, as a result of the operation described in Note 2.14, the amounts corresponding to Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. have been reclassified to "Liabilities associated with non-current assets held for sale" in the consolidated statement of financial position (see Note 10).

(\*\*) Primarily corresponds to the effect on 2018 results attributable to minority interests of income from the Class B units of the funds comprising the structure of Nmás1 Private Equity Fund II (see Note 25.1).

"Non-controlling interests" in the consolidated statement of financial position at 31 December 2017 related to the ownership interests in the following companies:

	Thousands of euros						
	Capital	Reserves	Valuation adjustments	Translation differences	Profit (loss) for the period (*)	Interim dividends	Total
Alantra Equities, Sociedad de Valores, S.A.	1,000	413	-	-	864	(850)	1,427
Alantra Corporate Portfolio Advisors, S.L.U.	3	32	-	-	1,779	(181)	1,633
Baruch Inversiones, S.L.	148	(21)	798	-	189	(164)	950
Alantra France Corporate Finance. S.A.S.	374	28	-	-	1,060	-	1,462
Alantra Debt Solutions, S.L.	1	-	-	-	76	-	77
Alantra Greece Corporate Advisors, S.A.	6	(28)	-	-	(14)	-	(36)
Partnersalantra Portugal LDA (formerly Másuno Portugal Corporate Finance, Unipessoal LDA)	5	57	-	-	(25)	-	37
Alantra Nordics AB	5	97	-	(2)	(89)	-	11
Alantra Belgium, NV	78	-	-	-	71	-	149
Alantra Austria & CEE GmbH	35	373	-	-	(169)	-	239
C.W. Downer & Co. India Advisors LLP	-	(12)	-	1	(2)	-	(13)
	<b>1,655</b>	<b>939</b>	<b>798</b>	<b>(1)</b>	<b>3,740</b>	<b>(1,195)</b>	<b>5,936</b>

(\*) As part of the operation to acquire an additional 27.01% of the shares in Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. and the sale of 25% de Alantra, s.r.l., sales options were agreed over all the shares in said companies held at any time by the non-controlling shareholder, recording a financial liability under "Non-current financial liabilities" in the consolidated statement of financial position at 31 December 2017 (see Note 18). The balance under "Non-controlling interests" in the consolidated statement of financial position does not, therefore, include the amounts attributable to non-controlling interests in 2017, although the profit or loss for the period of EUR 235 thousand attributable to non-controlling interests is reflected in the consolidated statement of profit or loss for 2017. Alantra Belgium NV also included in the consolidated statement of financial position the amount attributable to non-controlling interests (41.89% at 31 December 2017). Nevertheless, until 6 December 2017 (see Note 2.14), the minority interests only amounted to 0.01%. The loss attributed to minority interests in the consolidated statement of profit or loss for 2017 was, therefore, EUR 25 thousand.

The changes in 2018 and 2017 in the balance of "Non-controlling interests" in the consolidated statement of financial position were as follows:

	Thousands of euros
Balance at 1 January 2017	<b>3,503</b>
Profit (loss) for 2017 attributable to non-controlling interests	3,878
Other changes in equity attributable to non-controlling interests	32
Others (*)	(1,477)
Balance at 31 December 2017	5,936
Profit (loss) for 2018 attributable to non-controlling interests	14,083
Other changes in equity attributable to non-controlling interests	(767)
Others (*)	(10,473)
<b>Balance at 31 December 2018</b>	<b>8,779</b>

(\*) Basically includes the effect of the corporate transactions carried out in 2018 and 2017 with the dividend distribution as most significant effect.

## 17. Non-current provisions

At 31 December 2014, the Company recognised a provision to cover the performance fee paid to its Management Company (Alantra Capital Privado, S.G.E.I.C., S.A.U.) for managing the Company's investees. This fee was calculated by multiplying the net gain generated by the Company from the sale of each investee by a remuneration rate of 20%. Alantra Capital Privado, S.G.E.I.C., S.A.U. passed on part of this performance fee to its employees by way of a bonus, which would be provisioned for and settled provided the conditions stipulated in the management contract between the Company and Alantra Capital Privado, S.G.E.I.C., S.A.U. are fulfilled. As a result of the Merger described in Note 1 and the Company

losing its status as a private equity firm, this contract was cancelled and the provision was not considered in the business combination. The part corresponding to the bonus payable by Alantra Capital Privado, S.G.E.I.C., S.A.U. to its employees for managing the Company's portfolio was however, kept on the books. "Non-current provisions" on the liabilities side of the consolidated statement of financial position at 31 December 2018 and 2017 therefore includes EUR 535 thousand in both years, provision set aside for this bonus.

At 31 December 2018 and 2017, it also included EUR 1,555 thousand and EUR 351 thousand, respectively, provisioned by certain foreign companies for various concepts, including EUR 855 thousand in 2018 for restructuring.

In relation to the tax reversal due to impairment of securities representing equity in certain enterprises, described in Note 3-p (Royal Decree-Law 3/2016), the Group recorded at year-end 2016 a tax liability of EUR 1,053 thousand in respect of reversal of the impairment of the Grupo Gestión Integral Novolux holding, which turned out to be tax deductible in tax periods prior to 2013. That amount would cover the highly likely outflows in that respect, taking into consideration the potential economic, legal or contractual obstacles to sale or liquidation of the affected investments, as well as their specific circumstances, with the associated expense recorded under "Loss/reversal of loss on impairment of financial instruments" in the 2016 consolidated statement of profit or loss. Following the analysis carried out by the Group, said amount was reversed in 2017, recorded under "Gain (loss) on disposal of financial instruments – Other financial instruments" in the consolidated statement of profit or loss for 2017 (see Notes 9 and 28).

The movements recorded in 2018 and 2017 in the balance of "Non-current provisions" in the consolidated statement of financial position are shown below:

	Thousands of euros
Balances at 1 January 2017	1,844
Allocations with a charge to income	95
Recoveries released to income	(1,053)
Other	-
Balances at 31 December 2017	886
Allocations with a charge to income (*)	1,204
Recoveries released to income	-
Other	-
<b>Balances at 31 December 2018</b>	<b>2,090</b>

(\*) Recognised with a charge to "Other operating expenses" in the 2018 consolidated statement of profit or loss.

## **18. Financial liabilities**

### ***18.1 Non-current financial liabilities***

On 6 May 2016 the Group subscribed two loan facilities with Bankinter, S.A. for USD 2,312 thousand and EUR 415 thousand. The euro loan bears interest from the contract signing date to 6 August 2016 at a fixed rate of 1.15%. After that date, a floating rate applies, referenced to the Euribor (which if negative will be taken as zero) plus 1.15%, revisable every 3 months. The USD loan bears floating interest referenced to the Libor (which if negative will be taken as zero) plus 1.15%. The interest on both loans is assessed and paid quarterly. The loans have a maturity date of 6 February 2020. Interest accrued during 2018 and 2017 is recorded under "Finance costs" in the 2018 consolidated statement of profit or loss. Also, at 31 December 2018 and 2017 the Group translated the USD loan to its functional currency at the year-end exchange rate and recorded a loss of EUR 96 thousand and a gain of EUR 266 thousand under "Exchange differences" in the 2018 and 2017 consolidated statement of

profit or loss, respectively. At 31 December 2018 and 2017 the aggregate amount outstanding under those loans was EUR 2,446 thousand and EUR 2,350 thousand, respectively.

At 31 December 2018 "Non-current financial liabilities – Other financial liabilities" in the consolidated statement of financial position includes the financial liabilities of EUR 7,120 thousand and EUR 2,482 thousand, respectively, corresponding to the put options for the minority interests of Alantra EQMC Asset Management, S.G.I.I.C., S.A.U and Alantra AG agreed in the shareholders' agreement signed by the parties (see Note 2.14). These put options require a liability to be recognised at fair value rather than recognising the minority interests of Alantra EQMC Asset Management, S.G.I.I.C., S.A.U. and Alantra AG (see Note 2.14). At 31 December 2018 the difference between the financial liability and minority interests was therefore recognised under "Reserves" in the consolidated statement of financial position at 31 December 2018 for EUR 6,568 thousand (31 December 2017: EUR 4,328 thousand) – see Note 15.

Lastly, at 31 December 2018 the Group recognised under this heading of the consolidated statement of financial position EUR 233 thousand for the assets under a finance lease (at 31 December 2017 the Group recognised this concept under "Other non-current liabilities" in the consolidated statement of financial position for EUR 421 thousand).

At 31 December 2017, also recorded under "Non-current financial liabilities – Other financial liabilities" in the consolidated statement of financial position are EUR 7,238 thousand, in respect of the put option for the benefit of 3Axis Involvement, S.L. (minority shareholders of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A.) agreed in the Shareholders' Agreement between the parties (see Note 2.14). That put option implies recognising a liability at fair value instead of recognising minority shareholders of Alantra Wealth Management Gestión, S.G.I.I.C., S.A. and Alantra Wealth Management, A.V., S.A. (see Note 2.14). Therefore, at 31 December 2017 the difference between the financial liability and the amount of non-controlling interests is recorded under "Reserves" on the liabilities side of the consolidated statement of financial position at 31 December 2017 for EUR 4,328 thousand -see Note 15-. As a result of the transaction mentioned in Note 2.14, the Group has reclassified EUR 8,345 thousand corresponding to the put option to "Liabilities associated with non-current assets held for sale" in the consolidated statement of financial position (see Note 10).

The financial liability of EUR 275 thousand corresponding to the sale option in favour of the non-controlling shareholders of Alantra s.r.l. included in the Shareholders' Agreement signed by the parties (see Note 2.14) was recorded under "Non-current financial liabilities" in the consolidated statement of financial position at 31 December 2017. This option meant that a liability measured at fair value had to be recorded rather than the recognition of the non-controlling interests in Alantra s.r.l. The aforementioned shareholders' agreement was cancelled in 2018 on acquiring 40% of Alantra, s.r.l.'s share capital.

At 31 December 2017 "Non-current financial liabilities – Other financial liabilities" included USD 1,250 thousand (EUR 1,042 thousand) in respect of the third payment of the deferred cash consideration. At both 31 December 2018 and 2017 it also included USD 1,400 thousand (EUR 1,218 thousand and EUR 1,154 thousand at 31 December 2018 and 2017, respectively) as the contingent consideration for 50% of the tax credits that Alantra Group recovers in a 5-year period, in relation to the acquisition by Alantra US Corporation, LLC of 48,258 shares of Downer & Company, LLC (see Note 2.14).



## **18.2 Current financial liabilities**

The "Current financial liabilities – Other financial liabilities" heading of the consolidated statement of financial position at 31 December 2018 includes USD 1,250 thousand (EUR 1,103 thousand) in respect of the third payment of the deferred consideration in the acquisition by Alantra US Corporation, LLC of 48,258 shares of Downer & Company, LLC (USD 1,300 thousand (EUR 1,084 thousand) in respect of the second payment of the deferred consideration)-see Note 2.14-. At the date these consolidated financial statements are prepared, said amount has been paid.

At 31 December 2018 "Current financial liabilities – Other financial liabilities" includes the Group's estimate of the dividends payable to Alantra AG as per the agreement on exchanging cash flows associated with earnings during the period 2018-2020 (see Notes 2.14 and 12) totalling EUR 1,002 thousand.

At 31 December 2017 the balance under "Current financial liabilities" also included GBP 1,620 thousand (EUR 1,821 thousand) corresponding to the contingent consideration agreed on the acquisition of 100% of Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP) (see Note 2.14). As a result of non-fulfilment of the conditions established in the contracts, this amount was recovered this year and recognised as income for EUR 1,811 thousand under "Gain (loss) on disposal of financial instruments – Other financial instruments" in the 2018 consolidated statement of profit or loss (see Note 28).

A reconciliation of the carrying amount of the liabilities arising from the Group's financing activities is set out below, distinguishing those changes that generate cash flows from those that do not:

	01/01/2018	Cash flows	No cash flow impact				31/12/2018
			Exchange rate	Change in fair value	Reclassifications	Other	
Non-current financial liabilities:							
Long-term loan Bankinter (in euros)	415	(11)	-	11	-	-	415
Long-term loan Bankinter (in dollars)	1,935	(65)	96	65	-	-	2,031
Non-current deferred payment acquisition Alantra, LLC	1,042	-	-	-	(1,042)	-	-
Contingent consideration acquisition Alantra, LLC	1,154	-	64	-	-	-	1,218
Finance leases	-	-	-	-	-	233	233
Sale option non-controlling shareholders Alantra Wealth Management (*)	7,328	-	-	1,017	(8,345)	-	-
Sale option non-controlling shareholders Alantra, srl	275	-	-	-	-	(275)	-
Sale option non-controlling shareholders Alantra AG	-	-	-	-	-	2,482	2,482
Sale option non-controlling shareholders Alantra EQMC Asset Management, S.G.I.I.C., S.A.	-	-	-	7,120	-	-	7,120
<b>Total non-current financial liabilities</b>	<b>12,149</b>	<b>(76)</b>	<b>160</b>	<b>8,213</b>	<b>(9,387)</b>	<b>2,440</b>	<b>13,499</b>
Current financial liabilities:							
Current deferred payment acquisition Alantra, LLC	1,084	(1,084)	-	-	1,103	-	1,103
Acquisition 55% Alantra AG	-	-	-	-	-	1,002	1,002
Contingent consideration acquisition Alantra Corporate Finance (formerly Catalyst Corporate Finance, LLP)	1,821	-	(10)	(1,811)	-	-	-
<b>Total current financial liabilities</b>	<b>2,905</b>	<b>(1,084)</b>	<b>(10)</b>	<b>(1,811)</b>	<b>1,103</b>	<b>1,002</b>	<b>2,105</b>
<b>Total financial liabilities</b>	<b>15,054</b>	<b>(1,160)</b>	<b>150</b>	<b>6,402</b>	<b>(8,284)</b>	<b>3,442</b>	<b>15,604</b>

(\*) Amount reclassified to "Non-current assets held for sale" in the consolidated statement of financial position at 31 December 2018 (see Notes 2.14 and 10)".

A reconciliation of the carrying amount of the liabilities arising from the Group's financing activities is set out below (at 31 December 2017), distinguishing those changes that generate cash flows from those that do not:

	01/01/2017	Cash flows	No cash flow impact				31/12/2017
			Exchange rate	Change in fair value	Reclassifications	Other	
Non-current financial liabilities:							
Long-term loan Bankinter (in euros)	415	(5)	-	5	-	-	415
Long-term loan Bankinter (in dollars)	2,201	(46)	(266)	46	-	-	1,935
Non-current deferred payment acquisition Alantra, LLC	2,372	-	(144)	-	(1,186)	-	1,042
Contingent consideration acquisition Alantra, LLC	1,253	-	(99)	-	-	-	1,154
Sale option non-controlling shareholders Alantra Wealth Management	5,729	-	-	1,599	-	-	7,328
Sale option non-controlling shareholders Alantra, srl	-	-	-	-	-	275	275
<b>Total non-current financial liabilities</b>	<b>11,970</b>	<b>(51)</b>	<b>(509)</b>	<b>1,650</b>	<b>(1,186)</b>	<b>275</b>	<b>12,149</b>
Current financial liabilities:							
Current deferred payment acquisition Alantra, LLC	1,186	(1,186)	(144)	-	1,186	42	1,084
Acquisition 25% Alantra AG	72	(72)	-	-	-	-	-
Contingent consideration acquisition Catalyst Corporate Finance, LLP	-	-	(5)	-	-	1,826	1,821
<b>Total current financial liabilities</b>	<b>1,258</b>	<b>(1,258)</b>	<b>(149)</b>	<b>-</b>	<b>1,186</b>	<b>1,868</b>	<b>2,905</b>
<b>Total financial liabilities</b>	<b>13,228</b>	<b>(1,309)</b>	<b>(658)</b>	<b>1,650</b>	<b>-</b>	<b>2,143</b>	<b>15,054</b>

## **19. Trade and other payables**

### **19.1 Suppliers**

At 31 December 2018 and 2017, "Trade and other payables – Payables to suppliers" included the balances payable by the Group to various suppliers in connection with its normal operations (see Note 27).

### **19.2 Other payables**

"Trade and other payables – Other payables" on the liabilities side of the consolidated statement of financial position at 31 December 2018 and 2017 were as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
Wages and salaries payable (Notes 5 and 26)	43,387	39,048
Tax payables (Note 20)	14,982	5,322
Other debts	398	874
	<b>58,767</b>	<b>45,244</b>

The balance of the line item "Wages and salaries payable" above includes remuneration payable to members of the Company's Board and Executive Committee totalling EUR 2,012 thousand at 31 December 2018 (31 December 2017: EUR 2,308 thousand) -see Note 5-.

At 31 December 2018, "Wages and salaries payable" also included remuneration payable to the Group's key management personnel of EUR 1,660 thousand (31 December 2017: EUR 3,395 thousand).

“Wages and salaries payable” at 31 December 2018 also includes EUR 38,513 thousand (EUR 32,263 thousand at 31 December 2017) in remuneration pending payment to employees.

The balance of “Wages and salaries payable” in the table above includes at 31 December 2018 and 2017 the EUR 1,202 thousand and EUR 1,082 thousand, respectively, owed by the Group to certain employees of Alantra Asset Management, S.G.I.I.C., S.A.U. under the multi-year extraordinary incentive programme approved by said company’s Board of Directors on 21 June 2016. In 2018 the expiration date of the programme was changed and pushed back from 31 December 2018 to 30 June 2019. That multi-year extraordinary incentive programme consists of the result of the Company’s investment in Class C shares of EQMC FIL on 30 June 2016, which will be redeemed at 30 June 2019 (see Note 9.2).

Lastly, at 31 December 2017 “Other debts” above also included EUR 850 thousand, in respect of the dividend pending payment by Alantra Equities, S.V., S.A. to minority shareholders.

## **20. Tax matters**

The Company files consolidated tax returns for the tax group of which it is the parent (see Note 3 p). Companies out of the tax group are taxed at the rates applicable to them (see section iv).

### **i. Current tax receivables and payables**

At 31 December 2018 and 2017, “Trade and other receivables – Other receivables” on the assets side of the consolidated statement of financial position included the following balances with public authorities (see Note 11):

	Thousands of euros	
	31/12/2018	31/12/2017
VAT recoverable	952	399
Other receivables from public authorities	-	-
	<b>952</b>	<b>399</b>

At 31 December 2018 and 2017, “Trade and other payables – Other payables” on the liabilities side of the consolidated statement of financial position included the following balances with public authorities (see Note 19):

	Thousands of euros	
	31/12/2018	31/12/2017
VAT payable	4,295	3,180
Tax withholdings payable	7,299	1,555
Social security payable	3,388	587
	<b>14,982</b>	<b>5,322</b>

## ii. Reconciliation of accounting profit and taxable income (tax loss)

The reconciliation of accounting profit to taxable income (tax loss) vis-à-vis corporate tax (tax group) in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Profit for the period before tax	62,590	44,696
Permanent differences:		
Decreases	(66,463)	(26,732)
Increases	1,065	409
Temporary differences:		
Decreases	(9)	(19)
Increases	1,607	347
Tax loss carryforwards applied (*)	-	(20)
<b>Taxable income (tax loss)</b>	<b>(1,210)</b>	<b>18,681</b>

(\*) The application of tax loss carryforwards is limited to 50% of the tax base (see later). Said tax losses were applied by Alantra Partners, S.A.

"Permanent differences – Decreases" for 2018 and 2017 breaks down as follows:

	Thousands of euros	
	2018	2017
Profit before tax of companies outside the tax group	51,699	25,355
Reversal of impairment of financial assets	13,096	1,052
Revision of non-deductible provisions	444	-
Gains from investees	1,224	325
<b>Permanent differences</b>	<b>66,463</b>	<b>26,732</b>

"Permanent differences – Increases" for 2018 and 2017 breaks down as follows:

	Thousands of euros	
	2018	2017
Provisions and impairment	896	316
Others	169	93
<b>Permanent differences</b>	<b>1,065</b>	<b>409</b>

"Temporary differences" for 2018 and 2017 breaks down as follows (consolidated tax group):

	Thousands of euros	
	2018	2017
Impairment	313	313
Multi-year variable remuneration	540	-
Accelerated depreciation	754	34
Non-tax deductible depreciation	(9)	(19)
<b>Temporary differences</b>	<b>1,598</b>	<b>328</b>

At 31 December 2018 the provision for corporate income tax of the companies inside the tax group (see Note 3-p), net of withholdings and payments on account, has a balance receivable of EUR 4,366 thousand, recognised under "Trade and other receivables – Current tax assets" in the consolidated statement of financial position.

At 31 December 2017, the provision for corporate tax of the companies inside the tax group (see Note 3 p)), net of withholdings and payments on account, was recorded as a payable of EUR 1,286 thousand netted off against "Trade and other receivables – Current tax assets" in the consolidated statement of financial position together with the amount pending collection in 2016 which was recorded as a receivable of EUR 2,836 thousand at 31 December 2017. During 2018 the Spanish public authorities refunded the Group EUR 2,612 thousand, which had been receivable at 31 December 2017 and booked under "Trade and other receivables – Deferred tax assets" in the consolidated statement of financial position for that year.

The provision for corporate tax of the companies outside the tax group, net of withholdings and payments on account, also has a balance receivable of EUR 734 thousand, and a balance payable of EUR 12,345 thousand. These balances are recognised under "Trade and other receivables – Current tax assets" on the assets side of the consolidated statement of financial position at 31 December 2018 and "Trade and other payables – Current tax liabilities" on the liabilities side of the consolidated statement of financial position at 31 December 2018, respectively (receivable of EUR 133 thousand and payable of EUR 3,305 thousand that were recorded under "Trade and other payables – Current tax assets" on the assets side of the consolidated statement of financial position at 31 December 2017 and under "Trade and other payables – Current tax liabilities" on the liabilities side of the consolidated statement of financial position at 31 December 2017, respectively).

### iii. Tax recognised in equity

Details of tax recognised directly in equity as a result of the valuation adjustments to the Group's investments at 31 December 2018 and 2017 are as follows:

	Thousands of euros			
	Deferred tax assets		Deferred tax liabilities	
	2018	2017	2018	2017
Balances at the beginning of the period	5	342	690	1,533
Increases	-	-	543	32
Decreases	(2)	(337)	(637)	(875)
<b>Balances at the end of the period</b>	<b>3</b>	<b>5</b>	<b>596</b>	<b>690</b>

#### iv. Reconciliation between accounting profit and corporate tax expense (rebate)

The reconciliation of consolidated accounting profit and corporate tax expense (rebate) for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Accounting profit before tax	62,590	44,696
Tax payable (*)	15,648	11,174
Impact of permanent differences	(16,349)	(6,581)
Deductions	-	-
Increases in corporate tax for the period	(84)	16
Offset of tax loss carryforwards	-	(5)
<b>Total corporate tax expense (rebate) recognised in the profit or loss statement</b>	<b>(785)</b>	<b>4,604</b>

(\*) Amount calculated at 25% of accounting profit before tax (see Note 3 p).

The corporate tax expense (rebate) of companies outside the tax group and not accounted for using the equity method at 31 December 2018 was as follows:

	Thousands of euros			
	2018		2017	
	Profit (loss) before tax	Corporate tax expense (rebate)	Profit (loss) before tax	Corporate tax expense (rebate)
QMC Directorship, S.L.U. (*)	-	-	4	2
Baruch Inversiones, S.L.	23,180	5,426	353	-
Alantra Equities, Sociedad de Valores, S.A.	271	69	2,301	572
Alantra Corporate Portfolio Advisors, S.L.	7,966	2,164	8,122	2,190
Alantra s.r.l.	1,683	711	686	209
Alantra Deutschland, GmbH	7,650	2,484	3,967	1,288
Alantra France Corporate Finance SAS	2,113	684	3,747	1,098
Alantra Corporate Finance, B.V.	(1,406)	-	1,271	240
Alteralia Management, S.á.r.l.	4	1	22	1
Alteralia II Management, S.á.r.l.	10	1	(2)	-
Alantra US Corporation LLC	1,028	(341)	(210)	729
Alantra LLC	(988)	-	2,340	-
Partnersalantra Portugal LDA	580	53	(166)	1
Alantra Nordics AB	841	52	(444)	-
Alantra Greece Corporate Advisors, S.A.	1,115	243	(112)	-
Alantra Belgium, N.V.	(193)	-	258	88
Alantra Ireland Corporate Finance Limited	457	55	(70)	-
Alantra Austria & CEE GmbH	(852)	-	(564)	-
Alantra Corporate Finance LLP (anteriormente denominada Catalyst Corporate Finance, LLP)	3,935	819	200	43
EQMC GP LLC	(6)	-	(49)	-
Alantra Wealth Management, A.V., S.A. (**)	81	20	(15)	24
Alantra Wealth Management Gestión, S.G.I.I.C., S.A. (**)	101	25	317	79
Alantra Chile Spa	(726)	-	(11)	-
Quattrocento, S.A.S.	(5)	-	-	-
Alantra Corporate Finance Advisors International Limited	995	397	-	-
Alantra AG	3,141	663	-	-
Alantra EQMC Asset Management, S.G.I.I.C., S.A.	3,778	970	-	-
Alantra Capital Markets, S.V., SAS (Sucursal en Italia)	(898)	(212)	-	-
Alantra Corporate Finance México, S.A. de C.V.	(41)	-	-	-
Nmás1 Private Equity International Limited, S.á.r.l.	29	-	(23)	-
	<b>53,843</b>	<b>14,284</b>	<b>21,922</b>	<b>6,564</b>

(\*) This entity joined the tax group in 2018.

(\*\*) Has tax loss carryforwards that can be offset for tax purposes in future corporate income tax sentiments.

The corporate tax expense (rebate) for 2018 and 2017 of the tax group, which totalled EUR (785) thousand and EUR 4,604 thousand respectively, was recognised under "Income tax" in the consolidated statement of profit or loss. In 2018 and 2017, "Income tax" in the consolidated statement of profit or loss also included EUR 14,284 thousand and EUR 6,564 thousand, respectively, of corporate tax borne by the non-group companies not included in the tax group.

The amount recorded under "Income tax" in the consolidated statement of profit or loss for 2018 also included EUR 23 thousand corresponding to the difference between the provision for income tax recognised in 2017 and the amount effectively payable.

Lastly, the amount recorded under "Income tax" in the consolidated statement of profit or loss for 2018 also included income of EUR 583 thousand corresponding to the capitalisation of tax loss carryforwards, and EUR 83 thousand corresponding to the difference between the provision for income tax recognised in 2016 and the amount effectively payable.



## v. Breakdown of corporate tax expense

Details of the corporate tax expense for 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
<b>Current tax:</b>		
On income from continuing operations	13,875	11,167
On income from discontinued operations	-	-
<b>Deferred tax:</b>		
On income from continuing operations	(399)	(665)
On income from discontinued operations	-	-
<b>Total corporate tax expense</b>	<b>13,476</b>	<b>10,502</b>

## vi. Recognised deferred tax assets and liabilities

Details of these line items in the consolidated statement of financial position at the 2018 and 2017 year-ends were as follows:

	Thousands of euros			
	Deferred tax assets		Deferred tax liabilities	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<b>Temporary differences:</b>				
Depreciation of property and equipment	13	15	22	30
Deterioro Activo Material	180	-	-	-
Multi-year variable remuneration	135	-	-	-
Valuation adjustments (*)	3	5	596	690
Losses in investees (****)	-	-	156	235
Tax loss carryforwards (**)	583	2,623	-	-
Deduction goodwill Alantra, LLC (***)	-	-	175	553
Other	264	48	517	517
<b>Total deferred tax assets</b>	<b>1,178</b>	<b>2,691</b>	<b>1,466</b>	<b>2,025</b>

(\*) See movement in adjustments for exchange rates in section iii above.

(\*\*) Corresponds to the capitalisation of tax loss carryforwards amounting to EUR 583 thousand and the application of tax loss carryforwards by Alantra Wealth Management, A.V., S.A. and Alantra Wealth Management Gestión, S.G.I.I.C., S.A, capitalised in 2016 as a result of the sale agreement (see Note 2.14), which have been reclassified to "Non-current assets held for sale" (see Note 10).

(\*\*\*) Corresponds to the tax deduction applied as a result of the goodwill generated on the acquisition of Alantra, LLC (see Note 6).

(\*\*\*\*) Includes the reversal deriving from the amendments set out in Royal-Decree Law 3/2016 of 3 December of a fifth of the deferred tax liability recognised by the Company before 2013 in relation to impairment losses on investments in Alantra Wealth Management, A.V., S.A. and Alantra Wealth Management Gestión, S.G.I.I.C., S.A., that were actually tax deductible.

In 2017 the Company's Directors capitalised tax loss carryforwards generated in previous financial years amounting to EUR 2,332 thousand, recording a credit of EUR 583 thousand under "Income tax" in the consolidated statement of profit loss for 2017, having not recognised any additional amounts for this concept in 2018.

Deferred tax assets were recognised in the consolidated statement of financial position by the Group since its directors consider that, based on the best estimates of the Group's future results, including certain tax planning measures, it is likely that these assets will be recovered.

#### **vii. Tax loss carryforwards**

Pursuant to the tax returns submitted, the Company has the following tax loss carryforwards pending offset against possible future taxable income, which were generated prior to starting to file consolidated corporate tax returns and before the Merger:

Year generated	Thousands of euros (*)
2002	6,422
2005	1,301
2006	4,836
2007	10,701
2008	4,733
2009	14,752
2010	13,734
2011	5,685
2012	15,701
2014	11,229
2015	7,522
	<b>96,616 (**)</b>

(\*) Tax loss carryforwards pending offset of the Company which may be offset up to the limit of the individual tax bases of said companies.

(\*\*) Includes tax loss carryforwards of EUR 2,332 thousand.

The tax loss carryforwards of Alantra Wealth Management, A.V., S.A. and Alantra Wealth Management Gestión, S.G.I.I.C., S.A. that may be set off in future Corporate Tax filings up to the limit of the individual tax bases of said companies are as follows:

Year generated	Thousands of euros
2010 (*)	1,126
2011 (*)	2,922
2012 (*)	1,981
2013 (*)	793
2014 (*)	157
2015 (*)	858
2016	289
	<b>8,126</b>

(\*) Those tax loss carryforwards have been recognised as a consequence of the business combination described in Note 2.14.

The above tax loss carryforwards were not adjusted for the application of tax loss carryforwards in 2018 amounting to EUR 182 thousand.

Other foreign subsidiaries also have tax loss carryforwards which are not material for the purposes of these consolidated financial statements.

Law 27/2014, of 27 November, on corporate income tax, established a limit on the application of tax loss carryforwards of 70% of the tax base prior to said application, although up to EUR 1 million may be offset in any event.

In addition, Royal Decree-Law 3/2016 of 2 December introduces an Additional Provision 15 to the Corporate Tax Act 27/2014 of 27 November that provides that, for the 2018 tax year, offset of tax loss carryforwards from previous years, by taxpayers with net turnover of EUR 20 million or higher in the 12 months preceding the opening date of the tax period, the following special provisions shall apply:

- Offset of tax loss carryforwards will be limited to 50 percent of the tax base prior to application of the capitalisation reserve provided in Article 25 of said Act 27/2014 of 27 November, and to said offset if the net turnover in those 12 months is more than EUR 20 million but less than EUR 60 million.
- Offset of tax loss carryforwards will be limited to 25 percent of the tax base prior to application of the capitalisation reserve provided in Article 25 of said Act 27/2014 of 27 November, and to said offset if the net turnover in those 12 months is EUR 60 million or higher.

#### **viii. Years open for review and tax audits**

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations in Spain has expired. At the 2018 reporting close, the Group had open to inspection the main applicable taxes in Spain for 2014 and thereafter. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

#### **ix. Takeover**

The merger described in Note 1 is subject to the special regime for mergers, spin-offs, asset contributions and security exchanges regulated in Chapter VII of Corporate Income Tax Act 27/2014 of 27 November. According to this law, the assets and rights included in the equity received through the aforesaid merger are measured, for tax purposes, at the same values recognised by the transferor prior to the transaction. Under said special regime, the merger is exempt from property conveyance tax and stamp duty on corporate transactions and is VAT exempt.

The following points should be made with regard to prevailing corporate tax law:

- No depreciable assets have been included in the accounting records of the Company (acquirer for accounting purposes).
- The statement of financial position closed by the transferor (company taken over for accounting purposes) served as basis for the merger and was included in the annual financial statements of Company for the year in which the merger was executed.
- There are no tax benefits that were enjoyed by the transferor, which entail the acquirer (the Company) assuming the duty to fulfil certain requirements.

## **21. Risk management**

The Group is exposed to credit risk, interest rate risk, market risk, operational risk and liquidity risk. Measures have therefore been put in place to manage the financial risks to which it is exposed. The main financial risks to which the Group is directly exposed are as follows:

### **Credit risk**

Credit risks results from the possibility of incurring a loss due to the Group's customers or counterparties failing to settle their financial obligations with the Group in part or in full. At 31 December 2018 and 2017, the Group's exposure to credit risk, by type of debtor, is shown below (not including assets classified as "At fair value through profit or loss" and "At fair value through other comprehensive income" or balances with public authorities):

	Thousands of euros	
	31/12/2018	31/12/2017
Non-current financial assets (see Note 9)	5,313	3,947
Trade and other receivables – Trade receivables (see Note 11)	52,105	41,235
Trade and other receivables – Other receivables (see Note 11)	524	190
Other current financial assets (see Note 12)	1,375	548
	<b>59,317</b>	<b>45,920</b>

Also of note is the Company's interest in Tamsi, S.L. at 31 December 2018 and 2017 amount to EUR 58 thousand and EUR 423 thousand, respectively (see Notes 9.3 and 12) and the Company estimates that there are no problems in its recoverability. There are also loans outstanding to company managers and the former shareholders of Alantra, LLC (formerly Downer & Company, LLC):

- A loan to the partners of Alantra Corporate Portfolio Advisors granted in 2018 and totalling EUR 1,719 thousand (EUR 680 thousand of which are current). At the date of preparation of the accompanying consolidated financial statements, EUR 1,039 thousand had been repaid.
- A loan to the partners of Alantra, s.r.l. (Italia) granted in 2018 and totalling EUR 129 thousand.
- A loan to the previous shareholders of Alantra LLC (Formerly Downer & Company, LLC) of EUR 2,533 thousand (EUR 2,403 thousand at 31 December 2017) – see Note 9.3.

The Group holds a pledge over shares of the Company (owned by said shareholders) for those loans and the credit risk is therefore mitigated.

The Company periodically monitors the credit quality of its counterparties. In this regard, the directors of the Company estimate that at present there is no significant credit risk in relation to its receivables from the various counterparties.

The Group carries at 31 December 2018 EUR 52,105 thousand (EUR 41,235 thousand at 31 December 2017) in trade receivables for sales and services. There is significant concentration in a financial institution with a BBB rating, which which a balance receivable of approximately EUR 3,500 thousand existed at 31 December 2018. This balance comprises the performance fee accrued under several mandates concerning Alantra Corporate Portfolio Advisors with the same client during the fourth quarter.

In relation to the balances with the above customers, who do not have a specific credit rating, they are submitted to individualised analysis based on knowledge of the customer's history and the age of the outstanding payments.

The accompanying table gives a breakdown of the sums fallen due on financial assets not classified as impaired at year-end 2018 and 2017.

	Thousands of euros	
	Between 4 and 6 months	
	2018	2017
<b>Due financial assets and not impaired:</b>		
Non-current financial assets-		
Available for-sale financial assets	-	-
Other financial assets at fair value through profit or loss	-	-
Loans	-	-
Other financial assets	-	-
Trade and other receivables-		
Trade receivables	961	584
Other receivables	-	-
Other current financial assets	-	-
<b>Balances at the end of the period</b>	<b>961</b>	<b>584</b>

In addition, the Group conducts an individualised analysis of each of the debtors when testing for and recognising possible impairment, mainly considering the age of the outstanding payments in the case of trade receivables and credit quality and internal analysis of solvency for non-current financial assets. There follows a breakdown of doubtful and impaired financial assets at year-end 2018 and 2017, grouped by consolidated statement of financial position headings.

	Thousands of euros			
	2018		2017	
	Amount	Provision	Amount	Provision
<b>Doubtful or impaired financial assets:</b>				
Non-current financial assets-				
Other financial assets (see Note 9.3)	368	(310)	733	(310)
Trade and other receivables-				
Trade receivables (Note 11.1)	6,658	(6,658)	3,647	(3,647)
Other receivables	-	-	-	-
Other current financial assets	-	-	-	-
<b>Balances at the end of the period</b>	<b>7,026</b>	<b>(6,968)</b>	<b>4,380</b>	<b>(3,957)</b>

As regards cash balances, the counterparties for more than 99% of the sight deposits held by companies in the Alantra Group are entities with investment grade long-term credit ratings (between "AAA" and "BBB-" on the Standard & Poor's scale).

The Group also carries out an individual analysis of investments accounted for using the equity method, recognising any impairment as necessary (see Note 8).

## **Liquidity risk**

In order to ensure ongoing liquidity and the ability to service all the payment commitments arising from its business operations, the Group holds the cash and cash equivalent balances shown in the consolidated statement of financial position, availing of high liquidity level and of ample working capital. The Alantra Group includes three investment firms subject to the requirement that they must hold the equivalent of 10% of their total eligible liabilities in low-risk, highly liquid assets. At 31 December 2018, Alantra Equities, SV, SA, and Alantra Capital Markets, SV, SA and Alantra Wealth Management AV, S.A. all were in compliance with that requirement.

Liquidity risk management involves regularly analysing cash inflows and outflows, estimating how much cash and cash equivalents will be available in the future under different scenarios. At 31 December 2018, cash and cash equivalents totalled EUR 102,272 thousand (EUR 104,408 thousand at 31 December 2017) -see Note 14-. It was not necessary to draw down on any lines of credit during the year to cover running costs.

The Group has a classic service company business model: high margin and stable and reasonably predictable overheads. On a daily basis, the Group also monitors its cash and cash equivalents and estimated cash receipts and cash payments due in the near term.

The Group's most significant cash outflows not associated with running costs comprise dividend pay-outs to its shareholders, for which the directors prepare an accounting statement evidencing the existence of sufficient liquidity to cover any pay-outs and a provisional cash and cash equivalents breakdown for the following months that also demonstrates the Group is capable of covering any estimated cash outflows, as per prevailing legislation.

## **Market risk**

This risk stems from changes in risk factors concerning interest rates, exchange rates, equities and the volatility thereof, as well as the solvency and liquidity risk to which the various products used by the Group are exposed. Interest rate risk primarily affects the value of fixed-income instruments, especially those with a longer term to maturity. In 2018, the Group held no significant positions in fixed-income instruments with a maturity of over a month, whereby interest rate risk is limited. Most of the investments in equity or capital instruments are in private equity firms and CISs managed by group companies. These investments are subject to market risk. The time horizon for investing in this type of instrument is long term and the liquidity thereof is specified in the corresponding prospectuses. Vis-à-vis contingent risks related with market risk, the Group has committed to investing EUR 40,418 thousand in the fund Private Equity Fund III managed by the group company Alantra Capital Privado, SGEIC, S.A., 44% of which has been paid and the rest will be paid between 2019 and 2021. This investment pose a material risk to the Group and its position is continuously monitored by the Audit and Risk Control Committee and the Board of Directors.

The Group will prudently manage market risk posed by investing cash and cash equivalents, and will not invest in financial instruments that entail market risk.

The Alantra Group's exchange rate risk mainly arises from its international presence with businesses in countries with non-euro currencies at 31 December 2018 (United States, United Kingdom, Switzerland, Sweden, Chile, Mexico and China), as well as from payments received in foreign currency and other types of financial instruments held in the Company's portfolio.

The Alantra Group does not carry financial debt, either in euro countries or in non-euro countries, which significantly reduces exchange rate risk, as there is no indebtedness in the countries where it does business.

Although the Alantra Group has expanded its international presence significantly, given the overall position in balances denominated in foreign currency, the aforesaid absence of financial debt and the relative weight of the impact on Group equity that would arise from depreciation of the other currencies versus the euro, the Group did not regard it as necessary to make hedging arrangements in 2018 and 2017. Nevertheless, cash management is used to minimise any negative effects on its financial statements of the exposure to different currencies.

To illustrate the sensitivity of earnings and equity to changes in exchange rates, the accompanying table shows sensitivity to fluctuations in the exchange rate of the currencies in which the Alantra Group operates.

	+10%	
	Impact on the consolidated statement of profit or loss	Impact on the consolidated equity
Pound sterling	246	7,431
US dollar	1,030	3,293
Swiss franc	51	1,911
Chilean peso	-	238
Swedish Krona	-	183
Renminbi	-	24
Mexican peso	-	16
	<b>1,327</b>	<b>13,096</b>

	-10%	
	Impact on the consolidated statement of profit or loss	Impact on the consolidated equity
Pound sterling	(246)	(7,431)
US dollar	(1,030)	(3,293)
Swiss franc	(51)	(1,911)
Chilean peso	-	(238)
Swedish Krona	-	(183)
Renminbi	-	(24)
Mexican peso	-	(16)
	<b>(1,327)</b>	<b>(13,096)</b>

Details of the positions held by the Group in foreign currencies at 31 December 2018 and 2017 and their euro equivalents are disclosed in Note 3 t.

The investment in Downer & Company, LLC (USA), Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP), Alantra Corporate Portfolio Advisors International Limited (UK) and N+1 Singer dividend income received therefrom are exposed to equity and exchange rate risks. The Group regularly analyses the volatility of the equities and currency markets. In 2018, the Group did not arrange any hedges of market risk involving the procurement of equity or foreign exchange derivative financial

instruments. Nevertheless, the Control and Risks Committee regularly monitors the Group's risks and may propose the use of hedges.

Given the nature of the Alantra Group companies' business, the Group's exposure to market risk depends on the performance of the companies in which the vehicles in which the Group has a stake invest, most of which are managed by the Group and primarily comprise non-listed companies (see Note 9).

The Group's management considers that managing the risks assumed when conducting its activities enables it to quickly detect any issues and therefore, rapidly react and take any steps needed to resolve them.

Internal control procedures and the structure for managing assumed risks were established according to the Group's activities, the nature of its customers and the volume of such activities. The Group's governing bodies therefore consider risks are adequately managed. The Board of Directors does, however, continuously monitor the management of the risks to which the Group is exposed when carrying out its different activities.

### **Impact of Brexit**

In 2017 the Group acquired 100% of the shares in Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance LLP) for GBP 34,474 thousand (EUR 38,836 thousand). In 2018 KPMG LLP (UK)'s division dedicated to providing advice on loan book transactions, non-performing loans (NPL) and non-core bank assets was acquired. It was bought by an investee in which the Company holds a 70% stake: Alantra Corporate Portfolio Advisors International Limited domiciled in the UK. Also, the Group also holds a significant interest in N+1 Singer, a company with registered office in the UK whose business could be conditioned by reduced activity in capital markets if that country's GDP declines. The Group has also a UK branch of the company Alantra Capital Markets to be able to market the products managed by the Group in the UK.

In addition to its significant exposure to an economic recession in the UK, the Alantra Group is, therefore, exposed to possible restrictions on the free movement of persons and capital that could arise if the UK leaves the European Union.

The potential impacts of Brexit on the Alantra Group include those that could result from a disorderly exit from the EU (a no deal Brexit). In particular, a disorderly exit or delay in leaving the EU could have the following effects on the Alantra Group:

- Sharp reduction in the activity of the subsidiaries Alantra Corporate Finance LLP and N+1 Singer, due to a prolonged period of instability, which would be reflected by a potential delay in investment/divestment decisions.
- Delay in investment/divestment decisions by UK resident investors, which could decrease activity in all areas of Alantra's business.
- A sharp depreciation of Sterling would have a direct impact on dividends contributed by UK domiciled subsidiaries and on the value of goodwill.
- Activities involving the provision of investment services by Alantra's regulated companies could also be affected if transactions subject to the principle of freedom to provide services are suspended in some way.

The Group works to mitigate those possible impacts through its international diversification strategy, and will continuously monitor the political and regulatory changes that may be brought about by Brexit. All necessary measures are also being taken in relation to regulated activities to ensure services can continue to be provided.



## **22. Capital management**

The Group's strategy for managing capital involves maintaining higher levels of capital than are required under existing regulations (see Note 2.9). The Group therefore regularly assesses its risk management and control and governance structure to ensure it is fit for purpose regarding fulfilment of said capital targets at the same time as allowing business objectives to be reached. The Group also quantifies its overall capital requirements on a regular basis, using overarching and forward-looking internal models considering various stress scenarios affecting the most relevant model variables. Future action plans are then drawn up based on the outcomes of the analysis to further enhance the adequate management of capital.

The Group boasted high levels of eligible capital surpluses at 31 December 2018. The main capital requirements are determined by credit risk and operational risk. The standardised approach is used to calculate the capital requirements to cover credit risk, while the basic approach is employed for the capital requirements to cover operational risk, which is correlated with changes in average net income over the last three years.

The Group continuously analyses its global risk profile and capital adequacy using a risk map; identifying and registering new risk situations and monitoring exposure using risk indicators and the possible loss events due to process failures, possible legal action, etc. The potential impact on capital and the solvency ratio is assessed. The materiality thereof is classified based on the potential impact on the financial statements.

## **23. Related parties**

Details of transactions with related parties at 31 December 2018 and 2017 are as follows (excluding investments accounted for using the equity method (see Note 8) and investments in the vehicles managed by the Group (see Note 9)):

### ***a) Transactions with group companies and shareholders***

	Thousands of euros					
	Jointly-controlled entities and associates		Significant shareholders		Other related parties	
	2018	2017	2018	2017	2018	2017
<b>ASSETS:</b>						
Non-current financial assets (Note 9)	-	-	-	-	4,806	2,536
Trade and other receivables- Trade receivables (Note 11)	860	1,285	-	-	-	-
	<b>860</b>	<b>1,285</b>	<b>-</b>	<b>-</b>	<b>4,806</b>	<b>2,536</b>
<b>LIABILITIES:</b>						
Non-current financial liabilities	-	-	-	-	1,218	2,343
Trade and other payables – Payables to suppliers	-	-	-	-	-	-
Current financial liabilities	-	-	-	-	1,103	4,736
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,321</b>	<b>7,079</b>

	Thousands of euros					
	Jointly-controlled entities and associates		Significant shareholders		Other related parties	
	2018	2017	2018	2017	2018	2017
<b>PROFIT OR LOSS:</b>						
<b>Income-</b>						
Revenue (Note 25)	1,134	1,635	1,255	-	-	-
Finance income	-	-	-	-	49	36
<b>Expenses-</b>						
Other operating expenses	238	194	-	-	-	-

***b) Transactions with members of the Board of Directors and key management personnel***

Information on the remuneration accrued by the Boards of Directors of the Company and its subsidiaries and the Group's key management personnel, along with any loans and advances awarded directly to the Group's Board and key management personnel is disclosed in Note 5.

## **24. Revenue and expenses**

The contributions to the Group's profit or loss for 2018 and 2017 by each company included in the scope of consolidation were as follows:

	Thousands of euros	
	Profit (Loss)	
	2018	2017
Alantra Partners, S.A.	(1,672)	1,407
Fully-consolidated companies	34,250	25,476
Companies accounted for using the equity method	2,453	3,433
	<b>35,031</b>	<b>30,316</b>

Details of the profit and loss of each of these companies are as follows:

	Thousands of euros	
	Profit / (Loss)	
	2018	2017
<b>Fully consolidated companies:</b>		
Alantra Equity and Credit Management, S.A.U.	(6)	48
Alantra Investment Managers, S.L.U.	(15)	(10)
Alantra Capital Privado, S.G.E.I.C., S.A.U.	3,476	3,817
Alantra Private Equity Servicios, S.L.U.	(19)	(50)
Alantra Private Equity Advisor, S.A.U.	(2)	(2)
Nmás1 Private Equity International S.á.r.l.	29	(23)
Mercapital Private Equity, S.G.E.I.C., S.A.U.	24	1,066
Paulonia Servicios de Gestión, S.L.U.	(1)	-
Partilonia Administración, S.L.U.	-	-
Mideslonia Administración, S.L.U.	-	-
Flenox, S.L.U.	(1)	(1)
Alantra EQMC Asset Management, S.G.I.I.C., S.A.	1,747	-
EQMC GP LLC	(4)	(49)
Alteralia Management S.à.r.l.	4	21
Alteralia II Management S.à.r.l.	10	(2)
Brooklin Buy-Out Limited	-	-
Alantra Infrastructure, S.L.U.	21	48
Alantra International Corporate Advisory, S.L.U.	(1,349)	(1,146)
Alantra Corporate Finance, S.A.U.	4,321	4,030
Alantra Corporate Portfolio Advisors, S.L.	3,547	4,153
Alantra Corporate Portfolio Advisors International Limited	120	-
Alantra Deutschland GmbH	5,166	2,678
Alantra s.r.l.	1,124	342
Alantra Corporate Portfolio Advisors, s.r.l.	-	-
Alantra Corporate Finance B.V.	(1,406)	1,032
Alantra France Corporate Finance, S.A.S.	1,061	1,589
Quattrocento, S.A.S	(5)	-
Alantra U.S. Corporation LLC	(1,599)	(939)
Alantra, LLC (*)	(901)	2,342
Alantra Nordics AB	632	(355)
Partnersalantra Portugal LDA	448	(142)
Alantra Greece Corporate Advisors, S.A.	763	(98)
Alantra Chile Spa	(860)	(11)
Alantra Belgium, N.V.	(120)	195
Alantra Corporate Portfolio Advisors (Ireland) Limited (formerly Alantra Ireland Corporate Finance Limited)	97	(70)
Alantra Austria & CEE GmbH	(597)	(395)
Alantra Corporate Finance Mexico, S.A. de C.V.	(41)	-
Alantra AG	1,478	-
Alantra Equities, Sociedad de Valores, S.A.	101	864
Alantra Asset Management, S.G.I.I.C., S.A.U.	2,082	3,134
QMC Directorship, S.L.U.	66	2
Alantra Debt Solutions, S.L.	493	228
Alantra REIM, S.L.U.	366	102
Baruch Inversiones, S.L.	8,266	165
Alantra Dinamia Portfolio II, S.L.U.	1,711	1,948
Alantra Capital Markets, S.V., S.A.U.	75	665
Alantra Wealth Management Gestión, S.G.I.I.C., S.A	38	119

	Thousands of euros	
	Profit / (Loss)	
	2018	2017
Alantra Wealth Management, A.V., S.A	(25)	(19)
Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP)	3,935	200
	<b>34,250</b>	<b>25,476</b>

(\*) Figures for the Alantra, LLC subgroup.

	Thousands of euros	
	Profit (Loss)	
	2018	2017
<b>Companies consolidated using the equity method (Note 8):</b>		
Alpina Real Estate GP, S.A., in liquidation	(3)	(2)
Alpina Real Estate GP I, S.A., in liquidation	-	(2)
Alpina Real Estate GP II, S.A., in liquidation	-	3
Nplus1 Singer Ltd (*)	2,018	2,197
Alantra AG	-	1,051
Landmark Capital, S.A. (**)	255	152
Nplus1 Daruma Finansal Danışmanlık Hizmetleri A.Ş.	-	-
Nplus1 Daruma Gayrimenkul Kurumsal Finansman Danışmanlık Hizmetleri A.Ş.	-	-
Phoenix Recovery Management, S.L.	32	34
Tertenia Directorship, S.L.	151	-
	<b>2,453</b>	<b>3,433</b>

(\*) Figures for Nplus1 Singer sub-group.

(\*\*) Figures for Landmark Capital, S.A. sub-group.

The contribution to profit and loss of each company included in the previous table was obtained from each of their separate results (see Note 2.14), after the adjustments to present their figures on a uniform basis and on consolidation, the most significant of which was the elimination of dividends paid out among group companies.

## 25. Revenue

Revenue comprises the income from services provided during the year and accrued fees and commissions, except those that form an integral part of the effective interest rate on financial instruments. It also includes the income transferred to third parties for joint execution in 2018 and 2017.

Details of fees and commissions received and income transferred to third parties for joint execution in 2018 and 2017 were as follows:

	Thousands of euros	
	2018	2017
Revenue from rendering of services	204,382	141,046
Transfers to third parties for joint execution	(3,492)	(4,919)
	<b>200,890</b>	<b>136,127</b>

## 25.1 Revenue from rendering of services

The breakdown of "Revenue from rendering of services" shown in the above table for 2018 and 2017 was as follows:

	Thousands of euros	
	2018	2017
Processing and execution of orders to buy and sell securities	2,129	3,496
Preparation of investment reports and financial analysis	2,544	3,432
Management and administration of CISs	19,628	23,441
Discretionary portfolio management	2,719	1,376
Administration and management of private equity firms	36,954	14,734
Provision of business and advisory services	136,652	88,469
Search for and placement of packages in secondary markets	-	1,233
Marketing of collective investment schemes	3,524	4,041
Other income	232	824
	<b>204,382</b>	<b>141,046</b>

### a) Processing and execution of orders to buy and sell securities

The line item "Processing and execution of orders to buy and sell securities" shown above comprises the fees and commissions received by the Group in 2018 and 2017 for the provision of services related to the processing and executing of orders to buy and sell equities on domestic and international markets.

### b) Preparation of investment reports and financial analysis

The line item "Preparation of investment reports and financial analysis" shown above comprises the fees and commissions received by the Group in 2018 and 2017 for the provision of services basically involving financial analysis of companies and other advisory services prior to order execution.

### c) Management and administration of CISs

The line item "Management and administration of CISs" shown above comprises the fees and commissions received by the Group in 2018 and 2017 for managing and administrating closed-ended CISs and open-ended CISs.

Details of this line item for 2018 and 2017 are as follows:

	Thousands of euros	
	2017	2017
EQMC Europe Development Capital Fund, Plc.	5,185	11,147
EQMC, FIL	2,731	5,576
QMC II Iberian Capital Fund, FIL	7,078	1,823
QMC III Iberian Capital Fund, FIL	822	246
Alteralia Debt Fund, FIL	30	30
Alteralia Debt Fund II, FIL	56	-
Mercer Investment Fund 2	2,014	3,263
Investment Funds	1,208	758
Open-ended investment companies (SICAVs)	504	598
	<b>19,628</b>	<b>23,441</b>

The Group has received a performance fee for managing QMC II Iberian Capital Fund, Fondo de Inversión Libre that is accrued when the holders of each class of unit have received from the fund an amount equal to the committed capital plus a preferred return of 7.5% (IRR) per annum for the holders of each class of unit. The condition entitling the Company to receive this performance fee was met in 2018. Consequently, the Company accrued a performance fee of EUR 6,246 thousand payable by QMC II Iberian Capital Fund, Fondo de Inversión Libre. The conditions had not been met at 31 December 2017.

In 2017, it also received a performance fee for managing EQMC, Fondo de Inversión Libre, equivalent to 15% of the annual gain in net asset value, provided that said gain exceeds the annual gain in the average Eonia interest rate over the last 24 months, plus a spread of 3 percentage points. This fee totalled EUR 3,580 thousand in 2017. At 31 December 2018 said conditions have not been met.

In 2018, the Group received a performance fee of EUR 285 thousand (EUR 7,869 thousand in 2017) associated with holding Class B equity stakes in EQMC Europe Development Capital Fund, Plc, as stipulated in the fund's prospectus and held to the Company (see Note 9). These units were redeemed on 20 July.

Lastly, the Group has received a performance fee for managing the compartment Mercer Investment Fund 2. This fee is calculated according to the return generated by the compartment over and above the reference index Russell Global Europe Small Cap. This fee totalled EUR 929 thousand at 31 December 2018.

*d) Administration and management of private equity firms*

Details of this line item for 2018 and 2017 are as follows:

Fee income from:	Thousands of euros	
	2018	2017
Nmás1 Private Equity Fund II	24,574	1,803
Alantra Private Equity Fund III (formerly Nmás1 Private Equity Fund III)	7,890	7,942
Nmás1 Dinamia Portfolio, Sociedad de Capital Riesgo, S.A.	1,383	927
Mercapital Spanish Buy-Out III Banca March, Fondo de Capital Riesgo	835	2,413
Alteralia S.C.A, SICAR	1,700	1,649
Alteralia II S.C.A, SICAR	572	-
	<b>36,954</b>	<b>14,734</b>

A management contract was approved and signed on 23 December 2015 under which Nmás1 Capital Privado, S.G.E.I.C., S.A.U. will perform the coordination, management, and administration functions of Nmás1 Dinamia Portfolio, S.C.R., S.A., with effect in 2016. No fee was therefore accrued in 2015. This contract establishes that Dinamia Capital Privado, S.C.R., S.A. will effectively be succeeded by Nmás1 Dinamia Portfolio, S.C.R., S.A., with the latter becoming party to the investment agreement entered into on 30 May 2008 by Nmás1 Capital Privado, S.G.E.I.C., S.A. and "N+1 Private Equity Fund II". The fixed fees accrued during 2018 and 2017 for performing said functions according to the remuneration scheme laid down in the aforesaid management and administration agreement were EUR 1,383 thousand and EUR 927 thousand, respectively.

On 30 May 2008, the Group and, specifically, Alantra Capital Privado, S.G.E.I.C., S.A.U. (see Note 2.14) signed an administration and management contract with Nmás1 Private Equity Fund II Families, Sociedad de Capital Riesgo, S.A., Nmás1 Private Equity Fund II ERISA, Fondo de Capital Riesgo and Nmás1 Private Equity Fund II Non-ERISA, Fondo de Capital Riesgo – jointly referred to as "N+1 Private Equity Fund II" from hereon. The fixed fees accrued during 2018 and 2017 for performing said functions according to the remuneration scheme laid down in the aforesaid management and administration agreement were EUR 708 thousand and EUR 1,803 thousand, respectively.

On 27 July 2018 the entire portfolio of funds making up the structure of Nmás1 Private Equity Fund II, managed by Alantra Capital Privado, S.G.E.I.C., S.A.U., was divested by selling the three investees held in the Group's portfolio to Nmás1 Dinamia Portfolio, S.C.R., S.A., managed by the aforementioned management company. Pursuant to the regulations for managing funds comprising the structure of Nmás1 Private Equity Fund II, the holders of Class B units are entitled to receive returns generated by the funds on reaching a certain IRR. In this regard, Baruch Inversiones, S.L. (a company in which Alantra Partners, S.A. holds a 46.56% stake) is the holder of Class B units of this fund structure. The required return threshold has been exceeded as a result of the aforesaid divestment. The Alantra Group received EUR 23,866 thousand through Baruch Inversiones, S.L. in 2018.

Furthermore, on 17 June 2015 and 13 April 2016, the Group and, specifically, Nmás1 Capital Privado, S.G.E.I.C., S.A.U., set up a venture capital fund called Nmás1 Private Equity Fund III, Fondo de Capital Riesgo, and a venture capital firm called Nmás1 Private Equity Fund III, Sociedad de Capital Riesgo, S.A. Furthermore, on 22 April 2016 the Group, specifically Alantra Capital Privado, S.G.E.I.C., S.A.U., signed a management and administration agreement with Nmás1 Private Equity Fund III, Fondo de Capital Riesgo and Nmás1 Private Equity Fund III, venture capital firm, S.A., which will be referred to collectively hereinafter as "N+1 Private Equity Fund III". On 21 May 2018 Alantra Capital Privado, S.G.E.I.C., S.A.U.'s board of directors also authorised the change of name to "Alantra Private Equity Fund III".

The fixed fees accrued in 2018 and 2017 for management and administration of Alantra Private Equity Fund III, Fondo de Capital Riesgo (formerly Nmás1 Private Equity Fund III, Fondo de Capital Riesgo) according to the remuneration scheme laid down in that agreement were EUR 1,200 thousand in both years.

The Group and, in particular, Mercapital Private Equity, S.G.E.I.C., S.A.U., coordinate, manage and administrate Mercapital Spanish Buy-Out Fund III España, Fondo de Capital Riesgo, de Mercapital Spanish Buy-Out Fund III Delaware, Fondo de Capital Riesgo and Mercapital Spanish Buy-Out Fund III Banca March, Fondo de Capital Riesgo. In return for providing its services, it receives a management fee which amounts to EUR 835 thousand (EUR 2,413 thousand in 2017).

The Group, and in particular, Alteralia Management, S.à.r.l. and Alteralia Management II, S.à.r.l., coordinates, manages and administrates Alteralia, S.C.A., SICAR and Alteralia II, S.C.A., SICAR, respectively. As consideration for said services it receives a management fee which in 2018 amounted to EUR 2,272 thousand (EUR 1,649 thousand in 2017).



*e) Provision of business and advisory services*

The balance of "Provision of business and advisory services" shown in the previous table includes the fees and commissions received by the Group in 2018 and 2017 for providing advisory services to companies or entities in corporate finance transactions. At 31 December 2017 a very significant percentage of them corresponding to fees for the provision of advisory services paid in line with the success of the corresponding transaction. The remaining amount corresponds to fixed commissions. Most of the revenue associated with business and advisory services correspond to companies located outside Spain (see Note 29).

The amount pending receipt at year-end 2018 and 2017 is included under "Trade and other receivables – Trade receivables for sales and services" on the assets side of the consolidated statement of financial position (see Note 11). The increase in the balance of "Provision of business and advisory services" was primarily due to the Group's increased international expansion in 2018. In this respect, the revenue originated outside Spain was for these services (see Note 29).

*f) Search for and placement of packages in secondary markets*

The balance of "Search for and placement of packages in secondary markets" in the previous itemisation includes the amount of fees received by the Group as a result of the search for and issuance of financial instruments in different markets, locating qualified investors and subscribers for those instruments in order to obtain the greatest possible demand for Group customers. The Group obtained no revenue for this service in 2018.

*g) Marketing of collective investment schemes*

The balance of the account "Marketing of collective investment schemes" itemised above includes the fees received by the Group for marketing of Collective Investment Schemes by Alantra Wealth Management Gestión, SGIIC, S.A. and Alantra Wealth Management, A.V., S.A. The amount pending receipt at year-end 2018 and 2017 is included in "Trade and other receivables – Trade receivables for sales and services" on the assets side of the consolidated statement of financial position (see Note 11).

*h) Other income*

The balance of "Other income" in the above breakdown of income included EUR 732 thousand at 31 December 2017 in revenue from expenses previously assumed by the Group in respect of formation, organisation and administration of the vehicle Alantra Private Equity Fund III (formerly Nmás1 Private Equity Fund III) that were recorded under "Other operating expenses" in the 2017 consolidated statement of profit or loss. Those expenses, as defined in the prospectus of the vehicle will be assumed by the vehicle and, therefore, are recovered.

*i) Assets under management*

A breakdown of assets under management by the Group at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	31/12/2018	31/12/2017
Portfolios managed –		
Hedge funds	895,006	828,647
Private equity firms	609,423	592,489
Offshore investment vehicles	125,367	149,395
Collective investment schemes	284,353	283,845
Discretionary portfolio management	331,056	508,940
	<b>2,245,205</b>	<b>2,363,316</b>

*i.1) Hedge funds*

At 31 December 2018 the Group manages 5 hedge funds: EQMC, FIL, QMC II Iberian Capital Fund, FIL, QMC III Iberian Capital Fund, FIL, Alteralia Debt Fund, FIL and Alteralia Debt Fund II, FIL (4 hedge funds at 31 December 2017: EQMC, FIL, QMC II Iberian Capital Fund, FIL, QMC III Iberian Capital Fund, FIL and Alteralia Debt Fund, FIL). Additionally, at 31 December of 2018 and 2017 the Group managed the assets of an Irish open-ended investment company, EQMC Europe Development Capital Fund, Plc, which is not authorised under Council Directive 85/611 of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

*i.2) Private equity firms*

At 31 December 2018, the Group also managed four private equity firms and six private equity funds with total assets at 31 December 2018 of EUR 609,423 thousand (four private equity firms and six private equity funds at 31 December 2017 with total assets of EUR 592,489).

*i.3) Collective investment schemes:*

At 31 December 2018 the Group was managing 3 investment funds and 16 open-ended investment companies (SICAVs) with total net assets at 31 December 2018 of EUR 284,353 thousand (3 investment funds and 10 open-ended investment companies (SICAVs) with total net assets at 31 December 2017 of EUR 283,845 thousand).

*i.4) Offshore investment vehicles*

At 31 December 2018 and 2017, the Group managed the following offshore investment vehicles:

	Thousands of euros	
	31/12/2018	31/12/2017
Alpina Real Estate F1 S.C.A. (formerly Alpina Real Estate Fund SCA SICAV-FIS) (*)	387	452
Alpina Real Estate F2 S.C.A. (formerly Alpina Real Estate Fund II (Lux)) (*)	142	457
Alpina Real Estate Company SCA (*)	499	584
Alpina Real Estate Company II SCA (*)	67	217
Mercer Investment Fund 2	124,272	147,685
	<b>125,367</b>	<b>149,395</b>

(\*) Investment vehicles managed by Alpina Real Estate GP I, S.A., Alpina Real Estate GP II, S.A., and Alpina Real Estate GP, S.A., all companies in liquidation (see Note 2.14).

## 25.2 Transfers to third parties for joint execution

The line item "Transfers to third parties for joint execution" included under "Revenue" in the consolidated statement of profit or loss included an amount of EUR 3,492 thousand in 2018 (2017: EUR 4,919 thousand) of income transferred to third parties in connection with the joint execution of various financial advisory transactions over the year:

	Thousands of euros	
	2018	2017
Brokerage fee (1)	320	424
Fees and commissions assigned to other entities and representatives (2)	2,646	4,205
Other fees and commissions	526	290
	<b>3,492</b>	<b>4,919</b>

(1) Includes the fees and commissions paid by Alantra Equities, Sociedad de Valores, S.A., to market members for direct access to the market and fees for execution of trades and settlement rights of stock exchanges and other financial markets.

(2) Includes the fees and commissions primarily transferred by way of remuneration to several collaborators for presenting new customers and bringing in new orders.

## 26. Personnel expenses

### a) Breakdown

Details of "Personnel expenses" in the consolidated statement of profit or loss for 2018 and 2017 were as follows:

	Thousands of euros	
	2018	2017
Wages and salaries	90,749	64,312
Social security costs	7,632	4,926
Severance payments (Note 3-o)	524	688
Other personnel expenses	2,335	1,219
	<b>101,240</b>	<b>71,145</b>

### b) Number of employees

The Group's headcount (for the Company and subsidiaries) in 2018 and 2017, and by professional category and gender at said reporting closes, was as follows:

	2018				2017			
	Male	Female	Total	Average headcount	Male	Female	Total	Average headcount
General management	41	3	44	40	37	3	40	38
University graduates	314	82	396	350	226	70	296	276
Clerical staff	3	54	57	53	3	45	48	45
	<b>358</b>	<b>139</b>	<b>497</b>	<b>443</b>	<b>266</b>	<b>118</b>	<b>384</b>	<b>359</b>

Personnel expenses payable at year-end 2018 – primarily bonuses – totalled EUR 43,387 thousand (EUR 39,048 thousand – primarily bonuses – at 31 December 2017) are included under “Trade and other payables – Other payables” on the liabilities side of the consolidated statement of financial position (see Note 19). At the date of preparing these financial statements, EUR 24,436 thousand of all amounts payable in connection with personnel expenses had been settled.

In 2018 and 2017, the Group employed no individuals with disabilities equal to or over 33% impairment.

## **27. Other operating expenses**

### ***a) Breakdown***

Details of “Other operating expenses” on the consolidated statements of profit or loss for 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
Buildings and facilities rental	4,998	3,333
Communications	1,437	1,078
Advertising and publicity	2,590	1,387
Utilities	1,777	817
Repairs and maintenance	76	55
Independent professional services	6,809	6,488
Board remuneration (Note 5)	3,148	2,911
Levies and other taxes	1,260	712
Other expenses	13,736	10,333
	<b>35,831</b>	<b>27,114</b>

The cost of leasing the office serving as the registered offices of the Company and most group companies in 2018 and 2017 (see Note 1) is included under “Buildings and facilities rental” in the table above. The increase in “Buildings and facilities rental” reflects the new office openings in different countries as part of the international expansion carried out by the Group during 2018. On 11 October 2018 the Company’s directors signed a new lease agreement for five years starting on 1 October 2018, although rent will be payable as from 1 April 2019 (see Note 1).

Details of the minimum lease payments the Group has agreed with the lessor, as per the aforesaid lease agreements, without factoring in any deflected community charges, future increases in the Consumer Price Index, or future contractual lease payment revisions or VAT, are as follows:

Operating leases Minimum lease payments	Thousands of euros
	2018
Within one year	4,601
1 to 5 years	14,700
Over 5 years	496
	<b>19,797</b>

The balance of "Communications" in the above itemisation of operating expenses includes, in 2018, EUR 224 thousand in expenses incurred by the Group for access to information sources and services from Bloomberg, Reuters and others through the subsidiary Alantra Equities, Sociedad de Valores, S.A., (EUR 225 thousand in 2017 — see Note 2.14).

In the breakdown of operating expenses, the balance of "Other expenses" basically includes travel expenses, which in 2018 amounted to EUR 5,770 thousand (EUR 3,741 thousand in 2017) and vehicle rentals of EUR 570 thousand (EUR 497 thousand in 2017). "Other expenses" also includes remuneration to directors of certain group companies in the amount of EUR 755 thousand in 2018 (EUR 1,069 thousand in 2017).

Amounts payable by the Group to various suppliers in its normal operations are included under "Trade and other payables" on the liabilities side of the consolidated statement of financial position (see Note 19).

*Information on the average payment period to suppliers. Additional provision three.  
"Disclosure requirement" of Act 15/2010 of 5 July*

Disclosures at 31 December 2018 and 2017 required as per the second final provision of Act 31/2014 of 3 December, amending the Spanish Corporate Enterprises Act to improve corporate governance (which in turn, amends Act 15/2010 of 5 July, amending Act 3/2004 of 29 December establishing measures to combat defaults on commercial transactions) are as follows:

	Days	
	2018	2017
Average supplier payment period	28.63	27.92
Ratio of payments made	28.61	28.39
Ratio of payments pending	29.17	25.55

	Amount (Thousands of euros)	
	2018	2017
Total payments made	42,556	38,999
Total payments pending	1,862	7,712

The data in the table above in connection with payments to suppliers refer to trade payables to suppliers of goods and services. Accordingly, they include the "Trade and other payables – Payables to suppliers" figures in the consolidated statement of financial position.

According to Act 3/2004 of 29 December, establishing measures on combating late payment in commercial transactions, the statutory maximum payment period applicable to the Company in 2018 was 30 days.

**b) Other disclosures**

Fees for audit services provided to Alantra Group companies in Spain and abroad throughout 2018 totalled EUR 391 thousand (2017: EUR 366 thousand), which are included under "Independent professional services" in the breakdown above. In addition, fees for other verification services related to auditing and other services provided by the auditor in 2018 amounted to EUR 38 thousand and EUR 35 thousand, respectively (EUR 28 thousand and EUR 88 thousand in 2017).

**28. Loss/reversal of loss on impairment of financial instruments and Gain (loss) on disposal of financial instruments – Other financial instruments**

*a) Loss/reversal of loss on impairment of financial instruments*

Shown below is the breakdown of this heading of consolidated statement of profit or loss for 2018 and 2017:

	Thousands of euros	
	2018	2017
Grupo Gestión Integral Novolux (1)	1,224	1,053
Impairment goodwill Landmark (2)	(843)	(458)
Impairment loan Nueva Capital Privado Inversiones, S.L. (3)	(119)	-
Impairment of current and non-current financial assets (see Notes 9.4, 11, 12, 13 and 14)	(698)	-
Impairment customers (4)	(4,095)	(1,706)
Recovery impairment customers (4)	908	1,151
	<b>(3,623)</b>	<b>40</b>

(1) The stake held by Alantra Dinamia Portfolio II, S. L. (an Alantra Group company) in Grupo Gestión Integral Novolux was sold during 2018. Since this stake was fully impaired, the sale generated a gain in 2018. At 31 December 2017 this item corresponded to an impairment recognised on the Group's investment in Grupo Gestión Integral Novolux holding, which was determined to be tax deductible for tax periods prior to 2013. Following an analysis carried out by the Group this amount was reversed in 2017 (see Note 17).

(2) During 2018 and 2017 the Group recognised impairment of part of the implicit goodwill generated in acquisition of 30% of Landmark Capital (see Notes 2.14 and 8).

(3) Due to Nueva Capital Privado Inversiones, S.L.'s financial position, in 2018 the Group decided to partially impair the loan granted to this company (see Note 9.1).

(4) During 2018 a net loss of EUR 3,187 thousand (EUR 552 thousand in 2017) was recorded in respect of value adjustments for impairment of financial assets carried under "Trade and other receivables – Trade receivables for sales and services" on the assets side of the consolidated statement of financial position (see Note 11).

*b) Gain (loss) on disposals of financial instruments – Other financial instruments*

Shown below is the breakdown of this heading of consolidated statement of profit or loss for 2018 and 2017:

	Thousands of euros	
	2018	2017
Novolux (1)	104	-
Profit sale of Tryo (2)	3	-
Reversal of contingent liability – Alantra Corporate Finance LLP (3)	1,811	-
Gain from acquisition in stages – Alantra AG (4)	697	-
Loss on sale of shares Service Point Solutions, S.A.	-	(4)
Impairment shares H-Farm SPA	-	21
Disbursed gains QMC II Iberian Capital Fund, FIL	-	178
Gain on distributions Electra Partners Club 2007, LP (5)	-	3,093
Gain on sale Eolia Renovables de Inversiones, S.C.R., S.A.	-	39
	<b>2,615</b>	<b>3,327</b>

- (1) Comprises the gain from transferring the loan granted to Grupo Gestión Integral Novolux Internacional, S.L. (see Note 9.1).
- (2) During 2018 the Group sold its shares in Tryo Communication Technologies, S.L., generating a gain of EUR 3 thousand (see Note 9.1).
- (3) At 31 December 2017 the Group had recognised a contingent liability in a foreign currency with Alantra Corporate Finance, LLP (formerly Catalyst Corporate Finance, LLP), which was cancelled in 2018 generating a loss of EUR 10 thousand, recognised under "Exchange differences" in the 2018 consolidated statement of profit or loss.
- (4) On 4 July 2018, Alantra Partners, S.A. reached an agreement to acquire a stake representing 55% of the economic rights and 30% of the voting rights of Alantra AG. This stake is additional to the stake representing 25% of economic rights and 50% of voting rights already held since 2014 in Alantra International Corporate Advisory, S.L. Following the acquisition, the Group holds through the Company and Alantra International Corporate Advisory, S.L. 80% of the voting rights and the same percentage of economic rights of Alantra AG. The Group therefore controls this investee. This led to the Group obtaining a gain of EUR 697 generated on measuring the previously held stake in Alantra AG at fair value as per IFRS 3 "Business combinations" (see Note 2.14).
- (5) During 2017 the Group received profit distributions on its investment in Electra Partners Club 2007, LP, generating gains of EUR 3,093 thousand.

## **29. Segment reporting**

In line with IFRS 8, which establishes the obligation to apply and disclose segment reporting for those companies whose equity or debt securities are quoted on public markets, or for companies which are in the process of issuing securities for quotation on public securities market, the Group presented this information in five segments in the accompanying consolidated financial statements.

### ***a) Basis and methodology for segment reporting***

The Group's segment reporting forms the basis for internal management and oversight of the performance of the different business areas. The Board of Directors (along with the Group's governing bodies) is ultimately responsible for said information and for taking operating decisions concerning each of these business areas.

The Group's management segments its activity pursuant to the nature of the services provided and they correspond with the business units for which accounting and management information is available.

### ***b) Basis of segmentation***

The top tier of segment reporting for the Group is split into the following segments: Financial Advisory Services, Asset Management, Structural, Portfolio and rest:

- Financial Advisory (Investment Banking)

Alantra business segment that (according to the definition given in the prospectus for admission to trading of the new shares as a consequence of the Merger, hereinafter, "the Prospectus", entered in the CNMV registers on 28 July 2015), covers the provision of financial advisory services to companies or entities in corporate finance operations and the provision of stock market brokerage and analysis services to institutional investors.

- Asset Management

Management and advising in respect of assets of different types for institutional investors, high net-asset families and other professional investors and provided through specialised investment funds or through customer investment portfolios.

- Structural

Alantra business segment that includes revenues and expenses related to the governance structure and development of the Alantra Group (corporate governance, strategic coordination, corporate and business development, and corporate services, such as accounting and reporting, risk control, IT systems, human resources management and legal services, amongst others) and which, because they refer to the parent company of the Group (as listed company) or to the overall management thereof, are not directly attributable to the Financial Advisory or Asset Management or Portfolio segments. The Structural segment also includes invoicing of services in respect of Alantra Group companies that are classified as associates, that is, that are not fully consolidated. In Alantra's current growth phase, both in corporate and business terms, the importance of services classified as Structural justifies its consideration as an independent segment.



These three segments are identified in aggregate as the “Fee Business”. It consists of the grouping or aggregation of the Financial Advisory, Asset Management and Structural segments, and is defined as a whole as the service provision activity, be they advisory or management services, the revenue from which is in the form of remuneration or fees and the expenses of which are those needed for its pursuit, mainly personnel expenses. Specifically excluded from the Fee Business are losses or gains originating from investments of the Group’s parent company in the companies that carry on said activities (for example, from the sale of interests in companies or businesses, impairment of goodwill or net financial income from foreign currency), where such is the case, which are included in the Rest segment.

The reason for attributing 100% of the activity of the Structural segment to the Fee Business is that the greater part of time and/or funds invested in Structure are used to manage the growth and complexity from the activity classified in the Financial Advisory and Asset Management segments. This concept is especially significant because several alternative performance measures (APMs) are constructed on it.

- “Portfolio”. This is the Group’s own portfolio investment activity.

This Alantra business segment is defined, as stated in the Prospectus, as consisting in obtaining capital gains by investing and subsequently selling stakes in companies or in investment funds or vehicles managed by the Alantra Group management teams. The current investment portfolio has a dual origin: (i) in the companies invested in by the Company as venture capital firm before the Merger and which, at the date of the Merger, had not yet been disposed of or sold; and (ii) investments of the Alantra Group in vehicles managed or advised by the Group itself.

- “Rest”

This is a residual category that includes all activities that do not belong in any of the four previous business segments (that is, neither Financial Advisory, nor Asset Management, nor Structural, nor Portfolio).

#### ***b) Basis and methodology for segment reporting***

The Group’s segment reporting forms the basis for internal management and oversight of the performance of the different business areas. The Board of Directors (along with the Group’s governing bodies) is ultimately responsible for said information and for taking operating decisions concerning each of these business areas.

The Group’s management segments its activity pursuant to the nature of the services provided and they correspond with the business units for which accounting and management information is available.

Segment information on these businesses is presented below.

Consolidated statement of profit or loss by segment:

	Thousands of Euros													
	Investment Banking		Asset Management		Structural		Portfolio		Rest		Consolidation adjustments		Total for Group 2018	Total for Group 2017
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		
Revenue	134,760	91,699	64,942	43,152	1,188	1,276	-	-	-	-	-	-	200,890	136,127
Ordinary income among segments	2,143	1,512	3,326	4,622	6,791	6,242	-	-	-	-	(12,260)	(12,376)	-	-
Other operating income	2	14	-	-	-	-	-	-	-	-	-	-	2	14
Personnel expenses	(72,806)	(44,919)	(22,141)	(21,147)	(5,701)	(4,754)	(592)	(325)	-	-	-	-	(101,240)	(71,145)
Other operating expenses	(22,982)	(15,949)	(4,668)	(6,888)	(8,181)	(4,277)	-	-	-	-	-	-	(35,831)	(27,114)
Other operating expenses among Segments	(5,606)	(4,127)	(5,941)	(5,576)	(713)	(2,673)	-	-	-	-	12,260	12,376	-	-
Amortisation and depreciation	(1,495)	(275)	(344)	(344)	(247)	(206)	-	-	-	-	-	-	(2,086)	(825)
Impairment of non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of non-current assets	(144)	-	(44)	-	(586)	-	-	-	(2,133)	-	-	-	(2,907)	-
Other income (expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating profit (loss)</b>	<b>33,872</b>	<b>27,955</b>	<b>35,130</b>	<b>13,819</b>	<b>(7,449)</b>	<b>(4,392)</b>	<b>(592)</b>	<b>(325)</b>	<b>(2,133)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,828</b>	<b>37,057</b>
Finance income	-	-	-	-	-	-	2,850	779	86	83	-	-	2,936	862
Finance income among segments	-	-	-	-	-	-	753	-	439	798	(1,192)	(798)	-	-
Finance costs	-	-	-	-	-	-	-	-	(109)	(71)	-	-	(109)	(71)
Finance costs among segments	-	-	-	-	-	-	(753)	-	(439)	(798)	1,192	798	-	-
Changes in fair value of financial Instruments	-	-	-	-	-	-	(92)	286	(251)	260	-	-	(343)	546
Exchange differences	-	-	-	(7)	-	-	(1)	-	(166)	(491)	-	-	(167)	(498)
Loss/reversal of loss on impairment of financial instruments	(3,291)	(1,013)	-	-	-	-	1,105	1,053	(1,437)	-	-	-	(3,623)	40
Gain (loss) on disposal of financial instruments:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-	107	3,271	2,508	56	-	-	2,615	3,327
<b>Net finance income (expense)</b>	<b>(3,291)</b>	<b>(1,013)</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>3,969</b>	<b>5,389</b>	<b>631</b>	<b>(163)</b>	<b>-</b>	<b>-</b>	<b>1,309</b>	<b>4,206</b>
Share of profit (loss) of companies accounted for using the equity method	2,273	3,399	180	34	-	-	-	-	-	-	-	-	2,453	3,433
<b>Profit (loss) before tax</b>	<b>32,854</b>	<b>30,341</b>	<b>35,310</b>	<b>13,846</b>	<b>(7,449)</b>	<b>(4,392)</b>	<b>3,377</b>	<b>5,064</b>	<b>(1,502)</b>	<b>(163)</b>	<b>-</b>	<b>-</b>	<b>62,590</b>	<b>44,696</b>
Income tax	(9,149)	(6,993)	(8,691)	(4,172)	1,267	1,447	3,050	(825)	47	41	-	-	(13,476)	(10,502)
<b>Consolidated profit (loss) for the period</b>	<b>23,705</b>	<b>23,348</b>	<b>26,619</b>	<b>9,674</b>	<b>(6,182)</b>	<b>(2,945)</b>	<b>6,427</b>	<b>4,239</b>	<b>(1,455)</b>	<b>(122)</b>	<b>-</b>	<b>-</b>	<b>49,114</b>	<b>34,194</b>
<b>Net profit (loss) attributable</b>	<b>20,450</b>	<b>19,835</b>	<b>16,581</b>	<b>9,498</b>	<b>(6,182)</b>	<b>(2,945)</b>	<b>5,637</b>	<b>4,050</b>	<b>(1,455)</b>	<b>(122)</b>	<b>-</b>	<b>-</b>	<b>35,031</b>	<b>30,316</b>
<b>Non-controlling interests</b>	<b>3,255</b>	<b>3,513</b>	<b>10,038</b>	<b>176</b>	<b>-</b>	<b>-</b>	<b>790</b>	<b>189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,083</b>	<b>3,878</b>

*Non-current assets by segment:*

	Thousands of Euros											
	Investment Banking		Asset Management		Structural		Portfolio		Rest		Total for Group	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017
<b>Statement of financial position:</b>												
Assets:												
Intangible assets-												
Goodwill	73,687	62,429	47	4,510	-	-	-	-	-	-	73,734	66,939
Other intangible assets	43	37	-	1,067	149	167	-	-	-	-	192	1,271
Property and equipment	2,345	1,746	96	599	126	782	-	-	-	-	2,567	3,127
Investments accounted for using the equity method	11,736	15,689	405	369	-	-	-	-	-	-	12,141	16,058
Non-current assets held for sale	-	-	12,078	-	-	-	-	-	-	-	12,078	-

### c) Geographical segment reporting

For geographical segment reporting, segment revenues are grouped according to the geographical location of the assets. Segment assets are also grouped according to their geographical location.

The following table provides a summary of ordinary income from each of the Group's assets, broken down by geographical area, in 2018 and 2017:

	Thousands of euros					
	Revenue		Share of profit (loss) of companies accounted for using the equity method		Total	
	2018	2017	2018	2017	2018	2017
Domestic market	105,407	80,337	183	34	105,590	80,371
European Union:						
UK	30,142	5,891	2,018	2,197	32,160	8,002
Italy	4,186	3,446	-	-	4,186	3,446
Germany	23,706	14,251	-	-	23,706	14,251
France	11,291	12,218	-	-	11,291	12,218
Greece	2,359	195	-	-	2,359	195
Netherlands	956	2,988	-	-	956	2,988
Portugal	1,774	393	-	-	1,774	393
Sweden	2,574	107	-	-	2,574	107
Belgium	77	1,646	-	-	77	1,646
Denmark	26	27	-	-	26	27
Austria	144	-	-	-	144	-
OECD countries:						
Luxembourg	2,272	1,709	(3)	(1)	2,269	1,708
Switzerland	5,934	38	-	1,051	5,934	1,089
Mónaco	4	-	-	-	4	-
Other countries:						
United States	9,770	12,822	-	-	9,770	12,822
India	26	26	-	-	26	26
China	133	21	-	-	133	21
Chile	-	-	255	152	255	152
Mexico	108	-	-	-	108	-
Canada	1	12	-	-	1	12
	<b>200,890</b>	<b>136,127</b>	<b>2,453</b>	<b>3,433</b>	<b>203,343</b>	<b>139,474</b>

The following table provides a summary of non-current assets for each of the Group's assets, broken down by geographical area, at 31 December 2018 and 31 December 2017:

	Intangible assets - Goodwill		Intangible assets – Other intangible assets		Property and equipment		Investments accounted for using the equity method	
	2018	2017	2018	2017	2018	2017	2018	2017
Domestic market	3,077	7,540	187	1,259	499	1,789	186	147
European Union:								
UK	36,145	35,766	-	-	595	522	9,718	9,177
Italy	-	-	-	1	341	43	-	-
Germany	416	416	5	11	145	151	-	-
France	141	141	-	-	593	373	-	-
Greece	-	-	-	-	23	20	-	-
Netherlands	-	-	-	-	9	65	-	-
Portugal	23	23	-	-	19	17	-	-
Sweden	93	97	-	-	-	-	-	-
Ireland	-	-	-	-	4	4	-	-
Austria	-	267	-	-	7	1	-	-
OECD countries:								
Luxembourg	-	-	-	-	-	-	219	222
Switzerland	11,996	-	-	-	126	-	-	3,654
Other countries:								
United States	21,843	22,689	-	-	173	118	-	-
India	-	-	-	-	4	3	-	-
China	-	-	-	-	29	21	-	-
Chile	-	-	-	-	-	-	2,018	2,858
	<b>73,734</b>	<b>66,939</b>	<b>192</b>	<b>1,271</b>	<b>2,567</b>	<b>3,127</b>	<b>12,141</b>	<b>16,058</b>

### 30. Fair value

The fair values of the Group's financial instruments at 31 December 2018 and 2017, by class of financial asset and liability, are broken down in the accompanying consolidated financial statements into the following levels:

- **LEVEL 1:** Financial instruments whose fair value is determined using as a direct input the quoted price of the financial instrument on an active market (as defined in the Group's internal policies) that is observable and can be obtained from independent sources, which in the case of collective investment schemes corresponds to the net asset value published on the measurement date. This level includes any listed debt securities, listed equity/capital instruments and certain derivatives.
- **LEVEL 2:** Financial instruments whose fair value is estimated by reference to quoted prices on organised markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data. In the case of risk capital and hedge funds, this corresponds to the last net asset value available from the management company's statements.
- **LEVEL 3:** Instruments whose fair value is estimated using valuation techniques in which most of the inputs are not based on observable market data. Control units that are not connected to the market areas are responsible for selecting and validating the valuation models used.

The methods used to calculate the fair value of each class of financial assets and liabilities are as follows:

- Non-current financial assets – At fair value through profit or loss (at fair value):
  - Investment funds and similar vehicles: fair value determined using the quoted price on official markets or net asset value of investment funds (Level 1).

- Non-listed equity/capital instruments Private equity vehicles and similar and open-ended Investment Funds: fair value determined as the net asset value obtained from the statements provided by the company managing said vehicles (Level 2).
- Non-listed equity instruments: their fair value has been determined by considering the multiplier of comparable listed companies (EV/EBITDA, PER, Price/Carrying Amount, Price/Premiums), adjusted where necessary according to the company under valuation (Level 3).
- Derivatives over unlisted capital instruments: their fair value has been determined by discounting future cash flows to present value (Level 3).
- Credit agreements with employees: as returns depend on the performance of the underlying asset, which is a venture capital vehicle, the fair value of these assets has been calculated using the statements provided by the pertinent management company on this vehicle.
- Non-current financial assets – At fair value through other comprehensive income:
  - Hedge funds and closed-ended venture capital vehicles: their fair value is determined based on the net asset value, adjusted for any illiquidity premium, obtained from the statements provided by the pertinent management company (Level 2).
- Non-current financial liabilities (at fair value) and liabilities associated with non-current assets held for sale:
  - Unlisted equity instruments: their fair value has been determined by discounting future cash flows to present value (Level 3).
- Trade and other payables – Other payables (at fair value):
  - Unlisted equity instruments: their fair value has been determined by considering, if applicable, the net asset value obtained from the statements provided by the manager itself (Level 2).

Not all financial assets and liabilities are recorded at fair value. Consequently, there follows a breakdown of the information on financial instruments carried at fair value and, afterwards, the information on those measured at cost and their net book value.

Shown below is the fair value at 31 December 2018 and 2017 of the Group's financial instruments that are recorded at fair value, broken down by the measurement model used to estimate their fair value:

### Financial assets and liabilities – fair value at 31 December 2018

	Thousands of euros				
	Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Non-current financial assets:					
At fair value through profit or loss	13,938	13,938	9,949	3,989	-
At fair value through other comprehensive income	28,130	28,130	-	28,130	-
Non-current financial liabilities	(9,602)	(9,602)	-	-	(9,602)
Liabilities associated with non-current assets held for sale	(8,345)	(8,345)	-	-	(8,345)
Trade and other payables – Other payables	(1,202)	(1,202)	-	(1,202)	-
			<b>9,949</b>	<b>30,917</b>	<b>(17,947)</b>

### Financial assets and liabilities – fair value at 31 December 2017

	Thousands of euros				
	Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Non-current financial assets:					
At fair value through profit or loss	12,313	12,313	10,004	1,473	836
At fair value through other comprehensive income	15,817	15,817	-	15,817	-
Non-current financial liabilities	(7,328)	(7,328)	-	-	(7,328)
Trade and other payables – Other payables	(1,082)	(1,082)	-	(1,082)	-
			<b>10,004</b>	<b>16,208</b>	<b>(6,492)</b>

In addition to the above, the balance of “Non-current financial assets – At fair value through profit or loss” in the consolidated statement of financial position at 31 December 2018 and 2017 included EUR 84 thousand and EUR 517 thousand, respectively, of financial assets carried at cost or at their net book value, which the Group considered the best estimate of their value.

Also, “Non-current financial assets – At fair value through other comprehensive income” in the consolidated statement of financial position at 31 December 2018 and 2017 included EUR 6 thousand and EUR 10 thousand, respectively, of financial assets measured at cost. Lastly, the balance under “Non-current financial liabilities” in the consolidated statement of financial position sheet at 31 December 2017 included EUR 275 thousand corresponding to financial liabilities held at their underlying carrying amount as this best reflects their fair value.

Presented below are the main measurement methods, assumptions and inputs used to estimate the fair value of financial instruments carried at fair value and classified in Levels 2 and 3, by type of financial instrument, and the related balances at 31 December 2018 and 2017:

**Level 2 financial instruments at 31 December 2018 and 2017:**

	Thousands of euros		Principal measurement techniques	Main inputs used
	Fair value			
	2018	2017		
Non-current financial assets: At fair value through profit or loss	3,989	1,473	Net asset value	Net asset value provided by manager
Non-current financial assets: At fair value through other comprehensive income	28,130	15,817	Net asset value	Net asset value provided by manager adjusted for illiquidity premium if applicable
Trade and other payables Other payables	(1,202)	(1,082)	Net asset value	Net asset value provided by manager
<b>Total</b>	<b>30,917</b>	<b>16,208</b>		

**Level 3 financial instruments at 31 December 2018 and 2017:**

	Thousands of euros		Principal measurement techniques	Main inputs used
	Fair value			
	2018	2017		
Non-current financial assets – At fair value through profit or loss	-	256	Intrinsic value of the derivative based on the present value of expected future cash flows	Market interest rates, discount rates, perpetuity rate and growth rates
	-	580	Multiplier of comparable listed companies	Prices (listed) of similar instruments or market benchmarks
Liabilities associated with non-current assets held for sale	(8,345)	(7,328)	Present value method (Discounted future cash flows)	Market interest rates, discount rates, perpetuity rate and growth rates
Non-current financial liabilities	(9,602)	-	Present value method (Discounted future cash flows)	Market interest rates, discount rates, perpetuity rate and growth rates
	(17,947)	(6,492)		

Shown below is the quantitative information on unobservable inputs used to calculate the Level 3 measurements:



	Measurement method	Significant unobservable inputs	Min	Max	Average	Units
Non-current financial liabilities and liabilities associated with non-current assets held for sale	Present value method (discounted future cash flows)	Rate in perpetuity	1.1%	1.6%	1.3%	%

The principal technique used to measure the main instruments classified in Level 3, with the main unobservable inputs, is as follows:

- Present value method (discounted future cash flows): different assumptions are used, such as market discount rate, perpetuity rate, discount rates, growth rates, etc.

The movement in the balances of financial assets and liabilities classified in Level 3 that are carried on the consolidated statement of financial position is shown below:

	Thousands of euros			
	2018		2017	
	Assets	Assets	Assets	Liabilities
Balances at start of the year	836	(7,328)	580	(5,729)
Changes in fair value recognised in profit or loss	-	-	256	-
Changes in fair value not recognised in profit or loss	-	(10,619)	-	(1,599)
Recovery recognised in profit or loss	-	-	-	-
Purchases, sales and liquidations	-	-	-	-
Net entries/ (removals) in Level 3	(836)	-	-	-
<b>Balances at end of year</b>	-	<b>(17,947)</b>	<b>836</b>	<b>(7,328)</b>

The sensitivity analysis is performed on assets with important unobservable inputs; that is, for those included in Level 3, in order to have a reasonable range of possible alternative measurements. That analysis is performed to establish, with an adequate degree of certainty, the valuation risk in relation to those assets without applying criteria of diversification between them.

At 31 December 2018 and 2017, the impact on consolidated income of changing the main assumptions used to measure Level 3 financial instruments with other reasonably possible assumptions, taking the highest value (most favourable assumption) or lowest value (least favourable assumption) of the range estimated as probably, is given below:

	Thousands of euros			
	Potential impact in the consolidated statement of profit or loss			
	2018		2017	
	Most favourable assumption	Least favourable Assumption	Most favourable assumption	Least favourable Assumption
<b>Non-current financial assets:</b>				
At fair value through profit or loss				
At fair value through other comprehensive income	-	-	274	(413)
At amortised cost	-	-	32	(30)
<b>Non-current financial liabilities</b>	196	(125)	226	(221)
<b>Liabilities associated with non-current assets held for sale</b>	136	(214)	-	-

The fair value of other financial assets and liabilities is basically equal to their carrying amount, as it is understood that this fair value does not differ materially from the carrying amount of these items. The following points should be also made on the fair value of certain financial assets:

- Bank deposits: the Group estimated the fair value of these financial assets as their carrying amount, as it is considered that, given the nature of the counterparties, interest rates and terms thereof, this fair value does not differ materially from amortised cost.
- Loans and credits: the Group estimated there are no material differences between the fair value of these financial assets and their carrying amount.

### **31. Events after the reporting period**

As per a Material Disclosure filed with the CNMV, 19 December 2018 an agreement was reached to purchase in two steps 48.98% of Access Capital Partners Group, S.A. by taking a stake in the parent company and the operating company through the Access Group. After the deal, Access's current management team will retain control of it. This management company provides strategies to investment capital in non-listed companies, infrastructure and private debt through funds of funds, co-investment funds and tailor-made solutions for clients. Access has offices in France, Belgium, the UK, Germany, Finland and Luxembourg. In the first step, the Company will acquire 24.49% of Access Capital Partners Group, S.A. for a cash consideration of EUR 18,997 thousand. In 2022, the Company may then increase its stake to 48.98% through a cross call-put option at a price set according to Access Capital Partners Group, S.A.'s performance in 2021 and 2022. This transaction will see the Company taking a share of Access Capital Partners Group, S.A.'s 2018 profits through dividends distributed in 2019.

Closure of this deal, which is slated for the third quarter of 2019, is only subject to obtaining the corresponding approvals from the supervisory authorities in the markets in which Access operates.

The Company's Board of Directors also resolved at a meeting on 28 February 2019 to propose to the General Meeting the distribution of an interim dividend of EUR 0.41 per share against 2018 profit.

Subsequent to year-end 2018 there has been no other significant event than those described in the rest of these notes to the consolidated financial statements.

**32. Explanation added for translation to English**

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2-1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

## Appendix

### Information on the Alantra Group in fulfilment of Article 192 of the revised text of Spanish Securities Market Act 4/2015 of 23 October ("Annual Investment Services Companies Report")

This information was prepared pursuant to the provisions of Article 192 of the Spanish Securities Market Act, approved by Royal Decree-Law 4/2015 of 23 October.

#### **a) Company name, nature and geographical location of business**

Alantra Partners, S.A. (hereinafter, the Company) was incorporated on 11 November 1997 as Dinamia Capital Privado, Sociedad de Capital Riesgo, S.A. The deed for the takeover of N Más Uno IBG, S.A. (hereinafter, N+1 IBG) by the Company was entered in the Madrid Companies Register on 20 July 2015. This transaction resulted in N Más Uno IBG, S.A. ceasing to exist and the Company changing its name to N+1 Dinamia, S.A., losing its status as a private equity firm. On 4 January 2017, as a result of the change to the Group's name, the Company changed its name to the present one (see further below).

The Company's corporate object encompasses the following activities:

1. The rendering of financial advisory services;
2. The management of any property or assets, in accordance with any prevailing legal requirements;
3. The acquisition and holding of shares and equity instruments in other companies whose corporate object is, pursuant to any prevailing legal requirements, financial brokerage, management of any type of asset including investment funds or portfolios of any type, and provision of all types of investment service.
4. Acquisition, holding and disposal of shares or equity stakes in any type of company; granting participating loans or other forms of finance to any type of company; investment in any securities or financial instruments, assets, movable property or real estate, or rights, in accordance with any prevailing legal requirements, in order to generate a return on said shares or equity stakes in companies and investments.

The activities comprising the corporate purpose may be performed by the Company in whole or in part, or indirectly through ownership of shares or equity stakes in companies with an identical or similar corporate purpose.

At 31 December 2018, the Company carried out its business in Spain from its offices at calle Padilla, 17 in Madrid. In 2018, the Company resolved to relocate its head office in the first quarter of 2019, which it had done by the date of this document. Consequently, the Company carries out its business from its new offices at calle José Ortega y Gasset, 29 in Madrid (see Note 27).

The Company is the parent of a group (hereinafter, the Group or the Alantra Group) comprising various companies carrying out financial advisory and consultancy services to businesses and institutions in Spain and abroad. They also provide investment and associated services; advice on asset management; advice, administration and management for private equity firms, fund managers and collective investment institutions and companies involved in acquiring direct stakes in companies (see Note 2.14). At 31 December 2018 the Group also had a branch in China, in the UK and in Italy.

On 26 September 2016 the Company issued a Material Disclosure to the Spanish securities exchange authority, the Comisión Nacional del Mercado de Valores (CNMV), regarding the change in the trademark of the Group it heads. Since that date, the subsidiaries in the Alantra Group have approved the respective changes to their corporate names in order to replace "N+1", "Nmás1" or "Nplusone" with "Alantra". With respect to the Company, on 4 January 2017 there was entered in the Companies Registry the change of name from Nmás1 Dinamia, S.A. to Alantra Partners, S.A., previously approved by the General Meeting of 13 December 2016. With this new trademark, the Alantra Group (formerly known as the N+1 Group) has set the goal of creating a single distinctive mark that identifies a new stage in its development as a company with a strong international focus.

## **b. Turnover**

This section provides information on turnover, by country, on a consolidated basis, for the Company, for the subsidiaries thereof, and for jointly-controlled entities and associated accounted for using the equity method. Turnover is taken as the figures for revenue presented in the Group's 2018 consolidated statement of profit or loss and are as follows:

	Thousands of euros
	Turnover
Domestic market	105,407
European Union:	
United Kingdom	30,142
Italy	4,186
Germany	23,706
France	11,291
Greece	2,359
Netherlands	956
Portugal	1,774
Sweden	2,574
Belgium	77
Austria	144
Denmark	26
OECD countries:	
Luxembourg	2,272
Switzerland	5,934
Monaco	4
Other countries:	
United States	9,770
India	26
China	133
Mexico	108
Canada	1
	<b>200,890</b>

**c. Number of full-time employees**

Details of the full-time employees of the Company and its subsidiaries at 2018 year-end were as follows:

	Number of employees
Domestic market	223
European Union:	
Italy	21
Germany	43
Netherlands	8
France	27
Austria	8
Belgium	2
Greece	8
Portugal	9
Sweden	5
United Kingdom	80
Ireland	5
OECD countries:	
Switzerland	12
Other countries:	
United States	35
Mexico	3
India	2
China	6
	<b>497</b>

**d. Profit (loss) before tax**

This section shows the pre-tax profit (loss), on a consolidated basis, for the Company, for the subsidiaries thereof, and for jointly-controlled entities and associated accounted for using the equity method.

	Thousands of euros
	Pre-tax profit
Domestic market	46,463
European Union:	
United Kingdom	2,378
Italy	785
Germany	7,650
France	2,108
Netherlands	(1,406)
Sweden	841
Portugal	580
Greece	1,115
Ireland	457
Belgium	(193)
Austria	(852)
OECD countries:	
Luxembourg	39
Switzerland	3,141
Other countries	
United States	34
Chile	(509)
Mexico	(41)
	<b>62,590</b>

#### e. Income tax

This section shows the corporate tax expense, on a consolidated basis, for the Company and its subsidiaries.

	Thousands of euros
	Income tax
Domestic market	7,866
European Union:	
Italy	499
France	684
Germany	2,484
Portugal	53
Greece	243
Netherlands	-
Belgium	55
United Kingdom	1,216
OECD countries and rest	
Luxembourg	2
Switzerland	663
Other countries	
United States	(341)
	<b>13,476</b>

#### f. Public grants and state aid received

The Alantra Group received no public grants or state aid in 2018.

**g. Return on assets**

The return on the Alantra Group's assets at year-end 2018, calculated by dividing consolidated net profit for 2018 by total assets at 31 December 2018, was 10.92%.



*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **Alantra Partners, S.A. and companies comprising the Alantra Group**

### **Consolidated Directors' Report for the year ended 31 December 2018**

This directors' report was prepared pursuant to the "Guide for the preparation of management reports of listed companies" published by the CNMV in September 2013, and is broken down into the nine sections specified in said guide:

#### **1. Situation of the Company**

##### **1.1 Organisational structure**

Alantra Partners, S.A. (hereinafter, "the Company" or "Alantra") is the parent company of the Alantra Group, whose activities Group can be grouped into three major business lines (i) investment banking, which involves providing advisory services to companies or institutions in corporate finance operations, as well as the provision of stock market brokerage services and analysis for institutional investors, (ii) asset management and advising, and (iii) investments in companies, funds or other investment vehicles.

Under the applicable securities exchange laws and regulations, the Alantra Group is considered a consolidated group of investment firms, with Alantra as its parent company.

The Company, as parent company of the Alantra Group, provides strategic oversight and coordination of the group's activities, which allows pursuit of a unified management model and common action policy. Alantra also provides certain subsidiaries with central services that ensure the support and infrastructure needed to carry on the specific operating activities of each subsidiary.

Apart from the General Shareholders' Meeting, which has the authority attributed to that body by law given that Alantra is publicly traded, the main governance body of the Group is the Company's Board of Directors, which has two delegated committees: the Risk Control and Audit Committee and the Appointments and Remuneration Committee). The Board of Directors meets at least quarterly. The Company also has an Executive Chairman with the responsibilities of chief executive officer.

The powers, composition, structure and functioning of the Board of Directors are regulated by the Board Regulations, which are posted on the Company's website and on the CNMV's website. The Alantra Board of Directors strives to ensure with the best governance practices set out in business and securities exchange regulations and in the good corporate governance recommendations approved by the CNMV.

The Board of Directors has nine members, one of whom is an executive director and eight are non-executive. Of the latter, three are independent, three proprietary and two are classified as "other external".

The Company carries on the activities included in its corporate objects through subsidiaries, some of which provide investment or the management of collective investment schemes and are therefore subject to regulation and supervision. The Alantra Group companies, in turn, have the governance and control bodies prescribed by the applicable laws and regulations.

The Group's different business areas also have their own bodies to coordinate and oversee their activities, in particular, the Alantra Asset Management Committee (in which the different business units in the asset management and advising area are represented) and the Management Committee of Alantra ICA (with representatives of the different international activities and business units in the corporate finance area).

The Group, moreover, has a Control and Risk Committee, whose primary objective is to control the main risks to Alantra and its group companies are exposed and, in that area, to keep an up-to-date risks map. The Control and Risk Committee proposes and coordinates the implementation of measures to mitigate risks and keep them within the risk tolerance limits approved by the Board of Directors, and fosters a culture of sound risk management.

## **1.2 Functioning**

The Company heads a group of entities that provide financial advisory services, asset management and advising services and invests in companies and special purpose vehicles. The Alantra Group specialises in the mid-market segment and provides its services independently to financial and industrial companies and entities, as well as to institutional and private investors.

Although the Company is responsible for the strategic management and coordination of the Group's activities, the different business units are responsible for carrying on said activities. These business units are grouped into two areas, for which accounting and management figures are available. The two areas correspond to the business segments identified earlier. The two main areas of the Alantra Group are:

- Financial Advisory (Investment Banking): this consists in providing financial advisory services to businesses or entities in corporate finance operations, as well as stock market brokerage services and analysis for institutional investors.
- Asset Management/Advisory(Asset Management): this activity involves managing and advising assets of different types for institutional investors, wealthy family groups and other professional investors via specialised investment funds or through the investment portfolios of customers.

These two business areas, and the different units (differentiated by country or by product) that they comprise, receive a number of central services from the Company (legal, administration and accounting services, human resources, logistics and information systems, communication and risk control services) that ensure unified and consistent operation of the aforesaid management model, as well as the implementation and followup of a common action policy. The functions involving strategic coordination, provision of services and, in general, definition and implementation of Alantra's own management model comprise a business unit that corresponds to the segment identified as "Structural" (as defined in the notes to the consolidated financial statements and in the attached "Glossary of Terms").

That structure and, specifically, the strategic coordination and financial management departments also support the Board of Directors of the Company in its decisions regarding the third area of activity of the Company, Portfolio or Investment; this activity comprises obtaining gains on investments and subsequent divestments in companies or in funds and vehicles managed by the Alantra Group's management teams.

## **2. Business performance and earnings**

### **2.1 Summary of 2018**

#### **Activity**

The financial markets were particularly volatile in 2018, primarily because of uncertainties about the geopolitical situation and economic growth. Specifically, the year was marked by the trade war between the US and China, Brexit and the crisis in Italy. There was also a significant slowdown in global growth, especially in Europe. Inflation remained at moderate levels and no major spikes are expected in the near term, which is enabling central banks to apply procyclical monetary policies.

As a result of the aforesaid, the majority of assets suffered widespread losses, most notably in the second half of the year during which indexes corrected and there were sharp spikes in volatility. The year 2018 was exceptional for the US with regards to business profits due, among other factors, to the tax reform.

Throughout 2018 Alantra made further progress towards its goal of internationalising the Group. This was achieved on the one hand by establishing new teams, such as the new technology team in San Francisco, hiring four senior professionals in Shanghai, and setting up a capital markets team in Italy. On the other hand, two corporate actions were performed: a) acquisition of the global portfolio advisory team of KPMG UK; and b) the announcement of the acquisition of a strategic stake in Access Capital Partners – an independent management company with a twenty-year track record and cumulated assets raised of EUR 8.8 billion. Also noteworthy is the agreement between Alantra and Alantra Wealth Management's management team and Grupo Mutua for this entity to enter the Group's asset management business by acquiring a 50.01% stake in Alantra Wealth Management.

#### *Financial advisory services*

On the financial advisory front (or Investment Banking), Alantra provided advice on a record 202 transactions (+8.6% versus 2017), while also boosting the average size and specialisation of transactions. By type of service, Alantra advised on 97 M&A deals, 55 loan book transactions, 22 debt transactions, 18 capital market deals and 10 strategic advisory engagements.

#### *Asset management*

The Asset Management division's activity, by asset class, was as follows during 2018:

- The active management funds arm increased assets under management by EUR 164 million, and EUR 28 million in its EQMC and QMC III funds, respectively. The QMC II fund is currently being divested; the fund has generated a return of 15.8% since its launch in 2013.
- In the private debt fund arm, at year-end 2018 92.5% of Alteralia I – the first debt fund managed by the Alantra Group – had been invested. Its second debt fund, Alteralia II, also completed its second closure reaching EUR 139 million of capital committed, with the aim of reaching EUR 200 million by the end of 2019. In 2018 the management team closed a deal worth EUR 8 million.
- The Private Equity team transferred the remaining companies in the Alantra PEF II portfolio to a new secondary vehicle in which the Partners Group and other investors hold stakes. This transaction sees Alantra PE improving the track record of Alantra PEF II, generating a return of

1.5x for its investors. The team also completed five investments, an add-on and three divestments.

- The Private Debt arm performed six new investments and three divestments and posted a return for its first fund of over 6% during the year, making it the top open-ended fund in terms of returns in its category in the Inverco ranking. Capital raised for the new debt fund also hit EUR 140 million.
- In the Real Estate arm, Alantra completed five investments totalling EUR 98 million.

## **Results**

### *Income and expenses*

Revenue amounted to EUR 200.9 million in 2018 (EUR 136.1 million reported in 2017).

The financial advisory business, which includes the M&A and corporate finance activities as well as the provision of research and brokerage services to institutional investors, generated EUR 134.8 million of revenue (EUR 91.7 million reported in 2017).

Revenue from the asset management business, meanwhile, amounted to EUR 64.9 million, up 50.5% from the EUR 43.2 million reported in 2017.

- Recurring fee revenue in the asset management business increased by 11.6%, from EUR 32.7 million in 2018 to EUR 29.3 million in 2017
- In addition, the Group accrued performance fees totalling EUR 32.2 million in 2018; these fees were generated primarily at private equity activities and QMC as described beforehand.

Operating expenses were 43.4% higher year-on-year at EUR 142.1 million in 2018, driven by the Group's growth and investment in new teams, most notably as part of the international expansion of its investment banking arm as well as the recruitment of new teams and employees with a more senior professional profile. The most significant effect was due to the inclusion of Alantra UK in the Group's scope. 2018 was therefore the first full year this company was included in the Group's scope of consolidation.

It is worth mentioning in the year 2018 the high figure corresponding to non-controlling interests, which difference with respect to the previous year is mainly due to the participation of certain non-controlling shareholders in the performance fees generated in private equity area.

The Group's own investment portfolio contributed finance income of EUR 5.6 million to net profits.

### *Net profit*

The profit attributable to owners of the Parent totalled EUR 35 million in 2018, up 15.6% from 2017 (EUR 30.3 million). Below are the consolidated statements of profit or loss for 2018 and 2017:

Thousand of euros	31/12/2018	31/12/2017	%
<b>Revenue</b>			
Investment Banking	134,760	91,699	47.0%
Asset Management	64,942	43,152	50.5%
<i>Management fee</i>	32,703	29,304	11.6%
<i>Success Fee</i>	32,239	13,848	132.8%
Other	1,188	1,276	(6.9%)
<b>TOTAL Revenue</b>	<b>200,890</b>	<b>136,127</b>	<b>47.6%</b>
<b>Other operating income</b>	<b>2</b>	<b>14</b>	<b>(85.9%)</b>
Personnel expenses	(101,240)	(71,145)	42.3%
<i>Fixed cost</i>	(52,553)	(36,477)	44.1%
<i>Variable cost</i>	(48,687)	(34,668)	40.4%
Other operating expenses	(35,831)	(27,114)	32.1%
Depreciation and amortisation	(2,086)	(825)	152.8%
Impairment losses and gains (losses) on disposal of non-current assets	(2,907)	-	
<b>TOTAL expenses</b>	<b>(142,064)</b>	<b>(99,084)</b>	<b>43.4%</b>
<b>Operating profit (loss)</b>	<b>58,828</b>	<b>37,057</b>	<b>58.7%</b>
Net finance income (expense) attributable to the portfolio	3,970	5,389	(26.3%)
Other net finance income (expense)	(2,661)	(1,183)	124.9%
<b>Net finance income (expense)</b>	<b>1,309</b>	<b>4,206</b>	<b>(68.9%)</b>
Share of profit (loss) of companies accounted for using the equity method	2,453	3,433	(28.5%)
Non-controlling interests	(14,083)	(3,878)	263.2%
Taxes	(13,476)	(10,502)	28.3%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT</b>	<b>35,031</b>	<b>30,316</b>	<b>15.6%</b>
<b>NET PROFIT (LOSS) OF THE FEE BUSINESS</b>	<b>30,849</b>	<b>26,388</b>	<b>16.9%</b>
<b>NET PROFIT (LOSS) OF THE PORTFOLIO</b>	<b>5,638</b>	<b>4,050</b>	<b>39.2%</b>
<b>ORDINARY NET PROFIT (LOSS)</b>	<b>36,487</b>	<b>30,438</b>	<b>19.9%</b>

### Balance sheet

Equity attributable to the controlling company totalled EUR 202.5 million at the 2018 reporting close. This is up slightly on the year-end 2017 figure of EUR 199.5 million. This is due to the capital increase in 2018 offsetting the negative impacts on reserves of the corporate actions preformed in 2018.

Total non-current assets on the consolidated statement of financial position amounted to EUR 137.3 million at the end of 2018, up EUR 14.6 million (net) year-on-year. This was primarily because of the investment commitments fulfilled during the period in vehicles in the Group's investment portfolio and new companies joining the Group (mainly impacting goodwill). This is despite the non-current assets on the consolidated

statement of financial position corresponding to the Wealth Management arm being reclassified to the Group's current assets as a result of the corporate action described beforehand.

Current assets on the consolidated statement of financial position totalled EUR 183.7 million, having increased due to the following:

- Reclassification of non-current assets on the consolidated statement of financial position corresponding to the Wealth Management arm to "Non-current assets held for sale".
- A larger balance of trade receivables as a result of an increase in the Group's operations.

"Cash and cash equivalents" on the consolidated statement of financial position, which remains practically the same as last year, despite the investments made during 2018 in new corporate actions and investment commitments in investment vehicles, have dipped slightly as well as dividends paid. Notably, the share of this balance corresponding to Wealth Management has been reclassified to current assets, as explained previously.

## **2.2 Environmental and personnel matters**

### **2.2.1 Environment**

Given the nature of the activity carried on by the Alantra Group companies, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to their net assets, financial position and earnings.

For this reason, these notes to the 2018 consolidated financial statements do not include specific itemisations with respect to information on environmental issues.

### **2.2.2 Personnel**

The information on questions relating to personnel of the entities in the Alantra Group is detailed in Notes 5 and 26 to the consolidated financial statements for 2018.

## **3. Liquidity and capital resources**

The Alantra Group has a solid statement of financial position liquidity position (more than EUR 100 million in liquidity, without including positions in monetary investments and short-term deposits in financial institutions). Furthermore, it has no financial indebtedness (see Glossary of Terms).

Capital is controlled and managed in consonance with the nature of the Alantra Group as a consolidated group of investment firms, analysing the capital bases (on a consolidated basis and separately for each of the regulated companies in the Alantra Group) and calculating capital adequacy ratios as provided in the rules and standards.

Note 22 to the consolidated financial statements includes more detailed information on capital management.

#### **4. Main risks and uncertainties**

##### *Dependence on the evolution of financial markets and sensitivity to changes in the macroeconomic situation*

The activities and services of the Company and its subsidiaries are strongly correlated with the evolution of financial markets. Adverse situations or changes in financial markets could have a significant negative impact on the activities and earnings of the Alantra Group. Specifically, that evolution could have a negative effect on each area of the Company's activity as follows:

- Risk associated with the financial advisory activity. The Group provides financial advisory services in corporate finance and capital structure primarily to small and mid-cap companies, and financial analysis and stock market brokerage services to institutional investors.

Services of this kind can be significantly affected by the general conditions in domestic and international financial markets and by the national and international macroeconomic situation prevailing from time to time. Accordingly, adverse situations or tightening of financial markets tend to reduce the number of corporate deal-making by the companies served by the Group's financial advisory activity, to less activity by customers of its brokerage services, and hence to less demand for the Group's services from its customers, which can hurt the Group's revenues.

- Risk associated with the asset management and advising activity. The Group manages and advises assets of varied nature. Adverse situations in financial markets would have a negative effect on the valuation of the assets managed by the Group and on its capacity to attract assets from new investors to the management or advisory activity. A favourable situation in financial markets is a key factor for promoting new investment vehicles and for their size. Tightening financial markets or a worsening of macroeconomic circumstances domestically or internationally would constrain the Group's capacity to attract assets and to promote the new investment vehicles that are one of its prime sources of recurring revenue.
- Risk associated with the investment activity. The Group's investment activity consists basically on investments in assets and products managed by the Company or its group or related to its management/advisory activity. Adverse events in the financial markets would have a negative impact on the value of the Group's portfolios.

##### *Liquidity risk*

Liquidity constraints have significant and varied effects on the different activities of the Group. In relation to the advisory business, liquidity restrictions will entail greater difficulties for executing corporate deals in which the Group can provide its services, and a lower volume of brokerage activity. The management/advisory activity will be affected by the risk of the investment vehicles managed failing to meet their liquidity commitments, be it vis-à-vis the investors or third parties, and the Group's own investment activity will be affected by the illiquidity of its portfolio positions and difficulty in disinvesting and obtaining liquidity to make new investments. Consequently, liquidity restrictions hurt the Company's capacity to obtain ordinary recurring revenue. Nevertheless, the Company has liquidity risk management mechanisms that are primarily based on anticipating stress scenarios and liquidity constraints to allow it to take measures to mitigate the risk.

### *Credit risk*

The Group is exposed to credit risk in relation to the possibility of its counterparties not fulfilling their commitments. That credit risk affects the Group in different ways depending on the specific activity involved.

In the corporate finance advisory activities, credit risk is limited to the risk of customers defaulting on the remuneration covenanted as consideration for the services they receive from the Group. Such non-payment of the Group's remuneration by customers would imply loss of projected revenues and have a negative effect on its earnings. The Group mitigates credit risk in the financial advisory activity by screening the prestige and creditworthiness of customers before approving any extension of credit. The Group also takes credit risk into consideration when designing its remuneration policy, particularly in relation to the variable components of remuneration.

The Group's intermediation activity carried on through its subsidiary Alantra Equities Sociedad de Valores, S.A. can increase its credit risk exposure if the customers of that subsidiary default on their settlement obligations in respect of the trades it brokers. This risk is managed by the Group using risk control procedures based on setting credit limits for its customers, service providers and other counterparties based on their net worth and solvency.

In the asset management activity, credit risk is limited by the Group's ability to invoice and assess management fees directly against the accounts that the vehicles it manages hold in their respective depository institutions or custodians. As a result, this risk is confined to the advisory activity for those vehicles.

### *Interest rate risk*

The Company and the vehicles managed by its subsidiaries may draw on outside financing in order to undertake their investments. This implies interest rate risk, as a rise in rates will have direct impact on the finance costs borne by the Group or its managed vehicles, as well as on their internal rates of return.

### *Other risks*

There are other risks (risk arising from guarantees granted in the financing agreements of investees, collateral, reputational risk, etc.) that can affect the Group.

## **5. Significant post-statement of financial position events**

There have been no material events between the close of the year and date of preparation of these consolidated financial statements other than those disclosed in the Notes.

## **6. Information on the projected performance of the entity**

The Alantra Group's statement of financial position is strong, giving it a sound base for steady progress towards meeting the Company's strategic goals:

- The financial advisory services business will continue to help drive the Group's international expansion, with the opening of offices in new countries and the consolidation of the new branches opened and



acquisitions made in the last three years, which are being reflected year-on-year in the Alantra Group's revenues.

- The Alantra Group's asset management business continues to make progress towards its goal of becoming a global leader in the mid-market sector with the recruitment of new professionals and the launch of a new generation of funds such as those detailed above in this management report (QMC III and the Alteralia II private debt fund which is currently attracting financing).
- It is also expected that the volume of assets managed by the Group's asset advisory business unit will increase in 2019 in line with the trend of recent years.

All of the above should, in any event, be evaluated by the light of the trends in capital markets and, in general, in the macroeconomic situation, both of which exert clear influence on the Company's activity.

This directors' report contains forward-looking statements on plans, projections and estimates by the directors that are based on assumptions they regard as reasonable. However, the user of this report should bear in mind that such forward-looking information offers no assurances as to the future performance of the entity, as those plans, projections and estimates are subject to numerous risks and uncertainties that imply that said future performance may differ from the initially projected performance. Those risks and uncertainties are described throughout the directors' report.

## **7. R&D and innovation activities**

The Group and its member companies have not carried on any research and development activity.

## **8. Acquisition and disposal of treasury shares**

The Alantra policy on treasury shares is approved by the Board of Directors of the Company on the basis of the general authorisation granted to the Board of Directors by the shareholders at the General Meeting of 27 April 2016 on the following terms:

- a. Types: sale-purchase, swap, loan, acceptance of treasury shares as collateral and enforcement of those guarantees granted for the benefit of the Company or of any of the companies in its group, dation in payment and, in general, any other type of acquisition for valuable consideration of outstanding, fully paid in shares permitted by law.
- b. Term of the authorisation: five years after the date of the resolution.
- c. Maximum number of shares that can be acquired: up to 10% of the Company's share capital existing from time to time or, if applicable, such higher figure as may be legally admissible during the term of this authorisation.
- d. Maximum and minimum prices: the minimum price will be equal to the nominal value and the maximum price will be up to 10% higher than the maximum price at which the shares were traded in the Continuous Market session of the day immediately preceding the acquisition. Notwithstanding the above, in the case of acquisition of own shares as a result of the exercise of rights or fulfilment of obligations under option, forward sale or similar contracts or agreements previously entered into by the Company or by members of its group (and, in particular, by way of illustration and without limitation, agreements with executives, employees or directors of the Company or its subsidiaries to buy back the Company they hold directly and indirectly in the event of departure from the group of

said executives, employees or directors), the price or consideration per share will range between a minimum equal to EUR 0.01 and a maximum of up to 10% higher than the maximum price at which the shares were freely traded (including in the block market) in the Continuous Market session of the day immediately preceding the day on which the treasury shares acquisition transaction is agreed, signed or executed, as applicable.

- e. Use of the shares: the shares acquired by the Company or its subsidiaries may, in full or in part, be disposed of or awarded to directors and employees of the Company, where such right has been recognised, either directly or as a result of the exercise of option rights they hold, for the purposes provided for in Article 146.1.a) of the Spanish Corporate Enterprises Act. They may also be used in programmes that foster equity ownership in the Company such as, for example, dividend reinvestment plans, loyalty bonuses or other similar arrangements.

The shares thus acquired will not have voting rights or any other non-financial rights, and their financial rights will be proportionally allocated to the rest of the shares, except for the right to bonus shares, in accordance with the terms of Article 148.a) of the Spanish Corporate Enterprises Act. The authorisation supersedes the authorisation granted by the General Meeting of shareholders of 11 June 2014 for derivative acquisition of treasury shares.

The Company's Internal Rules of Conduct regulate certain obligations which the Company must fulfil in development of its treasury stock policy. In this regard, Article 12.2 of the Internal Rules of Conduct provides the Company must always act within the limits of the authorisation granted by the General Shareholders' Meeting and the transactions must in all cases involve the execution of specific purchase programmes and plans; the delivery of treasury shares in future corporate deals; or other legitimate purposes admissible under the applicable laws and regulations, such as augmenting the liquidity and regularity of trading in the Company's shares.

In any event, the Company's treasury stock policy will in no event aim to intervene in the free formation of prices and will always be carried out in the interests of the Company and its shareholders.

The information on the Company's treasury shares is described in detail in Note 15 to the accompanying consolidated financial statements.

## **9. Other material information**

### *9.1 Stock market performance*

During 2018 the share appreciated 2.2%. The Ibex 35 decreased 15.3% and the Ibex Small Caps fell 9%.

The share had a trading volume of 2.63 million shares for the year.

### *9.2 Dividend policy*

On 25 April 2018 the General Meeting approved the distribution of a dividend (comprising a final dividend and interim dividend for 2018) of EUR 13,768 thousand, equivalent to EUR 0.37192103 (gross) per share. This was paid to shareholders on 11 May 2018. This pay-out meant that all the net profit from 2017 has been distributed.

The Company's Board of Directors resolved at a meeting on 5 December 2018 to distribute an interim dividend of EUR 0.50 per share against 2018 profit. This dividend was paid to shareholders on 17 December 2018 and totalled EUR 18,978 thousand.

The Board of Directors intends to propose to the General Meeting the distribution of a dividend (comprising an interim dividend and final dividend for 2019) of EUR 0.41 per share. Combined with the interim dividend in the previous paragraph, this will see total shareholder remuneration corresponding to 2018 profit standing at EUR 0.91 per share (+52% versus 2016 and +8% compared to 2017), with a pay-out of 100%.

At EUR 0.93 per share, earnings per share have increased by 26% since 2016 and 9% since 2017.

These dividend distributions reflect the Group's determination to guarantee high shareholder remunerations, which it expects to maintain in the future.

#### *9.3 Average payment period to suppliers*

The information on the average payment period to suppliers is given in Note 27.a) to the accompanying consolidated financial statements.

#### *9.4 Customer service office*

The information on the customer service office is given in Note 2.12 to the accompanying consolidated financial statements.

### **Annual Corporate Governance Report**



## ANNUAL CORPORATE GOVERNANCE REPORT ON PUBLICLY TRADED COMPANIES

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### ISSUER IDENTIFICATION

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REFERENCE YEAR END DATE:

[ 31/12/2018 ]

TAX ID No.

[ A81862724 ]

Registered Name:

[ ALANTRA PARTNERS, S.A. ]

Registered Address

[ JOSÉ ORTEGA Y GASSET, NÚMERO 29 MADRID ]

## A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
21/09/2018	115,894,212.00	38,631,404	38,631,404

Indicate whether different types of shares exist with different associated rights:

☐ Yes

☒ No

A.2. List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors:

Name or corporate name of shareholder	% of voting rights attributed to shares		% of voting rights via financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
STAR INTERNATIONAL COMPANY, INC	4.42	0.00	0.00	0.00	4.42
ANPORA PATRIMONIO S.À.R.L.	18.19	0.00	0.00	0.00	18.19

Breakdown of indirect holding:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of voting rights attributed to shares	% of voting rights via financial instruments	% of total voting rights
STAR INTERNATIONAL COMPANY, INC	STARR INTERNATIONAL, AG	4.42	0.00	4.42
ANPORA PATRIMONIO S.À.R.L.	TAIKO, S.A.	18.19	0.00	18.19
ANPORA PATRIMONIO S.À.R.L.	RICARDO PORTABELLA PERALTA	18.19	0.00	18.19

Indicate the most significant movements in the shareholder structure during the year:

**A.3.** Complete the following tables on company directors holding voting rights through company shares:

Name or corporate name of director	% of voting rights attributed to shares		% of voting rights via financial instruments		% of total voting rights	% of voting rights that can be transferred via financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. SANTIAGO EGUIDAZU MAYOR	2.68	14.81	0.00	0.00	17.49	0.00	0.00
MR. SANTIAGO BERGARECHE BUSQUET	0.01	0.03	0.00	0.00	0.04	0.00	0.00
MR. JOSÉ JAVIER CARRETERO MANZANO	0.05	0.00	0.00	0.00	0.05	0.00	0.00
MR. JOSÉ ANTONIO ABAD ZORRILLA	0.42	6.74	0.00	0.00	7.16	0.00	0.00
MR. JORGE MATAIX ENTERO	0.65	6.48	0.00	0.00	7.13	0.00	0.00
% total voting rights held by the board of directors						31.87	

Breakdown of the indirect holding:

Name or corporate name of director	Personal or corporate name of direct owner	% of voting rights attributed to shares	% of voting rights via financial instruments	% of total voting rights	% of voting rights that can be transferred via financial instruments
MR. SANTIAGO BERGARECHE BUSQUET	KARENZA INVERSIONES SICAV, S.A.	0.02	0.00	0.02	0.00
MR. SANTIAGO EGUIDAZU MAYOR	CERTIMAB CONTROL, S.L.	14.81	0.00	14.81	0.00

Name or corporate name of director	Personal or corporate name of direct owner	% of voting rights attributed to shares	% of voting rights via financial instruments	% of total voting rights	% of voting rights that can be transferred via financial instruments
MR. JOSÉ ANTONIO ABAD ZORRILLA	AV MÁLAGA CAPITAL, S.L.	6.74	0.00	6.74	0.00
MR. JORGE MATAIX ENTERO	VIVIENDAS VACACIONALES DE CANTABRIA, S.L.	6.48	0.00	6.48	0.00

**A.4.** Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except those indicated in A.6:

Personal or corporate name of related parties	Relationship	Brief description
None		

**A.5.** Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Personal or corporate name of related parties	Relationship	Brief description
None		

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 legal person directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders or related to significant shareholders and/or companies in their 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 in companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Personal or corporate name of related director or representative	Personal or corporate name of related significant shareholder	Corporate name of the group company of the significant shareholder	Description of relationship/post
MR. JOSEP PIQUÉ CAMPS	MR. RICARDO PORTABELLA PERALTA	ANPORA PATRIMONIO S.A.R.L.	Mr. Josep Piqué was named proprietary director of Alantra Partners in representation of indirect shareholder Ricardo Portabella Peralta. Mr. Ricardo Portabella controls the company Anpora Patrimonio S.à.r.l., direct owner of the voting rights in Alantra Partners.

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital or LSC). Provide a brief description and list the shareholders bound by the agreement, as applicable:

[ ☒ ] Yes  
[ ☐ ] No

Parties to the shareholders' agreement	% of share capital	Brief description of the agreement	Expiry date of the agreement, if it has
ALANTRA PARTNERS, S.A., ALANTRA INTERNATIONAL CORPORATE DEUTSCHLAND GMBH, DON WOLFRAM SCHMERL, DON JUAN CARLOS	1.56	As a result of the entry into the shareholder base of Alantra Partners, S.A. (the "Company") of the Shareholders") of the Alantra group (Alantra Deutschland GmbH) by way of subscription of 604,124 shares in a	13/12/2020



Parties to the shareholders' agreement	% of share capital involved	Brief description of the agreement	Expiry date of the agreement, if it has one
<p>MONTOYA GÓMEZ, MR JENS PETER SCHMADEL, DON ROBERT VON FINCKENSTEIN, MR BERND SCHNEIDER, DON CHRISTOPH HEINRICH HANDRUP, MR KONSTANTIN KASTIUS, MR MAXIMILIAN ANDREAS ROHARDT, MR CHRISTOPHER JOBST</p>		<p>capital increase against a non-monetary contribution approved at the Extraordinary General Meeting of 13 December 2016, there came into effect certain shareholders' covenants that restrict or condition the free transferability of the German Shareholders' shares in the Company. Said covenants are contained in a shareholders' agreement signed on 26 September 2016 (the "Shareholders' Agreements of the German Shareholders").</p>	
<p>ALANTRA FRANCE CORPORATE FINANCE SAS, ALANTRA PARTNERS, S.A., ALANTRA INTERNATIONAL CORPORATE ADVISORY, S.L., MR FRANCK PORTAIS, MR FLORIAN TOUCHARD, MR FRANCK NOAT, MR OLIVIER GUIGNON, MS ORIANE DURVYE</p>	1.57	<p>As a result of the entry into the shareholder base of Alantra Partners, S.A. (the "Company") of the shareholders of the French subsidiary (the "French Shareholders") of the Alantra group (Alantra France Corporate Finance SAS) by way of subscription of 608,955 shares in a capital increase against a non-monetary contribution approved at the Extraordinary General Meeting of 25 July 2018, there came into effect certain shareholders' covenants that restrict or condition the free transferability of the French Shareholders' shares in the Company. Said covenants are contained in a shareholders' agreement signed on 4 July 2018 (the "Shareholders' Agreements of the French Shareholders").</p>	01/01/2024
<p>ALANTRA SRL, ALANTRA PARTNERS, S.A., ALANTRA INTERNATIONAL CORPORATE ADVISORY, S.L., MR STEFANO BELLAVITA, MR MARCELLO RIZZO, MR LORENZO ASTOLFI</p>	0.72	<p>As a result of the entry into the shareholder base of Alantra Partners, S.A. (the "Company") of the shareholders of the Italian subsidiary (the "Company") of the shareholders of Italian subsidiary ("Italian Shareholders") of the Alantra group (Alantra Srl) by way of subscription of 278,409 shares in a capital increase against a non-monetary contribution approved at the Extraordinary General Meeting of 25 July 2018, there came into effect certain shareholders' covenants that restrict or condition the free transferability of the Italian Shareholders' shares in the Company.</p>	01/01/2024

Parties to the shareholders' agreement	% of share capital involved	Brief description of the agreement	Expiry date of the agreement, if it has one
		Said covenants are contained in a shareholders' agreement signed on 4 July 2018 (the "Shareholders' Agreements of the Italian Shareholders").	
ALANTRA AG, ALANTRA PARTNERS, S.A., ALANTRA INTERNATIONAL CORPORATE ADVISORY, S.L., DON KURT RÜEGG, DON MARTIN MENZI	1.48	As a result of the entry into the shareholder base of Alantra Partners, S.A. (the "Company") of the shareholders of the Swiss subsidiary (the "Swiss Shareholders") of the Alantra group (Alantra AG) by way of subscription of 571,488 shares in a capital increase against a non-monetary contribution approved at the Extraordinary General Meeting of 25 July 2018, there came into effect certain shareholders' covenants that restrict or condition the free transferability of the Swiss Shareholders' shares in the Company. Said covenants are contained in a shareholders' agreement signed on 4 July 2018 (the "Shareholders' Agreements of the Swiss Shareholders").	01/01/2024
RADIANT ASSOCIATES, INC, EAST INDIA, INC, THE ROUNDTREE COMPANY, VIKING ACQUISITION GROUP, INC, UPPER PARTNERS, LLC, ALANTRA PARTNERS, S.A., ALANTRA INTERNATIONAL CORPORATE ADVISORY, S.L., DON FRANK MERKEL, DON PAUL A. COLONE	3.54	As a result of the entry into the Company's shareholder base of the shareholders of the American subsidiary (the "American Shareholders") of the Alantra group (Upper Partners, LLC), by way of subscription of 1,262,652 shares (the "Shares") in a capital increase setting off a loan approved at the Extraordinary General Meeting held on 13 December 2016, there came into effect certain shareholders' covenants that restrict or condition the free transferability of the Shares (the "Shareholder's Agreement of the American Shareholders") and which are set out in the following documents: a. Shareholders' Covenants contained the sale-purchase contract of 24 November 2015, for acquisition of all Downer & Company, LLC shares (the "Sale-Purchase Contract"). b. Shareholders Covenants contained in the Transaction	01/02/2020

Parties to the shareholders' agreement	% of share capital	Brief description of the agreement	Expiry date of the agreement, if it has
		Covenants Agreement of 27 April 2016 (the "Transaction Agreement").	
DON GONZALO LÓPEZ PORTILLO, DON GONZALO DE RIVERA GARCÍA DE LEÁNIZ, DOÑA MARÍA JESÚS GARCÍA POZO, DON CARLOS RODRÍGUEZ-VIÑA NIETO, DON JULIÁN CEPEDA HERREROS, DON ROBERTO LEÓN GARCÍA, DON GUILLERMO ARBOLÍ RODRÍGUEZ, DON JAVIER ARANA AGUINAGA, DON FRANCISCO ALBELLA AMIGO, DON FRANCISCO IGNACIO DE CACERES CABRERO, DON FEDERICO PASTOR ARNAUDA, DON BRUNO DELGADO DE LUQUE, DON LUIS ALTAREJOS JIMÉNEZ, DON JAIME PORRAS LÓPEZ, DON LUIS IGLESIAS ROVIRA, DON OSCAR GARCÍA CABEZA, DON PABLO ROSAL MUNTADAS-PRIM, DON JORGE MATAIX ENTERO, DON MARIANO MORENO HERNÁNDEZ, DON MIGUEL HERNÁNDEZ MAESTRO, DOÑA PATRICIA PASCUAL RAMSAY, DON FRANCISCO DE JUAN URIARTE, DON SANTIAGO EGUIDAZU MAYOR, DON JOSÉ ANTONIO ABAD ZORRILLA, DON DAVID SANTOS MARTINEZ, DON JACOBO LLANZA FIGUEROA, DIRERVALOR, S.A., ALANTRA PARTNERS, S.A., CERTIMAB CONTROL, S.L., AV MÁLAGA CAPITAL, S.L., DON LORENZO ASTOLFI	51.46	On 26 March 2015, the shareholders of N Más Uno IBG, S.A. (now merged with Alantra Partners, S.A., previously called Nmás1 Dinamia, S.A.) signed an "Undertaking of No Competition and Covenants in the Event of Departure of Professional Shareholders", which was notarised on that date before Madrid notary public Mr. Manuel Richi Alberti under number 907 of his notary record. The agreement was signed for the purpose of having the shareholders of Alantra Partners, S.A. who came from N Más Uno IBG, S.A. who, after the aforesaid merger, would continue to work in Alantra Partners, S.A. or in its group, undertake certain no-competition covenants and, on that basis, setting out certain obligations to sell their shares of the Company if they were to terminate within a specified timeframe their employment or commercial relationship within Alantra Partners, S.A. or with its group companies.	07/2019

Parties to the shareholders' agreement	% of share capital involved	Brief description of the agreement	Expiry date of the agreement, if it has one
DON LORENZO MARTÍNEZ MÁRQUEZ, DON GONZALO LÓPEZ PORTILLO, DON ANA MARÍA VIZCAÍNO OCHOA, DON JOSE LUIS DEL RÍO GALÁN, DON GONZALO DE RIVERA GARCÍA DE LEÁNIZ, DOÑA MARÍA JESÚS GARCÍA POZO, ANPORA PATRIMONIO S.L., DON CARLOS RODRÍGUEZ-VIÑA NIETO, DON JULIÁN CEPEDA HERREROS, DON ROBERTO LEÓN GARCÍA, DON GUILLERMO ARBOLÍ RODRÍGUEZ, DON JAVIER ARANA AGUINAGA, DON FRANCISCO ALBELLA AMIGO, DON FRANCISCO IGNACIO DE CACERES CABRERO, DON FEDERICO PASTOR ARNAUDA, DON BRUNO DELGADO DE LUQUE, DON LUIS ALTAREJOS JIMÉNEZ, DON JAIME PORRAS LÓPEZ, DON LUIS IGLESIAS ROVIRA, DON FERMÍN MATESANZ POSTIGO, DON OSCAR GARCÍA CABEZA, DON PABLO ROSAL MUNTADAS-PRIM, DON CARLOS HERNÁNDEZ BUENO, DON JORGE MATAIX ENTERO, DON MARIANO MORENO HERNÁNDEZ, DON MIGUEL HERNÁNDEZ MAESTRO, DOÑA PATRICIA PASCUAL RAMSAY, DON FRANCISCO DE JUAN URIARTE, DON SANTIAGO EGUIDAZU MAYOR, DON JOSÉ ANTONIO ABAD ZORRILLA, DON DAVID SANTOS	74.69	On 26 March 2015, the shareholders of N Más Uno IBG, S.A. (now merged with Alantra Partners, S.A., formerly Nmás1 Dinamia, S.A.) signed a "Share Lockup Covenant", which was notarised on that date before Madrid notary public Mr. Manuel Richi Alberti under number 906 of his notary record. The agreement was signed for the purpose of having the shareholders of Alantra Partners, S.A. who came from N Más Uno IBG, S.A. undertake certain commitments not to transfer the shares of Alantra Partners, S.A. obtained in the merger with the latter	07/2019

Parties to the shareholders' agreement	% of share capital involved	Brief description of the agreement	Expiry date of the agreement, if it has one
MARTINEZ, DON JACOBO LLANZA FIGUEROA, DON CRISTÓBAL RODRÍGUEZ AGUIRRE, DIRERVALOR, S.A., CERTIMAB CONTROL, S.L., AV MÁLAGA CAPITAL, S.L., DON LORENZO ASTOLFI			
DON MARK TIMOTHY FARLOW, DON JAMIE RICHARD HOPE, DON RICHARD JOHN SANDERS, DON ANDREW JOHN SHELLARD, DON SIMON ROBERT PEACOCK, DON JEREMY HARRISON, DON ALEXANDER MARK WILSON, DON KEITH ANDREW PICKERING, DON STEPHEN PAUL CURRIE, DON JUSTIN PHILIP ROSS CROWTHER, DON ROBERT HUGH PEARCE, DON EMMET JAMES KEATING, DON RICHARD ALEXANDER DAVID HOLDEN, DON PAUL DAVID VANSTONE, DON JAMES ANDREW HILSTON CURRIE, ALANTRA PARTNERS, S.A.	4.23	In the context of the Company's acquisition of 100% of Catalyst Corporate Finance LLP ("Catalyst"), a company based in the United Kingdom, as a result of the entry in the Company's shareholder base of the shareholders of Catalyst ("Catalyst Shareholders") by way of the subscription of 1,635,592 shares (the "Shares") in a capital increase against a non-monetary contribution approved at the Extraordinary General Meeting of 21 November 2017, certain shareholders' agreements came into effect that restrict or condition of the free transferability of the Shares (the "Catalyst Shareholders' Agreement") and which are contained: i) In 15 "Lock-In and Call Option Deed" contracts dated 29 November 2017 signed by each of the 15 natural persons who have transferred 100% of Catalyst to the Company; and ii) In a "Warehouse LLP Deed" contract dated 29 November 2017.	30/06/2021

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

☐ Yes  
☒ No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8. Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 5 of the Spanish Securities Market Act (Ley del Mercado de Valores). If so, identify:

☐ Yes  
☒ No

A.9 Complete the following tables on the company's treasury shares:

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
103,941		0.27

(\*) Through:

Personal or corporate name of the direct owner of the holding	Number of direct shares
No data	

Give details of any significant changes during the year:

Significant changes
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In December 2018 it was resolved to assign 50,000 of the 153,941 shares held by the Company as treasury stock to an employee of the Alantra Group.

**A.10. Give details of the applicable conditions and time periods governing any resolutions of the general shareholders' meeting to issue, buy back and/or transfer treasury shares:**

The Annual General Shareholders' Meeting of 27 April 2016 authorised the Company's Board of Directors to, in the name of the Company, resolve to carry out a derivative acquisition of treasury shares and to subsequently dispose of those shares.

1.Types: sale-purchase, swap, loan, acceptance of treasury shares as collateral and enforcement of those guarantees granted for the benefit of the Company or of any of the companies in its group, dation in payment and, in general, any other type of acquisition for valuable consideration of outstanding, fully paid in shares permitted by law.

2.Term of the authorisation: five years after the date of the resolution.

3.Maximum number of shares that can be acquired: up to 10% of the Company's share capital existing from time to time or, if applicable, such higher figure as may be legally admissible during the term of this authorisation.

4.Maximum and minimum prices: the minimum price will be equal to the nominal value and the maximum price will be up to 10% higher than the maximum price at which the shares were freely traded in the Continuous Market session of the day immediately preceding the acquisition. Notwithstanding the above, in the case of acquisition of own shares as a result of the exercise of rights or fulfilment of obligations under option, forward sale or similar contracts or agreements previously entered into by the Company or by members of its group (and, in particular, by way of illustration and without limitation, agreements with executives, employees or directors of the Company or its subsidiaries to buy back the Company they hold directly and indirectly in the event of departure from the group of said executives, employees or directors), the price or consideration per share will range between a minimum equal to 0.01 euros and a maximum of up to 10% higher than the maximum price at which the shares were freely traded (including in the block market) in the Continuous Market session of the day immediately preceding the day on which the treasury shares acquisition transaction is agreed, signed or executed, as applicable.

5.Use of the shares: the shares acquired by the Company or its subsidiaries may, in full or in part, be disposed of or awarded to directors and employees of the Company, where such right has been recognised, either directly or as a result of the exercise of option rights they hold, for the purposes provided for in Article 146.1.a) of the Spanish Corporate Enterprises Act. They may also be used in programmes that foster equity ownership in the Company such as, for example, dividend reinvestment plans, loyalty bonuses or other similar arrangements.

The shares thus acquired will not have any non-financial right, including voting rights, and their economic rights will be proportionally allocated to the rest of the shares, except for the right to bonus shares, in accordance with the terms of Article 148.a) of the Spanish Corporate Enterprises Act.

The authorisation supersedes the authorisation granted by the General Meeting of shareholders of 11 June 2014 for derivative acquisition of treasury shares.

**A.11. Estimated free float:**

	%
Estimated free float	16.41

**A.12.** Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market, and such rules on prior authorisation or notification as may be applicable under sector regulations to acquisitions or transfers of the company's financial instruments.

[ ☒ ] Yes  
 [ ☐ ] No

#### Description of restrictions

(A) Shareholders party to the "Share Lock-up Commitments" signed on 26 March 2015 and recorded as a public deed on the same date before the Madrid notary, Mr. Manuel Richi Alberti, and filed under entry 906 of his register, agreed before the other shareholders and before the Company not to offer, pledge, sell or transfer or dispose of in any other way, directly or indirectly, in whole or in part, their shares (including, but not limited to, granting call options, guaranteeing or subscribing put options, subscribing swap contracts, or any other type of contract involving the direct or indirect transfer of all or some of the economic rights inherent to the shares, and any other equivalent transaction) to third parties during the periods and in the proportions set forth below.

Said share lock-up commitment assumed by each professional shareholder (understood as those employed in the Alantra Group) will affect all shares acquired through the exchange as part of the Merger for a period of four (4) years as from 20 July 2015, in the following proportions:

- (i) 100% of the shares over the first two (2) years;
- (ii) 75% of these shares between the second and third anniversaries; and
- (iii) 50% of these shares between the third and fourth anniversaries.

The share lock-up commitment assumed by so-called external senior shareholders (understood to mean Jorge Mataix Entero and José Antonio Abad and their respective holding companies) will affect all shares acquired by them through the exchange as part of the Merger for a period of eighteen (18) months as from 20 July 2015.

The lock-up commitment described above would be automatically rendered null and void in the following circumstances:

- In relation to all shareholders and to all of their shares:

- i) if one year after 20 July 2015, the Company's share capital is more than 50% higher than the share capital figure resulting from the Merger as the result of one or more corporate transactions; and
- (ii) in the event of a tender offer for the Company and for purposes of accepting such offer.

"Merger" means the merger by which Dinamia Capital Privado SCR, S.A. (subsequently called Nmás1 Dinamia, S.A. and now Alantra Partners, S.A.) took over by merger N más Uno IBG, S.A., as set out in the deed of merger by takeover executed before Madrid notary public Mr. Antonio Morenés Giles on 7 July 2015 under number 1179 of his notary record and registered in the Commercial Registry of Madrid.

(B) The German Shareholders subject to the German Shareholders' Agreement of 26 September 2016 are subject to a share lock-up of 4 years reckoned from 21 December 2016. During that time, the German Shareholders shall not (directly or indirectly) offer, sell, alienate, donate, assign (as guarantor or in any other way), mortgage, pledge, grant, transfer, encumber or subrogate an interest (legal or beneficial) in relation to the Shares of the Company.

(C) The American Shareholders subject to the American Shareholders' Agreement of 27 September 2016 are subject to a share lock-up of 4 years reckoned from 1 January 2016. During that time, the American Shareholders shall not offer, sell, lease, donate, assign, mortgage, pledge, grant, encumber, bequeath, transfer, alienate (whether directly or indirectly) interest in the Shares.

(D) The Catalyst shareholders that signed the Catalyst Shareholders' Agreement of 29 November 2017, which came into force when they acquired an interest in the Company through a capital increase by way of a non-monetary contribution of shares approved by the Extraordinary General Meeting held on 21 November 2017, are subject to the following restrictions on the transfer of their shares:

10 individuals (holders of 1,177,546 shares) may not transfer their shares before 30 June 2023.

5 individuals (holders of 184,902 shares) may not transfer their shares before 30 June 2021

(E) French and Italian shareholders subject to Shareholders' Agreement are subject to a share lock-up of 6 years reckoned from 1 January 2018.

(F) Swiss shareholders subject to Shareholders' Agreement are subject to a share lock-up of 6 years reckoned from 1 January 2018.



A.13. Indicate whether the general shareholders' meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

☐ Yes  
☒ No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.14. Indicate whether the company has issued securities not traded in a regulated market of the European Union.

☐ Yes  
☒ No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer:

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## B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate the quorum required for constitution of the general shareholders' meeting established in the company's Bylaws. Describe how it differs from the system of minimum quorums established in the LSC:

☐ Yes  
☒ No

**B.2.** Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC:

☐ Yes  
☒ No

**B.3.** Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

Only the General Meeting can authorise any amendments to the Company's By-laws, in accordance with the Law, Article 13 of the Company's By-laws and Article 19 of the Regulations of the General Meeting. In this regard, Article 19.1 of the Regulations of the General Meeting establishes that an absolute majority would be required to approve any amendments to the By-laws if over 50% of the shares are present or represented at the Meeting. However, at least two thirds of the shares present or represented at the Meeting must vote in favour when at the second call, the meeting is attended by shareholders representing less than 50% of the issued capital with the right to vote.

**B.4.** Indicate the attendance figures for the general shareholders' meetings held during the year:

% remote voting – Electronic Means	% remote voting – Electronic Means	% remote voting – Electronic Means	% remote voting – Electronic Means	% remote voting – Electronic Means	% remote voting – Electronic Means
27/04/2016	34.32	42.39	0.00	0.00	76.71
Of which, floating capital	0.10	4.19	0.00	0.00	4.29
13/12/2016	35.55	48.55	0.00	0.00	84.10
Of which, floating capital	0.10	3.66	0.00	0.00	3.76
25/04/2017	35.00	49.84	0.00	0.00	84.84
Of which, floating capital	1.18	5.05	0.00	0.00	6.23
21/11/2017	47.38	37.04	0.00	0.00	84.42
Of which, floating capital	1.47	4.16	0.00	0.00	5.63
25/04/2018	51.33	28.68	0.00	0.00	80.01
Of which, floating capital	0.35	5.91	0.00	0.00	6.26
25/07/2018	49.29	29.79	0.00	0.00	79.08
Of which, floating capital	1.49	12.01	0.00	0.00	13.50

**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. Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the general shareholders' meetings:

☐ Yes  
☒ No

B.7. State whether it has been stipulated that certain decisions other than those mandated 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. Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on general meetings which must be made available to shareholders on the website:

The Company's website address is [www.alantra.com](http://www.alantra.com), which includes information for shareholders and investors and the documents required by Law. The Corporate Governance content is accessed by clicking on the "shareholders and investors" tab at the top of the page. This opens a menu on the left hand side which includes a section entitled "Corporate Governance". The information about corporate governance and General Meetings is also available on the website of the CNMV ([www.cnmv.es](http://www.cnmv.es)).

## C. COMPANY MANAGEMENT STRUCTURE

### C.1. Board of directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws and the number set by the general meeting:

Maximum number of directors	12
Minimum number of directors	5
Number of directors set by the general meeting	9

C.1.2 Complete the following table with board members' details:

Name or corporate name of director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MR. SANTIAGO EGUIDAZU MAYOR		Executive	CHAIRMAN	09/07/2015	09/07/2015	Vote in general shareholders' meeting
MR. SANTIAGO BERGARECHE BUSQUET		Other External	VICE - CHAIRMAN	11/12/2002	25/04/2018	Vote in general shareholders' meeting
MR. LUIS CARLOS CROISSIER BATISTA		Independent	LEAD INDEPENDENT DIRECTOR	22/07/2015	17/12/2015	Vote in general shareholders' meeting
MR. JOSÉ JAVIER CARRETERO MANZANO		Independent	MEMBER	20/03/2012	25/04/2017	Vote in general shareholders' meeting
MR. JOSÉ ANTONIO ABAD ZORRILLA		Proprietary	MEMBER	09/07/2015	09/07/2015	Vote in general shareholders' meeting
MR. JORGE MATAIX ENTERO		Proprietary	MEMBER	09/07/2015	09/07/2015	Vote in general shareholders' meeting

Name or corporate name of director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MR. ALFRED MERTON VINTON		Other extern	MEMBER	11/11/1997	11/06/2014	Vote in general shareholders' meeting
MS. MARÍA LUISA GARAÑA CORCES		Independent	MEMBER	22/07/2015	17/12/2015	Vote in general shareholders' meeting
MR. JOSEP PIQUÉ CAMPS		Proprietary	MEMBER	21/03/2018	25/04/2018	Vote in general shareholders' meeting

Total Number of Directors	9
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State if any directors, whether through resignation, dismissal or any other reason, have departed from the board of directors during the reporting period:

Name or corporate name of director	Category of director	Date of last appointment	Date of departure	Board committees of which director was member	State whether departure was prior to end of term of office
MR. RICARDO PORTABELLA PERALTA	Proprietary	30/05/2017	21/03/2018	None	Yes

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS		
Personal or corporate name of the director	Position held in the company	Profile
MR. SANTIAGO EGUIDAZU MAYOR	Executive Chairman	Santiago Eguidazu Mayor holds a licentiate in Economics and Business Studies and is a member of the State Corps of Trade Experts and Economists, and holds a Master's in Philosophy. Mr. Eguidazu is the founding partner of Alantra and Executive Chairman of the Board of Directors of the Alantra Group. He is author of the book <i>Creación de valor y gobierno de la empresa</i> (Creation of Value and Corporate Governance) and editor in the Avarigani Editores

Total number of executive directors	1
% of the Board	11.11

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing appointment	Profile
MR. JOSÉ ANTONIO ABAD ZORRILLA	AV MÁLAGA CAPITAL, S.L.	José Antonio Abad Zorrilla holds a licentiate in Economics and Business Studies from the Universidad Autónoma de Madrid. Mr. Abad began his career in Arthur Andersen and has headed the Corporate Finance area and been a member of the management committee of AB Asesores and of Morgan Stanley Dean Witter. Mr. José Antonio Abad Zorrilla was a member of the boards of directors of the Hagemeyer España Group and of DHL España, as well as a member of the executive committee of the Asociación Española de Ejecutivos de Finanzas (Spanish Association of Finance Executives). He is one of the founding partners of Alantra and Vice Chairman from 2000 to 2016.
MR. JORGE MATAIX ENTERO	VIVIENDAS VACACIONALES DE CANTABRIA, S.L.	Jorge Mataix Entero holds a licentiate in Law and Economics from the Universidad Pontificia de Comillas (ICADE). Mr. Mataix has worked at JP Morgan Chase (New York), in the corporate banking division, and at Acciona, as head of corporate development. In 1992 he joined the AB Asesores Group as head of the Private Equity area and from 2000 to 2016 he served as Vice Chairman of Alantra
MR. JOSEP PIQUÉ CAMPS	ANPORA PATRIMONIO S.L.	Josep Piqué Camps holds a licentiate and doctorate in Economics and Business Studies from the Universidad de Barcelona and a licentiate in Law from the same university. He has been a professor of Economics Theory since 1984 and Chief Economist at the research arm of "la Caixa". In the political arena, he has served as Minister of Industry and Energy, Minister Spokesperson for the Government, Minister of Foreign Affairs and Minister of Science and Technology, as well as member of the Spanish Parliament and Senate and member of the Parliament of Catalonia. In the private sector, he has been the chairman of Ercros, Fertiberia and Erkimia, chairman of Vueling Airlines, and vice chairman and CEO of OHL, amongst other corporate responsibilities. He currently holds directorships in SEAT, VW Navarra and Abengoa, and is chairman of Industria de Turbopropulsores, S.A. In the past he served as president of Círculo de Economía and is currently Vice President of the Círculo de Empresarios and of the Fundación España Constitucional, and president of the Fundación Iberoamericana Empresarial, of the Fundación Consejo España-Japan, and of "CITPax", amongst others.
Total number of proprietary directors		3
% of the Board		33.33

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of director	Profile
MR. JOSÉ JAVIER CARRETERO MANZANO	José Javier Carretero Manzano holds a higher industrial engineering degree from the Universidad Pontificia de Comillas (ICAI)) and Master's in Economics and Business Administration from IESE. Mr. Carretero has pursued his career in the industrial sector and, amongst other positions, has been Chief Executive Officer for LATAM in Iberia de Ferrol España, S.A., member of the Board of Directors of Metaliberica, High Tech Hoteles, Dinamia and General Manager of the Chamber of Commerce of Spain.
MR. LUIS CARLOS CROISSIER BATISTA	Luis Carlos Croissier Batista holds a licentiate in Economics from the Universidad Complutense de Madrid and graduated from the third cycle of Paris-Sorbonne University. He is a member of the General Technical Corps of the State Civil Administration (Cuerpo General Técnico de la Administración Civil del Estado) and, amongst other offices, has served as Chief Deputy Director General of the Budget Office of the Ministry of Industry and Energy and Undersecretary of the Ministry of Industry and Energy. He has also served as president of Spain's government industrial holding company, the Instituto Nacional de Industria, in the Minister of Industry and Energy and as president of the Spanish securities markets regulator (Comisión Nacional del Mercado de Valores or CNMV). Since 1996 Mr. Croissier has pursued his professional career as an international consultant. Mr. Croissier is an independent director of Repsol and of Adveo.
MS. MARÍA LUISA GARAÑA CORCES	Maria Garaña Corces holds a licentiate in Law and Business Administration from the Universidad de San Pablo (CEU). She earned her university degree with the highest honours and also has a diploma in International Trade from the University of California at Berkeley and a Master in Business Administration (MBA) from Harvard University (Boston). Since 1992, Ms. Garaña has pursued her professional career in diverse sectors, such as sales, marketing, distribution and business development in different countries. Until December 2017, Ms. Garaña was Vice President of EMEA Microsoft Business Solutions. At present she is General Manager in Google for Europe, Middle East and Africa in the professional services division, based in London. She also holds directorships in Liberbank and in Distribuidora Internacional de Alimentación, S.A. (DIA).

Number of independent directors	3
% of the Board	33.33

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

Name or corporate name of director	Relationship description	Statement
No data		

OTHER EXTERNAL DIRECTORS			
Identify all other external directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:			
Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile
MR. SANTIAGO BERGARECHE BUSQUET	Mr. Bergareche has been reclassified as other external director pursuant to Article 529 k 4.i) of the Spanish Limited Liability Companies Act, which prohibits anyone from being classified as an independent director when they have served as a director for more than 12 years	ALANTRA PARTNERS, S.A.	Santiago Bergareche Busquet holds a licentiate in Economics and Law from the Universidad de Deusto. At present he is Vice Chairman of Grupo Ferrovial, S.A. He joined the Ferrovial group as Chairman of Agromán and, in 1999, was appointed CEO of Ferrovial, office that he held until 2002.  Mr. Bergareche holds a directorship in Vocento, Maxam and Deusto Business School and is a Trustee of the Fundación Casa Ducal de Medinaceli. Mr. Bergareche has served as chairman of Metrovacesa, of Cepsa and Vocento, and general manager in BBVA.
MR. ALFRED MERTON VINTON	Mr. Vinton performs no management functions and does not represent a significant shareholder and he held a directorship for more than 12 years (art. 529 duodecies.4.i) LSC).	ALANTRA PARTNERS, S.A.	Alfred Merton Vinton has pursued his professional career in JP Morgan, holding the positions, amongst others, of head of the banking business in the United Kingdom, Scandinavia and Ireland; in the company



**OTHER EXTERNAL DIRECTORS**

Identify all other external directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile
			NM Rothschild & Sons, Ltd. as Executive Director and in the Bemberg Group as Chief Executive Officer. In addition, Mr. Alfred Merton Vinton is former Chairman of Electra Partners LLC. He also holds directorships in GP Investments Limited and in other fund managers.

Total number of other external directors	2
% of the Board	22.22

State any changes in the category of the directorship that have occurred during the period for each director:

Name or corporate name of director	Change date	Previous Category	Current Category
No data			

C.1.4 Complete the following table on the number of female directors over the past four years and their category:

	Number of female directors				% of total directors of each type			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	1	1	1	33.33	33.33	33.33	33.33
Other External					0.00	0.00	0.00	0.00
Total	1	1	1	1	11.11	11.11	11.11	11.11

C.1.5 State whether the company has diversity policies in relation to its board of directors 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

Should this be the case, describe said 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 directors.

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

#### Explanation of the measures

In this regard, following the recommendations of the Appointments and Remuneration Committee, the Board of Directors approved a board selection policy which includes, inter alia, the following principles to be followed when appointing board members:

- Focus on making sure the knowledge, experience and gender of members of the Board of Directors is both varied and diverse.
- Ensure selection procedures do not have any implicit bias, and do not discriminate because of race, gender or any other reason.
- Encourage the presence of women on the Board, proactively searching for candidates with the right professional profile.

C.1.6 Explain the measures taken, if applicable, by the appointments committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile:

#### Explanation of measures

The Appointments and Remuneration Committee assesses the capacity, competence and experience of the candidates for directorships, so the selection process is not subject to implicit biases.

In this regard, the Board of Directors, upon prior report from the Appointments and Remuneration Committee, on 11 November 2015 approved a director selection policy that includes, inter alia, the following principles for the director selection process:

- Focus on making sure the knowledge, experience and gender of members of the Board of Directors is both varied and diverse.
- Ensure selection procedures do not have any implicit bias, and do not discriminate because of race, gender or any other reason.
- Encourage the presence of women on the Board, proactively searching for candidates with the right professional profile

When, despite the measures taken, there are few or no female directors, explain the reasons:

#### Explanation of the measures

As a result of adhering to the aforesaid principles (even before they were formally approved by the Board of Directors as part of the board selection process), the Company began to select candidates for board vacancies, which included several women. As a result of this process, the only female from among those considered to take up posts, who fulfilled all the necessary requirements was Ms. María Luisa Garaña Corces

Consequently, as recommended by the Appointments and Remuneration Committee and the Board of Directors, shareholders appointed her as an independent director of the Company at the Extraordinary General Meeting held on 17 December 2015. As no vacancies arose on the Board of Directors during 2018 (save for the replacement of director Mr. Ricardo Portabella Peralta, in his proprietary directorship in the Company as representative of the shareholder Anpora Patrimonio, S.L., by Mr. Josep Piqué Camps), no selection process of female directors was undertaken.

**C.1.7 Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of total board places occupied by female directors before the year 2020.**

Apart from the replacement of director Mr. Ricardo Portabella Peralta, in his proprietary directorship in the Company as representative of the shareholder Anpora Patrimonio, S.L., by Mr. Josep Piqué Camps, no other vacancy arose on the Board of Directors of the Company.

Consequently, during the year no director selection processes were undertaken. In any event, the appointments and remuneration committee will promote, when the occasion arises, to bring female directors onto the board, in accordance with the principles that inspire the director selection policy.

In this regard, in the director selection, appointment and reelection process, the Board of Directors, and the Appointments and Remuneration Committee within the scope of its duties, has always strived to ensure that nominations for appointment or reelection as directors always involve honourable, ideally-suited persons of recognised capacity, competence and experience, and, as indicated above, those bodies have sought to have the potential candidates include women who meet those professional criteria.

It also bears emphasis that, given that the group controlled by the Company is a consolidated group of investment firms for the purposes of Royal Decree 4/2015 of 23 October 2015, which approved the consolidated text of the Spanish Securities Market Act, all appointments of directors since the Alantra Group acquired such status have been submitted to a non-opposition resolution from the CNMV.

**C.1.8 Explain, when applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital:**

Name or corporate name of the shareholder	Reasons
No data	

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained:

[ ] Yes  
[ ✓ ] No

**C.1.9 Indicate what powers, if any, have been delegated to the chief executive officer(s):**

Name or corporate name of director	Brief description
SANTIAGO EGUIDAZU MAYOR	Santiago Eguidazu Mayor has been delegated all the powers of the Board of Directors that can be conferred pursuant to Law and the By-laws

C.1.10 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

Name or corporate name of director	Corporate Name of the group entity	Position	Does he/she have executive duties?
MR. SANTIAGO EGUIDAZU MAYOR	Alantra International Corporate Advisory, S.L.U.	Member of the Board of Directors	NO
MR. ALFRED MERTON VINTON	Nmás1 Private Equity International Limited	Member of the Board of Directors	NO

C.1.11 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:

Name or corporate name of director	Name of listed Company	Position
MR. SANTIAGO BERGARECHE BUSQUET	FERROVIAL, S.A.	VICE CHAIRMAN
MR. SANTIAGO BERGARECHE BUSQUET	VOCENTO, S.A.	MEMBER
MR. LUIS CARLOS CROISSIER BATISTA	ADVEO GROUP INTERNATIONAL, S.A.	CHAIRMAN
MR. LUIS CARLOS CROISSIER BATISTA	REPSOL, S.A.	MEMBER
MS. MARÍA LUISA GARAÑA CORCES	DISTRIBUIDORA INTERNACIONAL DE ALIMENTACION, S.A.	MEMBER
MS. MARÍA LUISA GARAÑA CORCES	LIBERBANK, S.A.	MEMBER
MR. ALFRED MERTON VINTON	GP INVESTMENTS LTD	MEMBER
MR. JOSEP PIQUÉ CAMPS	AENA SME, S.A.	MEMBER
MR. JOSEP PIQUÉ CAMPS	ABENGOA, S.A.	MEMBER

Mr. Piqué held a directorship in Aena SME, S.A. until the day he tendered his resignation as director of the company on 4 January 2019.

C.1.12 Indicate and, where appropriate, explain whether board regulations establish rules on the maximum number of company boards on which its directors may sit:

[ ☒ ] Yes  
[ ☐ ] No

Explanation of the rules and identification of the document where this is regulated

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, on 28 February 2019 approved an amendment to the Regulations of the Board of Directors of the Company to set the maximum number of directorships that can be held by an Alantra director in companies of public interest at 6.

C.1.13 List the total remuneration paid to the board of directors in the year:

Board remuneration (thousands of euros)	664
Amount of accumulated pension rights of current directors (thousands of euros)	
Amount of accumulated pension rights of former directors (thousands of euros)	

C.1.14 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year:

Name or corporate name	Position
MR. FRANCISCO IGNACIO DE CACERES CABRERO	General Manager
MR. FRANCISCO ALBELLÁ AMIGO	General Secretary and Director of Legal Affairs
MS. PATRICIA PASCUAL RAMSAY	Director of Operations
MR. JACOBO LLANZA FIGUEROA	Head of Asset Management and Advisory Services
Total Remuneration received by senior management (thousands of euros)	4,617

C.1.15 Indicate whether any changes have been made to the board regulations during the year:

[ ] Yes  
[ ✓ ] No

C.1.16 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.

Directors will be designated by the General Meeting or by the Board of Directors in accordance with the provisions set out in the Spanish Limited Liability Companies Act.

Board members are selected according to, *inter alia*, principles that make sure the knowledge, experience and gender of members of the Board of Directors are both varied and diverse, and ensure selection procedures do not have any implicit bias, and do not discriminate because of race, gender or any other reason. Within their powers, the Board of Directors and the Appointments and Remuneration Committee will also strive to ensure that candidates proposed to the General Meeting for appointment or re-election to the Board are honourable, right for the job, and with renowned authority, abilities and experience.

The Board of Directors will specify the nature of each director to the General Meeting, which must appoint or ratify this person.

The Board of Directors cannot propose or designate persons to cover an independent external director's position if they fail to satisfy the binding criteria of independence. Any directors can ask the Appointments and Remuneration Committee to consider whether the potential candidates to cover vacant directorships are, in the committee's opinion, right for the job.

Proposals to appoint or re-elect directors that the Board puts before the General Meeting must be based on a recommendation from the Appointments and Remuneration Committee when they involve independent directors and a report from the Appointments and Remuneration Committee in the case of other directors. The Board's proposal must be accompanied by a report prepared by the Board evaluating the proposed candidate's abilities, experience and merits, which will be attached to the minutes of the General Meeting or of the Board. Directors will hold office for the period set out by the General Meeting, which cannot exceed four years, and they may be re-elected, once or more times, at the end of this term for periods of the same or shorter duration.

Directors designated through co-option will hold office pursuant to prevailing legislation.

End of term of office

Directors will stand down at the end of the term of office for which they were appointed and when the General Meeting so decides. Directors must offer their resignation to the Board and, if considered appropriate, submit their formal resignation in the cases stipulated in Article 21, section 2 of the Board Regulations.

The Board of Directors may only propose the resignation of an independent director prior to the elapse of the statutory period whenever there is just cause, ratified by the Board and pursuant to a report from the Appointments and Remuneration Committee, as stipulated in Article 21, section 3 of the Board Regulations.

**C.1.17 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:**

**Description of changes**

During 2018 the Board of Directors of the Company conducted a self-assessment of the quality and efficiency of its operation in 2017.

In view of the results of that self-assessment, points for improvement were identified which were set out in a plan of action with measures that were implemented by the Board during 2018. Those measures did not give rise to changes in the Board's internal organisation or in the procedures that apply to its activities.

For the evaluation carried out in 2019 of the Board's 2018 performance, the Board of Directors of the Company has relied on the services of an outside expert (Korn Ferry), who detected a series of points of improvement for the Board which, although significant in some aspects, have not given rise to important changes in its internal organisation or in the procedures that apply to its activities.

Describe the assessment process undertaken by the board of directors and the areas evaluated, with the aid of an external facilitator, with respect to the composition, duties and powers of its committees, the performance of the chairman of the board of directors and the company's chief executive officer and the performance and contribution of individual directors.

**Description of the assessment process undertaken**

In order to carry out the assessment of the composition, competences and functioning of the Board and its Committees, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, engaged the assistance of an outside consultants (Korn Ferry) for the 2018 annual assessment.

The outside consultants first organised an evaluation-questionnaire that was sent to and answered by the directors, and, second, a number of personal interviews to delve deeper into the most significant questions and answers of the questionnaire.

The questionnaire was set up so that the directors could complete it online via a link. The application prompted the director to score from 1 to 5 each of the statements made in the questionnaire, with 1 meaning "major changes are needed", 2 "some minor changes are needed", 3 "meets expectations", 4 "above average" and 5 "excellent". The questionnaire contained 6 sections:

1. Size and structure of the Board
2. Mandate of the Board
3. Team dynamics
4. Fulfilment of mandate
5. Administrative support and training
6. Functioning of the Committee

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

The Company has for the first time used the services of an external facilitator for the 2018 annual assessment of the Board of Directors and of the Board Committees.

During 2018 the outside consultant appointed for this task also provided the Company with consultancy services relating to the creation and development of a corporate culture for the Alantra Group.

**C.1.19** Indicate the cases in which directors must resign.

In accordance with Article 21, section 2 of the Board Regulations, a director will tender his or her resignation to the Board of Directors and formally resign from office, if the Board sees fit, in the following cases:

- a) When they are subject to any of the conditions of prohibition or incompatibility pursuant to applicable laws or the By-laws.
- b) When they receive a serious warning from the Board of Directors, following a report from the Appointments and Remuneration Committee, for infringing their duties as directors.
- c) When remaining on the Board could jeopardise or prejudice the interests or discredit or damage the reputation of the Company, or when the reasons for their appointment no longer exist.
- d) When the shareholder represented by a proprietary director sells all of their shareholding or the number of corresponding shares, when this shareholder reduces their stake to a level that requires a reduction in the number of directors.

**C.1.20** Are qualified majorities other than those prescribed by law required for any type of decision?:

- ☐ Yes  
☒ No

If applicable, describe the differences.

**C.1.21** Indicate whether there are any specific requirements other than those relating to the directors, to be appointed chairman:

- ☐ Yes  
☒ No

**C.1.22** Indicate whether the Bylaws or the board regulations set any age limit for directors:

- ☐ Yes  
☒ No

**C.1.23** State whether the articles of association or the board rules establish any term limits or other requirements stricter than the statutory limits for independent directors other than those required by law:

- ☐ Yes  
☒ No

**C.1.24** Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. If so, give brief detail.

In accordance with Article 18 of the Board Regulations, directors will make every effort to attend Board meetings, and that whenever directors cannot attend meetings, they will try to appoint another member of the Board to act as their proxy, including the opportune instructions and reporting this to the Board Chairman. Non-executive directors can only appoint other non-executive directors to represent them.

**C.1.25** Indicate the number of board meetings held during the year and how many times the board has met without the chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	8
Number of board meetings held without the chairman's attendance	0

Indicate the number of meetings held without the attendance or representation of any executive director and under the chairmanship of the lead director:

Number of meetings	0
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Indicate the number of meetings of the various board committees held during the year:

Risk Control and Audit Committee	8
Appointments and Remuneration Committee	5

C.1.26 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions:

Number of meetings held with the personal attendance of at least 80% of directors	6
% of attendances of the total votes cast during the year	89.05
Number of meetings held with the attendance in person or by proxy with specific instructions of all directors	8
% of votes cast with attendance in person or by proxy with specific instructions, out of total votes during the year	100.00

C.1.27 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously:

[ ☒ ] Yes  
[ ☐ ] No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior for their authorisation for issue by the board:

Name	Position
MR FRANCISCO IGNACIO DE CACERES CABRERO	General Manager



**C.1.28 Explain the mechanisms, if any, established by the board of directors to prevent the individual and consolidated financial statements it prepares from being laid before the general shareholders' meeting with a qualified audit report.**

Article 36.4 of the Board of Directors Regulations provides that the Board will strive to definitively formulate the accounts so that no qualifications arise in the audit report. Nevertheless, where the Board believes it should maintain its criterion, it will publicly explain the content and scope of the discrepancy.

In order to prevent the individual and consolidated financial statements laid before the General Meeting by the Board with a qualified audit report, before those accounts are formulated, Article 15.2 of the Board Regulations provides that the Risk Control and Audit Committee, amongst other duties, will have the following functions:

- Report to the General Shareholders' Meeting on questions posed in respect of matters within its competence, in particular regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the role played by the committee in this process.
- Bring before the Board of Directors, for submission to the General Shareholders' Meeting, the proposals for selection, appointment, reelection and replacement of the statutory auditors who will examine the annual financial statements, taking responsibility for the selection process, as well as for the terms of engagement, and regularly soliciting from the auditors information on the audit plan and its execution, in addition to preserving their independence in the performance of their functions.
- Review the Company's annual financial statements and periodic financial reporting, striving to ensure compliance with legal requirements and proper application of generally accepted accounting principles.
- Establish the appropriate relationships with the statutory auditors or audit firms to receive information on issues that could jeopardise their independence, for their examination by the Committee, and any others related to the conduct of the audit and, where applicable, authorisation of services other than those prohibited by the applicable laws and regulations, as well as those other disclosures provided for in the accounting and audit laws and standards.

In any event, annually it must receive from the external auditors a declaration of their independence as regards the Company and entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind provided to and the related fees received from such entities by the external auditors or persons or entities related thereto, pursuant to the laws regulating the activity of auditing accounts.

- Annually, before to the audit report is issued, issue a report stating an opinion as to whether the independence of the auditors of the accounts or audit companies has been compromised. This report must in all events contain a reasoned evaluation of the provision of each and every one of the additional services referred to in the preceding paragraph, taken individually and as a whole, other than the legal audit and in relation to scheme of independence of the auditors and to the laws governing the activity of auditing accounts.

- With respect to internal control and reporting systems:

- a. Oversee the preparation and completeness of the prescribed financial information that the Board must periodically provide to the markets and supervisory authorities regarding the Company and, if applicable, its group, reviewing compliance with legal provisions, appropriate definition of the scope of consolidation and proper application of generally accepted accounting principles and presenting recommendations or proposals to the board in order to safeguard the integrity of that information. The Risk Control and Audit Committee will report to the Board, before it adopts decisions on the financial information that the Company must periodically make public as a listed company. The Committee must ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b. Ascertain and monitor the effectiveness of the Company's internal control, the internal audit, if applicable, and risk management systems, and discuss significant weaknesses detected in the internal control system in the performance of the audit with the auditor, all without compromising the auditor's independence. For such purposes, the Committee if applicable may submit recommendations or proposals to the board of directors and the corresponding term for their monitoring. In particular, monitor the independence of the unit handling the internal audit function; propose the selection, appointment, reelection and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive periodic reports on their activities; and verify that senior management is acting on the findings and recommendations of its reports.
- c. Monitor compliance with the Company's internal codes of conduct and corporate governance rules.
- d. Evaluate all matters relating to non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational risks.
- e. Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

- With regard to the external auditor:

- a. Supervise compliance with the audit contract, seeking to ensure that the opinion on the annual financial statements and the principal content of the auditor's report are drafted clearly and accurately, and evaluate the results of each audit. In particular, it shall verify that the auditors' fees are fixed before they begin to perform their duties for the entire term of their engagement.
  - b. Investigate the issues giving rise to the resignation of the external auditor, should this come about.
  - c. See to it that the remuneration of the external auditor for its work does not compromise its quality or independence.
  - d. Supervise that the Company notifies any change of auditor to the CNMV as a material disclosure (*hecho relevante*), accompanied by a statement of any disagreements arising with the outgoing auditor, if any, and the content thereof.
  - e. Ensure that the external auditor has a yearly meeting with the board of directors in full to inform it of the work performed and developments in the Company's risk and accounting situation.
  - f. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.
- Report to the Board on significant resolutions and developments that take place in its meeting

- Give the Board of Directors a prior report on the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens.
- Give the Board of Directors a prior report on transactions with related parties.
- Such other functions as may be assigned to it by the Board of Directors of the Company, in particular as regards the group's risk management and control and policy thereon (taking into specific account the activities of the regulated entities in the group), the Law, the Bylaws or the internal Company regulations.

In addition, paragraphs 5, 6 and 7 of Article 15 of the Board Regulations lay down the following additional rules aimed, amongst other purposes, at avoiding qualifications in the individual and consolidated financial statements presented by the board to the General Meeting:

- Members of the management team and employees of the Company will be obliged to attend Committee meetings and provide their cooperation and access to the information in their possession when the Committee so requests. The Committee may likewise require that the Company's statutory auditors attend its meetings.
- Furthermore, the Risk Control and Audit Committee may engage the advice of outside experts when it deems necessary for the proper performance of its functions.
- At the proposal of the Risk Control and Audit Committee, or at its own initiative, the Board of Directors may set up, and determine its composition and functions, a specific committee to support the Risk Control and Audit Committee in its functions regarding the group's risk management and control and policies thereon. That committee, which will be called the Control and Risk Committee, may be composed of directors, executives and employees of the Company or of the group.

#### C.1.29 Is the secretary of the board also a director?

- ☐ Yes  
☒ No

If the secretary is not a director, complete the following table:

Name or corporate name of secretary	Representative
MR. FRANCISCO ALBELLA AMIGO	

#### C.1.30 Indicate and explain, where applicable, the specific mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

Articles 15 and 36 of the Board Regulations set out that the Board's relations with external auditors will be channelled through the Risk Control and Audit Committee. This Committee will refrain from making proposals to the Board of Directors, and in turn the Board will refrain from proposing to the General Meeting the appointment of any audit firm are the accounts auditor of the Company if said firm is in any way affected by incompatibility pursuant to legislation governing accounts auditing.

Law 22/2015 of 20 July 2015 on the auditing of accounts, sets out that every year the accounts auditors or audit firms must send written confirmation to the Company with regard to their independence concerning the audited entity or related parties, directly or indirectly, as well as information on the additional services of any kind rendered to these entities by the aforementioned auditors or firms or by related parties, pursuant to the provisions set out in the Accounts Auditing Acts.

Annually, prior to the issue of the audit report, the Risk Control and Audit Committee issues a report stating an opinion regarding the independence of the statutory auditors or audit firms. That report must in all events pronounce itself on the additional services of any kind provided by the statutory auditors or audit firms, or by persons or enterprises related thereto.

The Board of Directors will also publicly report the overall fees paid to the audit firm, both for the audit services as well as any other services. The Company also has a procedure whereby the Risk Control and Audit Committee must authorise any non-audit services provided to the Company or its group by its auditors.

The Risk Control and Audit Committee is therefore in charge of relations with the external auditors of the Company, and receives information on issues that could jeopardise the independence of these auditors and any other parties involved in the auditing, as well as other communications under audit legislation and technical auditing standards (Article 15 of the Board Regulations).

Moreover, Article 35 of the Board Regulations regulates the Company's relations with the markets in general, which includes financial analysts and investment banks with whom the relationship of the Company is based on the principles of transparency and non-discrimination. As regards rating agencies, the Company is not subject to credit rating.

C.1.31 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor:

☐ Yes  
☒ No

Explain any disagreements with the outgoing auditor and the reasons for the same:

☐ Yes  
☒ No

C.1.32 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

☒ Yes  
☐ No

	Company	Group	Total
Amount of non-audit work (thousands of euros)	43	30	73
Amount of non-audit work as a % of the total amount billed by the audit firm	11.00	7.67	18.67

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the chairman of the audit committee to explain the content and scope of those reservations or qualifications.

☐ Yes  
☒ No

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
Number of consecutive years	4	4

	Company	Group
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	27.27	27.27

C.1.35 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

☒ Yes  
☐ No

#### Procedures

Article 23 of the Board Regulation sets out that, for the purpose of being assisted in the performance of their duties, external directors may request the Company to hire legal, accounting, financial or other expert advisers. The commission must focus on specific problems of a certain size and complexity that occur in the performance of the job. The application to recruit outside experts must be notified to the Chairman of the Company and be approved by the Board of Directors, which may refuse to give authorisation if it considers: (a) that it is not required for the appropriate performance of the duties assigned to external directors; (b) that the cost of this is not reasonable in light of the importance of the problem and of the Company's assets and income; or (c) that the requested technical support can be adequately performed by the Company's own experts and technicians.

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

☒ Yes  
☐ No

#### Details of rules

Directors must offer their resignation to the Board and, if considered appropriate, submitting their formal resignation in the cases stipulated in Article 21.2 of the Board Regulations.

- When they are subject to any of the conditions of prohibition or incompatibility pursuant to applicable laws or the By-laws;
- When they receive a serious warning from the Board of Directors, following a report from the Appointments and Remuneration Committee, for infringing their duties as directors.
- When remaining on the Board could jeopardise or prejudice the interests or discredit or damage the reputation of the Company, or when the reasons for their appointment no longer exist.
- When the shareholder represented by a proprietary director sells all of their stake or the number of corresponding shares, when this shareholder reduces their stake to a level that requires a reduction in the number of proprietary directors

C.1.37 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the LSC:

☐ Yes  
☒ No

C.1.38 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

The agreement between shareholders of the companies Alantra Wealth Management, Agencia de Valores, S.A. ("Alantra WM AV") and Alantra Wealth Management Gestión, SGIIC, S.A. ("Alantra WM Gestión") of 25 May 2010 determines that if there is a change of control of the Company, the remaining shareholders of Alantra WM AV and Alantra WM Gestión (other than the Company) will be granted the right to acquire all the shares in Alantra WM AV and Alantra WM Gestión held by the Company (representing 23% of share capital).

C.1.39 Identify, in aggregate form and provide detailed information on, agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries	0
Type of beneficiaries	Description of agreement
0	0

State if these contracts must be reported to and/or approved by management bodies of the company or of the group, other than in the events provided for by law. If so, specify the procedures, events and nature of the bodies responsible for their approval or for reporting them:

	Yes	No
Is the general shareholders' meeting informed of such clauses?		✓

## C.2. Board committees

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other external directors:

Risk Control and Audit Committee		
Name	Position	Category
MR. JOSÉ JAVIER CARRETERO MANZANO	CHAIRMAN	Independent
MR. JOSÉ ANTONIO ABAD ZORRILLA	MEMBER	Proprietary
MR. LUIS CARLOS CROISSIER BATISTA	MEMBER	Independent
MS. MARÍA LUISA GARAÑA CORCES	MEMBER	Independent

% executive director	0.00
% de proprietary directors	25.00
% de independent directors	75.00
% de other extern directors	0.00

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year. Rules and Regulations of the Board of Directors.

According to Article 15 of the Board Regulations, the Risk Control and Audit Committee is assigned the following duties:

Report to the General Shareholders' Meeting on issues that arise in relation to the matters within its competence and, in particular, on the results of the audit.  
Bring before the Board, for submission to the General Shareholders' Meeting, proposals on the selection, appointment, reelection and replacement of the statutory auditors who are to examine the annual accounts.  
Review the Company's annual financial statements and periodic financial reporting.  
Establish the appropriate relationships with the statutory auditors or audit firms. In any event, it must receive from the external auditors an annual declaration of their independence with respect to the Company or to entities related directly or indirectly thereto.  
Annually, before the audit report is issued, issue a report stating an opinion as to whether the independence of the auditors of the accounts or audit companies has been compromised.  
Oversee the preparation and completeness of the prescribed financial information that the Board must periodically provide to the markets and supervisory authorities regarding the Company.  
Ascertain and monitor the effectiveness of the Company's internal control, the internal audit, if applicable, and risk management systems.  
Monitor compliance with the Company's internal codes of conduct and corporate governance rules.  
Evaluate all matters related to non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational risks.  
Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.  
Supervise compliance with the audit contract, seeking to ensure that the opinion on the annual financial statements and the principal content of the auditor's report are drafted clearly and accurately, and evaluate the results of each audit. In particular, it shall verify that the auditors' fees are fixed before they begin to perform their duties for the entire term of their engagement.  
Investigate the issues giving rise to the resignation of the external auditor, should this come about.  
See to it that the remuneration of the external auditor for its work does not compromise its quality or independence.  
Supervise that the Company submits a material disclosure to the CNMV regarding any change of auditor.  
Ensure that the external auditor has a yearly meeting with the board of directors in full to inform it of the work performed and developments in the Company's risk and accounting situation.  
Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.  
Give the Board of Directors a prior report on the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens.  
Give the Board of Directors a prior report on transactions with related parties.  
Such other functions as may be assigned to it by the Board of Directors of the Company, in particular as regards the group's risk management and control and policy thereon, the Law, the Bylaws or the internal Company regulations.  
The Committee will ordinarily meet quarterly to review the periodic financial reporting to securities exchange authorities and the information the Board must approve and include as part of its annual public documents.  
Most important actions in 2018:

- Review of quarterly, half-yearly and annual financial information, and of its completeness.
- It issued a favourable report prior to the formulation of the annual financial statements.
- It supervised the functioning of the internal control of regulatory financial reporting systems ("ICFRS") regarding the Company to ensure its integrity, oversee compliance with legal requirements and proper application of generally accepted accounting principles and proposed amendments to the ICFRS Manual to the Board.
- It supervised compliance with the audit contract, making sure that the opinion on the annual financial statements and main content of the audit report were drawn up in a clear and accurate manner.
- With regard to internal audit, the committee i) reviewed the half-yearly and yearly internal audit reports of the regulated entities in the Alantra group (collective investment undertakings and investment services firms) for 2016 and the first half of 2017; (ii) reviewed the report on the activities of the internal audit area in 2016; (iii) reviewed the internal audit plan for 2017; and (iv) planned the internal audits of Alantra Corporate Finance and Alantra Private Equity.
- It reviewed compliance with corporate governance legislation, finding no significant instances of non-compliance, and reviewed the Group's risk map.
- It reviewed the Company's treasury shares and transactions with treasury shares.

Identify the director of the audit committee who has been appointed chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been chairman.

Name of experienced director

MR. JOSÉ JAVIER CARRETERO  
MANZANO / MR. JOSÉ ANTONIO  
ABAD ZORRILLA / MR. LUIS CARLOS  
CROISSIER BATISTA / MS. MARÍA  
LUISA GARAÑA CORCES

Date of appointment of the current chairman	22/07/2015
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Appointments and Remuneration Committee		
Name	Position	Category
MR. LUIS CARLOS CROISSIER BATISTA	CHAIRMAN	Independent
MR. ALFRED MERTON VINTON	MEMBER	Other external
MR. JOSÉ JAVIER CARRETERO MANZANO	MEMBER	Independent
MR. JORGE MATAIX ENTERO	MEMBER	Proprietary

% de executive directors	0.00
% of proprietary directors	25.00
% of independent directors	50.00
% de other external directors	25.00

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

In accordance with Article 16 of the Board Regulations, the functions of the Committee are:

- Evaluate the abilities, knowledge and experience needed by the Board of Directors (the "Board"). Define the functions and skills needed by candidates and assess the time and dedication required to perform their duties.
- Establish a target for the percentage of Board members of the least represented gender and prepare recommendations to achieve this.
- Present the Board with proposed candidates for independent director, as well as proposals for the re-election or removal thereof.
- Inform the Board of the proposed appointments of the remaining Board members, and proposals for their re-election or removal. It will also report on the appointment and removal of the Secretary or Vice-secretary and senior managers of the Company, and the basic terms and conditions of the contracts of the latter.
- Review and arrange succession of the Board Chairman and CEO of the Company.
- Propose to the Board the remuneration policy for members of the Board and general managers or anyone in senior management positions who reports directly to the Board, and the individual remuneration and other contractual terms thereof.
- Review and uphold transparency vis-à-vis the remuneration policy of Board members and senior managers, and inclusion thereof in the board remuneration policy report and annual corporate governance report. The Appointments and Remuneration Committee will also have certain duties concerning corporate governance and corporate social responsibility, which include:
  - Overseeing compliance with internal codes of conduct, corporate governance rules, and the strategy for shareholder and investor communications and relations.
  - Evaluating the corporate governance system and reviewing the corporate responsibility policy, as well as the corporate social responsibility strategy and practices.
  - Overseeing and evaluating the processes related with the various stakeholders, as well as matters concerning the Company's non-financial risks.
  - Coordinating the process for reporting non-financial information and information on diversity, pursuant to applicable regulations and benchmark international standards.

#### Operating rules:

The Committee will normally meet every three months, and whenever a meeting is called by its Chairperson, which this individual must do if the Board Chairman so requests. The Committee will prepare an annual report on its performance, highlighting any key incidents that have arisen, and including any proposals to improve the governance rules of the Company. This report will be available to shareholders and investors through the Company's website. Minutes will also be taken at the Committee's meetings, and made available to all members of the Board. Members of the Company's management team and personnel will be obliged to collaborate and provide information whenever requested by the Committee. The Committee may request advisory services from outsourced experts.

#### Most important actions during 2018:

- Resolved to give a favourable report to the Board regarding the reelection of an independent director and the appointment of a proprietary director of the Company.
- Resolved to give a favourable report to the Board regarding the remuneration of senior managers, the Chief Executive Officer and the Board.
- Submitted with a favourable report to the Board the assessment performed of the category of each of the directors.

- Reported to the Board in favour of formally approving the Annual Remuneration Report of directors, for the purpose of its submission to a consultative vote at the General Meeting.
- Conducted an analysis and review of the degree of individualised compliance with the recommendations of the Good Governance Code for Publicly Traded Companies.
- Acknowledged receipt of the report on the suitability of the target group performed by the Risks and Control Department and approved a procedure for periodic evaluation of directors and executives of the Alantra Group.
- Resolved to give a favourable report to the Board regarding the annual assessment of the Board and its Committees, with the support of an external facilitator in performing the evaluation.
- Proposed to the Board an update of the "Identified Group", modification of the Remuneration Policy of the Alantra Group and modification of the Directors Remuneration Policy in relation to the compensation of the Executive Chairman.
- Reviewed the Alantra Group Corporate Social Responsibility initiative and promoted the "Alantra Emprende" project.

C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years:

	Number of female directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
Risk Control and Audit Committee	1	25.00	1	25.00	1	25.00	0	0.00
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Regulations of the Board of Directors of the Company regulates the rules that govern the functioning and organisation of the Risk Control and Audit Committee and of the Appointments and Remuneration Committee.  
The Regulations of the Board of Directors of the Company is available for consultation in the "Shareholders and Investors / Corporate Governance / Internal Rules and Corporate Policies" section of the Company's website.  
Said Regulations were not amended during 2018.  
Each Committee has prepared a report on its activities in 2018, and those reports were subsequently approved by the Board for posting on the Company website.



## D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

### D.1. Explain, if applicable, the procedures for approving related-party or intragroup transactions.

Article 5 of the Board Regulations confers sole authority to the Board of Directors, which cannot be delegated, to approve on the recommendation of the Risk Control and Audit Committee (Article 15.2 of said regulations) any transactions that the Company or where applicable, its Group companies, carry out with Board members, in the terms of Articles 229 and 230 of the Spanish Limited Liability Companies Act, or with shareholders who individually or jointly hold a significant ownership interest, including shareholders represented on the Company's Board, or that of other companies, which form part of the same group or with parties related thereto, pursuant to Law.

As issuer and in accordance with Ministry of Economy and Finance Order EHA 3050/2004 of 15 September, the Company is required to provide quantified information on related-party transactions in six-monthly financial.

### D.2. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

Personal or corporate name of significant shareholder	Personal or corporate name of the company or entity in its group	Nature of the relationship	Type of transaction	Amount (000s €)
ANPORA PATRIMONIO S.À.R.L.	Alantra Reim, S.L.	Contractual	Others	1,255

The related-party transactions during 2018 between Alantra Reim, S.L. (member of the Alantra Group wholly owned by Alantra Partners, S.A.) and all of the companies controlled by Mr. Ricardo Portabella Peralta (individual who controls the voting rights of Anpora Patrimonios as significant shareholder in Alantra Partners), a significant shareholder of Alantra Partners, are as follows:

- 1) Management agreement between Alantra REIM and a company (Indian Investments) in which Anpora Patrimonio is the majority shareholder (Ricardo Portabella, significant shareholder of Alantra Partners, controls this company). The subject matter of the contract is advising on the purchase and management of a hotel (Resort La Sella). The fees accrued in 2018 totalled €561,615.
- 2) Management agreement between Alantra REIM and Anpora Participaciones (Ricardo Portabella, significant shareholder of Alantra Partners, controls this company). The subject matter of the contract is advising on the purchase and management of a golf course. The fees accrued in 2018 totalled €173,333.
- 3) Management agreement between Alantra REIM and Anpora Inmuebles (Ricardo Portabella, significant shareholder of Alantra Partners, controls this company). The subject matter of the contract is advising on the purchase of a set of apartments. The fees accrued in 2018 totalled €90,000.
- 4) Management agreement between Alantra REIM and Anpora Participaciones (Ricardo Portabella, significant shareholder of Alantra Partners, controls this company) in the acquisition of 100% of the company Hotel Islantilla Golf Resort, S.L., owner of Hotel Islantilla ("Hotel Islantilla") and subsequent manager of Hotel Islantilla. The fees accrued in 2018 totalled €430,000.

**D.3.** List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

Personal or corporate name of the directors or officers	Personal or corporate name of the related party	Relationship	Nature of the transaction	Amount (000s €)
No data				

**D.4.** List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Registered corporate name of the Group entity	Brief description of the transaction	Amount (thousands of euros)
Nplus1 Singer Advisory LLP	The related party transaction between the Company and N+1 Singer involves services rendered by the Company to N+1 Singer for a strategic advisory fee.	928
Phoenix Recovery Management S.L.	The related party transaction between the Company and Phoenix involves the recovery of office rental expenses.	13
Alantra AG	Fee sharing for crossborder transactions in which Alantra AG pays Alantra France Corporate Finance SAS 68 thousand euros. - Puma Project: Alantra Corporate Finance BV makes a fee sharing payment to Alantra AG of 238 thousand euros.	68
Landmark Capital, S.A.	Fee sharing for crossborder transactions in which one of the companies is Landmark Capital: - FAES Project: Landmark Capital makes a fee sharing payment of 12 thousand euros to Alantra Corporate Finance, S.A.	12
Phoenix Recovery Management SL	The related party transaction between the Company and Phoenix involves administration, IT, financial and other services.	77
Alantra AG	The related party transaction between the Company and Alantra AG involves administration, IT, financial and other services.	11
Landmark Capital, S.A.	The related party transaction between the Company and Landmark involves administration, IT, financial and other services.	11
Landmark Capital, S.A.	The related party transaction between the Company and Landmark involves recovery of expenses relating to the rental of licences for use of e-mail and SAP which the service provider	9

Registered corporate name of the Group entity	Brief description of the transaction	Amount (thousands of euros)
	bills directly to the Company and which the latter recovers from Landmark in proportion to their use.	
Alantra AG	The related party transaction between the Company and Alantra AG involves recovery of expenses relating to the rental of licences for use of e-mail and SAP which the service provider bills directly to the Company and which the latter recovers from Alantra AG in proportion to their use.	5
Alantra AG	Fee sharing for crossborder transactions in which Alantra Corporate Finance BV makes a fee sharing payment of 238 thousand euros to Alantra AG.	238

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

Registered corporate name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		

**D.6.** List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Article 25, section 4, point g) of the Board Regulations requires directors to take the necessary steps to avoid their interests, on their own behalf or that of third parties, conflicting with the Company's corporate interests and their duties towards the Company.

Article 27 of the Board Regulations adds the following:

1. In particular, the duty of avoiding conflicts of interest laid down in point g) of Article 24 of the Board Regulations requires each member of the Board to abstain from:
  - a) Performing transactions with the Company, except for ordinary transactions performed in standard conditions for customers and of scant importance, understood to be those whose information is not required to express fairly the Company's equity, financial position and results. In the event of transactions within the ordinary course of corporate business that represent standard or common practice, generic authorisation of transactions and of the conditions for execution by the Board will suffice.
  - b) Using the Company's name or invoking his/her status as director to unduly influence the performance of private operations.
  - c) Making use of Company assets, including confidential company information, for private purposes.
  - d) Taking advantage of company business opportunities.
  - e) Obtaining advantages or remuneration from third parties other than the Company associated with the discharge of their duties, except when such perks are mere courtesy.
  - f) Performing activities, for their own account or for the account of others, which involve effective competition, be it current or potential, with the Company or which, in any other way, place them in an on-going conflict vis-à-vis the Company's interests.
2. Directors must notify the Board of Directors of any conflicts of interest.
3. The foregoing provisions will also be applicable in the event that the beneficiary of the prohibited acts or activities is a person related to the director, as per the subsequent article.
4. Irrespective of the provisions set forth in the preceding paragraphs, the Company may relax the provisions established in this article in specific cases, by authorising a director or related party to conduct a certain transaction with the Company, use certain corporate assets, seize a specific business opportunity, or secure an advantage or remuneration from a third party.
5. Whenever the subject of the authorisation is the relaxing of the prohibition on obtaining an advantage or remuneration from third parties, or when the exemption affects a transaction whose value is in excess of ten percent (10%) of the corporate assets, authorisation must necessarily be given by the General Meeting in a separate specific agreement. In all other cases, the authorisation may also be issued by the Board of Directors, provided the independence of the members granting said authorisation with regard to the exempted director is guaranteed. Moreover, it will be necessary in the latter case to ensure that the authorised operation will not harm the corporate assets or, where applicable, guarantee the conduct thereof under market conditions and the transparency of the process.

6. The non-compete obligation with the Company may only be exempted in the event that no damage to the Company can be foreseen, or that the Company can expect to be compensated through the benefits it is assumed will be obtained through the exemption. The Company's Internal Rules of Conduct also establish that anyone subject to or temporarily subject to these rules ("Subjects" or "Temporary Subjects" as defined in these rules) will act in the event of a conflict of interests (conflict between the Company's interests and their own, including "Closely Related Parties" as defined in these rules) and persons or entities that the proprietary directors represent) in accordance with the following principles:

a) Independence: They must perform their duties with loyalty, independently of any interests that may conflict with their own or third parties affecting them.

b) Abstention: They must refrain from participating in or influencing decisions related with any conflict of interests

c) Confidentiality: They must avoid being privy to any confidential information on the conflict of interests.

The Company's Internal Rules of Conduct stipulated that Subjects must sign and keep up to date a statement detailing any situations and relations that could give rise to conflicts of interest. In all instances, the statement will include performing, on their own account or that of a third party, similar or complementary activities to those of the Company and any organic or service relationship, and holding any direct or indirect stakes of over 3% in companies performing similar or complementary activities to those of the Company. In this regard, relationships with blood relations that are more than fourth removed or with relatives in law of more than second-degree affinity will not, in principle, be treated as a potential conflict of interest.

Any actual or potential conflicts of interest that are detected must be reported as quickly as possible and, in any event, before any decisions that could be affected by the possible conflict of interests are taken..

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

☐ Yes

☒ No

## E. RISK CONTROL AND MANAGEMENT SYSTEMS

### E.1. Describe the risk management system in place at the company, including fiscal risks:

The entity has a corporate governance organisation and procedures designed, amongst other purposes, to control and manage risk. The Company has a Control and Risk Committee that is fully independent of the business lines and which reports directly to the Risk Control and Audit Committee. The Control and Risk Committee is headed up by the Compliance and Risks Officer. Its permanent members include the General Division (including the Technology Department and Human Resources area), General Secretary and the Director of Legal Affairs. In addition, risk control is taken into consideration in all strategic and operational decisions approved by the parent Company and by each of the subsidiaries. The Group continuously analyses its global risk profile using a risk map; identifying and registering new risk situations and monitoring exposure using risk indicators and the possible loss events due to process failures, possible legal action, etc. The materiality thereof is classified based on the potential impact on the financial statements. The potential impact on reputational risk is also assessed. This information can be used to set a risk tolerance threshold and take decisions to mitigate and transfer risks.

The working methodology is as follows:

1. The Compliance and Risks Officer meets regularly with business area heads to identify the risks that could affect achieving each area's objectives.
2. Having identified each risk and conducted unification work across the areas with a view to aggregating and standardising risk control at Group level, possible metrics are identified to objectively monitor risk exposure.
3. In order to estimate impacts and the degree of cover, the areas' past experience of losses from risks is considered alongside a qualitative benchmark compared to other entities and market best practices.
4. Existing risk mitigation measures are evaluated to estimate the degree of cover.
5. Risk thresholds are set to classify risks as low, moderate or high.
6. Risk mitigation and coverage measures are drawn up and put before the Control and Risks Committee for approval.
7. The effectiveness of measures in place is assessed, and the risk metrics for each factor are monitored.
8. Flags are raised when the coverage of a risk factor is below the approval threshold determined in the Risk Policy.

### E.2. Identify the bodies responsible for preparing and implementing the risk management system, including fiscal risks:

The Board of Directors holds ultimate responsibility for the existence and maintenance of an appropriate risk management system, delegating responsibility for supervision of this to the Risk Control and Audit Committee, while the Regulatory Compliance and Risk Department is responsible for its introduction and review. The Risk Control and Audit Committee's responsibilities include the following related with preparing and deploying the risk management system:

- a) Supervise the process of preparing and the completeness of the obligatory financial reporting to be regularly supplied by the Board to the markets and to the supervisory bodies with regard to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and proper application of generally accepted accounting principles. The Risk Control and Audit Committee will report to the Board, prior to adoption by the Board of the corresponding decisions concerning financial reporting which, as a listed company, the Company must periodically publish. The Committee must ensure that interim financial statements are drawn up with the same accounting criteria as the annual financial statements and, to this end, will consider whether or not an external auditor should perform a limited review.
- b) Supervise and be aware of the effectiveness of the Company's internal control, the internal audit, where appropriate, and the risk management systems, including tax-related risks, as well as discuss with the accounts auditors any significant weaknesses in the internal control system detected during the audit.
- c) Inform the Board of any resolutions or significant events at its meetings.
- d) Notify the Board in advance of any related-party transactions.
- e) Perform any other duties assigned to it by the Company's Board of Directors, especially any relating to the Group's risk management and control policy (paying particular attention to the activities of regulated Group companies), Law, the By-laws and the Board Regulations. The Control and Risks Committee, reporting to the Board's Risk Control and Audit Committee, is charged with:
  - a) Proposing the Group's internal control and risk policy, setting out and evaluating the risks covered by the risk management system and providing evidence that the system is fit for purpose vis-à-vis each type of risk.
- b) Preparing and submitting for approval internal control procedures, and overseeing compliance therewith.
- c) Prepare regulatory compliance and risk reports and present them to the Control and Risks Committee and Risk Control and Audit Committee.

- d) Coordinate and manage regulatory compliance and/or risk control units that are or may be established at Alantra Group subsidiaries.
- e) Propose a risk map tailored to the Group's operations.
- f) Report on whether any of the different types of risk (operational, technological, financial, legal, etc.) have arisen during the year that affect the Group, providing details of the triggers and performance of the systems in place to mitigate the effects of said risks.
- g) Coordinate the application of the policy on managing conflicts of interest.
- h) Coordinate the regulatory compliance functions, ensuring applicable laws are properly adhered to.
- i) Foster a culture of regulatory compliance in the N+1 Group, with the Human Resources Department participating in running training programmes to provide the Group's personnel with the skills and experience needed to appropriately carry out their duties.

**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.**

In accordance with the risk identification procedure, the main categories of risks of most relevance and which, therefore, form part of the risk control system, are:

- Market risk: sensitivity to macroeconomic fluctuations. In this regard, the Group has a wide range of products and geographical markets, as well as a flexible cost structure that allows it to adapt rapidly to changing market circumstances. The asset management area also generates income from recurrent commission which covers a significant portion of fixed costs. Exchange rate risk is another type of market risk. A significant part of Group revenue is generated in non-euro currencies. Possible devaluations of those currencies would reduce the Group's earnings.
- Legal compliance and regulatory risk: The Alantra Group's activities are subject to diverse levels of regulation and oversight. Regulatory compliance is essential for the Group. With regard to the prevention of money laundering and the financing of terrorism, the Group avails of appropriate procedures and tools for accepting customers and continuously monitoring risk. Legislative developments and any potential impacts on the businesses are monitored. The internal audit function continuously ensures the regulatory requirements are met, and escalates any potential breaches to the Risk Control and Audit Committee.
- Operational risk: Failures in processes that could result in loss events. The IT systems infrastructure is outsourced to highly respectable suppliers. A customer service and investors relations department are in place. The Group also has a number of operating procedures in the different business areas that are internally audited on an on-going basis.
- Reputational risk: Possible conflicts with customers, incidents detected by regulators, or claims from suppliers could affect the Group's reputation. The Group has a code of ethics that includes the principles to which all staff and management must adhere to.
- Loss of human capital: The Alantra Group's main asset is the high level of skills of its professionals. A key element is to manage talent through the right policy on pay and career development plans.
- Highly competitive sector: The mid & small cap companies sector in which the Alantra Group mainly operates is a very competitive sector, with constant pressure on margins. The Alantra Group pursues strategic, geographical and industry diversification to mitigate this risk.
- International expansion: The Alantra Group continues to expand and diversify and is therefore exposed to the risk that it may not be able to manage this process. Expansion may put significant pressure on its management resources and IT and management systems. Opening new branches or launching new business which do not prove profitable, or failure to integrate and manage said branches or businesses could have a negative impact on the Group's operating results. To mitigate this risk the Alantra Group has a corporate development department that specialises in the identification and integration of new business opportunities.

**E.4. Identify any risks, including fiscal, which have occurred during the year:**

The Company has a Risk Management System in place which comprises indicators of exposure to, probability of occurrence of, and the severity of any impact of such risk. These indicators are also classified according to the possible impact on profit (scores) and other qualitative factors such as the impact on reputation. The Company's tolerance to risk is very low.

The Risk Control and Audit Committee supervises the Alantra Group's risks map quarterly. That map includes the severity and probability of impact of all material risks identified according to the expectations that the risk will materialise and the level of Alantra's preparation and capacity to respond, for which purpose responses and controls are identified for the key risks. The risks map also includes fiscal risk. The Committee reports to the Board on the risks map every quarter.

The scoring scales applied in the risks map consider the potential financial impact (determined according to the impact on financial revenue and/or investment values), the potential reputational impact for Alantra, as well as the potential impact of regulatory non-compliance. This allows the Control and Risk Committee to make decisions to mitigate the risk.

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

During 2018, some of the risks inherent in the Company's activities have manifested themselves, as a result of the pursuit of the operations, the business and the current economic environment.

The following circumstances, in particular, bear emphasis:

- Adverse exchange rate fluctuations. The Alantra Group has investments in different companies that carry on part or all of their operations in non-euro currencies. During 2018, rate movements had a positive impact of approx. 1 million euros on the measurement of those investments. Also, and as translation differences are reflected in the Company's accounts, the net income for the year was likewise affected by that adverse change by approx. 167 thousand euros.
- Brexit. The Alantra Group has continued diversifying its international activity, including Alantra's acquisition of the KPMG LLP (UK) division dedicated to advising on deals with loan portfolios, non-performing loans (NPL) and non-strategic banking assets. At year-end that team numbered 38 employees. This acquisition, together with the one carried out in 2017 with the integration of Catalyst Corporate Finance LLP, thus involves greater exposure to the potential recession that could arise from an abrupt departure of the UK from the European Union. The Alantra Group continues monitoring the potential impacts of a no-deal Brexit in order to cover the possible contingencies.
- During 2018 there were various episodes of turbulence in financial markets. The political context also saw significant changes, in Spain, Latin America and Italy, as well as the uncertainty in the UK associated with the negotiations with the EU for implementing Brexit. What is more, the climate of political uncertainty is expected to continue in 2019. This situation could condition the sectors in which the Alantra Group does business.
- Regulatory requirements remain very demanding. In particular, with MiFID II: The entry into force of EU Directive 2014/65 on financial markets on 3 January 2018 ushered in a transformation of the business model for asset management and the investment firms in the Alantra Group. Adapting to the requirements spawned by the Directive have required sizeable outlays, primarily in technology, the return on which is still uncertain given the scale of the change in markets that the Directive will entail. During 2018, in line with what was expected, a decline was seen in revenue from intermediation. Notwithstanding the above, the risk control mechanisms applied by the Company have worked properly, allowing the impact of those risks on its financial statements to be minimised.

**E.6. Explain the response and monitoring plans for the main risks the entity is exposed to, tax compliance risks, 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:**

The Risk Control Committee monitors the Group's exposure to each risk, approving action plans that ensure such exposure is kept within the established tolerance thresholds.

This committee registers agreed-upon action and monitors the degree of completion thereof.

The Group's risks map is kept up to date and supervised by the Risk Control and Audit Committee, which committee reports to the Board of Directors thereon.

The Alantra Group has an internal training programme on its internal procedures which all Group employees are required to

## F. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the company

### F.1 The entity's control environment

Indicate the existence of at least the following components, describing their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Internal Control over Financial Reporting System (hereinafter, "the ICFRS"), forms part of the Alantra Group's general internal control system, and was set up to provide reasonable assurance as to the reliability of the financial information provided to the markets. The Group has an Accounting Policies Manual and ICFRS Manual approved by the Board of Directors, setting forth the administrative and technical procedures that help to enhance internal control, and thereby raise operating efficiency. All with a view to obtaining more reliable, timely and true financial information, and issue reports that are invaluable to taking the right decisions. An oversight protocol and training procedure are also in place vis-à-vis the ICFRS. The Regulatory Compliance and Risk Control Department is also responsible for the design, roll-out and performance of the ICFRS.

The Board of Directors Regulations (available on the Group's website) also set out a raft of policies concerning the ICFRS, which specify, among the Board's other competencies and responsibilities, reviewing and approving the financial information that is regularly published, and adopting the necessary measures to ensure that financial information is prepared as per the same principles, criteria and professional practices as those followed when preparing the financial statements, and that said information is equally as reliable. The Group's Board of Directors is ultimately responsible for financial information and the existence of an adequate internal control system for this information.

These regulations also stipulate the competencies and responsibilities of the Risk Control and Audit Committee (hereinafter, the "RCAC"), which include reviewing the Group's financial statements and regular financial reporting, ensuring legal requirements are fulfilled and generally accepted accounting principles applied properly. It is also responsible for overseeing the completeness of and process for preparing statutory financial information, checking compliance with regulatory requirements, appropriate demarcation of the scope of consolidation, and proper application of generally accepted accounting principles. The regulations also expressly refer to supervision of internal control and the risk management systems, and discussions with accounts auditors on any significant weaknesses in the internal control system identified during the audit of the Group's financial entities.

Specifically, Article 15.2 stipulates the following with regard to the RCAC competencies and responsibilities:

- Supervise the process of preparing and the completeness of the obligatory financial reporting to be regularly supplied by the Board to the markets and to the supervisory bodies with regard to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and proper application of generally accepted accounting principles, and present recommendations or proposals to the board of directors to safeguard the integrity of that information. The RCAC will report to the Board, prior to adoption by the Board of the corresponding decisions concerning financial reporting which, as a listed company, the Company must periodically publish. The RCAC must ensure that interim financial statements are drawn up with the same accounting criteria as the annual financial statements and, to this end, will consider whether or not an external auditor should perform a limited review.
- Supervise and be aware of the effectiveness of the Company's internal control, the internal audit, where appropriate, and the risk management systems as well as discuss with the accounts auditors any significant weaknesses in the internal control system detected during the audit, all without compromising their independence

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity:

The Company avails of an Internal Control Organisation Procedure signed off by the Board of Directors on 24 February 2016. This specifies that the General Division will be responsible, when authorised by the Board, for designing and reviewing the organisational structure, and appropriate distribution of tasks and duties. They will carry out any necessary revisions and will check that all the Group's employees receive said procedure by email and other channels established for this purpose.



The procedure also includes an organisational chart and the main responsibilities of the following areas: General Division, Finance Department, HR Department, IT Department, Administration Department, Accounting Department, Legal Affairs Department, Corporate Development, Regulatory Compliance and Risks Department, and Internal Audit.

The Board Regulations set forth the functions of the Board and of the duties delegated to the RCAC and the Appointments and Remuneration Committee ("ARC").

The Group also has an Accounting Policies Manual, approved by the Board of Directors on 17 December 2015, setting out the procedures governing the sub-processes involved in preparing financial information and those in charge of each of them.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

The Group has a General Code of Ethics and Conduct (hereinafter, "the Code of Ethics") and Internal Rules of Conduct concerning securities market matters (hereinafter, "the IRC").

The Code of Ethics sets out a raft of basic principles and practices for professional conduct that must be adhered to by all the staff and management of Alantra and Alantra Group companies. Notwithstanding this, some individuals are also subject to other rules of conduct that are specific to the activity or business in which they carry out their duties. These individuals are referred to as "Subjects" and are required to adhere to rules governing the following:

1. Equal opportunities and non-discrimination
2. Compliance with the Law and internal rules
3. Non-compete and professional exclusiveness requirement
5. Conduct in the event of conflicts of interest: personal interests must not come before the interests of the Group or its customers
6. Control of information and confidentiality: general duty of secrecy; management of confidential documents
7. Responsible participation in forums, social networks, and political or trade association activities
8. Restricted access to insider information
9. Prohibition to trade with securities when party to related confidential or insider information
10. Commitment to report (where stipulated) any personal transactions
11. Appropriate use of devices, assets and other property of Alantra
12. Prohibition to give or promise to give public servants any type of payment or gift
13. Prohibition to give or promise to give any type of payment or gift to individuals that, in breach of its obligations when procuring products or services or buying and selling assets, give the Alantra Group an advantage over its competitors
14. Protection of intellectual property
15. Separation of duties and Chinese walls.

The Code of Ethics is available to all the Group's staff on the intranet, and they have all been informed of its existence, location, and their obligation to adhere to it. The Regulatory Compliance and Risks Department is responsible for ensuring all Alantra staff and executives are aware of the General Code. The Human Resources and Regulatory Compliance and Risks departments regularly report to the Control and Risks Committee on Subjects' following of and compliance with the rules. They are responsible for keeping an up-to-date register of Subjects, along with dates on which individuals join or leave the register.

The IRC is updated regularly by the Board of Directors. The Control and Risks Committee is an internal control body of the Company that operates under the auspices of the Board of Directors and reports to the ARC and the RCAC. With regard to the IRC, the Control and Risks Committee regularly reports to the ARC on its activities and any incidents of interest in relation to the rules and compliance therewith.

The main aspects covered by the IRC are as follows:

1. General duty of conduct
2. Insider information
3. Avoidance of market manipulation
4. Duties concerning analysis and negotiation of transactions that affect the markets
5. Authorisation and reporting of transactions
6. Blackout periods
7. Other duties related with trading
8. Conflicts of interest
9. Recording and confidentiality of actions
10. Reporting of material information
11. Rules on treasury share trading
12. Sanctions system

The IRC is available on Alantra's website. It is also available to all the Group's staff on the intranet, and they have all been informed of its existence, location, and their obligation to adhere to it.

- Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential:

An important aspect of responsibility and transparency is to ensure all matters concerning potential breaches of laws, rules, regulations or internal policies and procedures, and good faith reporting are managed appropriately and resolved as applicable. The Group therefore has a mechanism through which any employees can securely and confidentially report any irregularities that they consider have arisen when carrying out the Group's activities.

The Group has a procedure for reporting infractions, which has been approved by the Board of Directors and applies to all Alantra staff and management.

The main features of this procedure are:

1. Guarantee that the identity of the reporting party and alleged offenders will be kept confidential.
2. The main aspects that could be reported are: breaches of the IRC or Code of Ethics, employment obligations, fraud, violation of duty of confidentiality, failure to adhere to financial reporting standards, breaches of anti-laundering policy, market abuse, abuse of authority and workplace bullying.
4. Reports can be submitted via the whistleblowing@alantra.com mailbox.
5. The Group's Compliance and Risks Officer (hereinafter, "the CRO") is charged with receiving and managing any reports, informing the RCAC of any reports and the results of investigations carried out, and recommending to the committee any measures that could be adopted.
6. The RCAC may, in any event, launch new investigations and will, based on a report from the CRO, propose measures to be taken in relation to the reports received.
7. Any complainants who are found to have submitted unfounded claims in bad faith may be subject to disciplinary proceedings.

This procedure is available to all staff on the Alantra intranet. All employees have also been notified of the procedure. The Group assumes responsibility for ensuring all new hires (staff and management) are made aware of the whistleblowing policy, and of informing all staff by email on a yearly basis.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management:

The ICFRS Manual, signed off by the Board of Directors on 17 December 2015 and subsequently amended on 21 November 2017, includes the procedure for the provision of training on the ICFRS, and sets out the Group's commitment to ensuring staff involved in preparing and reviewing financial information have the right training, thereby fulfilling regulatory provisions.

The heads of Legal Affairs and Finance will regularly (at least annually) assess training requirements in order to fulfil commitments to provide appropriate training to staff involved in preparing and reviewing the Group's financial information.

These department heads will take into account, inter alia, the following when assessing training needs:

- Any relevant amendments to accounting legislation, internal control rules and/or reporting standards that affect the Group and its companies.
- Changes in the Group's structure that result in new legal obligations when preparing and reporting financial information relative to those applicable to the Group at the time.
- Introduction of new procedures in the Group to prepare and publish financial information.
- Roll-out of new software for preparing and publishing financial information and/or changes to the configuration of existing applications.
- Any other circumstances that the heads of these departments consider relevant to the analysis.
- The Group's strategic objectives.

Once training goals have been determined, the Group's Human Resources Department will prepare a training plan setting out, but not limited to, the following:

- Title of training to be provided.
- Group, participants and number of participants invited.
- Planned dates.
- Training hours.
- Method of training.
- Location of training.
- Trainer.
- Training cost.
- In-house or out-of-house course.

Each stage of every training plan will be subject to on-going improvements. Training provided over the course of each year will be evaluated for this purpose. All courses in the training plan will also be subject to feedback from participants in order to assess how relevant they are to their work, how the sessions were organised, and the quality and involvement of trainers.

During 2018, the Company gave all Group employees a training course on anti-money laundering matters, the general code of ethics and conduct, the internal code of conduct on matters relating to securities markets and the procedure for reporting infringements. All employees also received a training course on the protection of personal data. In addition, all new employees receive training on the prevention of occupational hazards. Lastly, in the Group's investment firms there is training on issues of market abuse,

and the individuals considered part of the group of relevant persons for the purposes of MiFID II also receive the training needed to be able to perform market services and, where applicable, to provide investment advice.

## F.2. Risk assessment in financial reporting.

Report at least:

### F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented:

The Group has an ICFRS Manual, signed off by the Board of Directors on 17 December 2015 and subsequently amended on 21 November 2017, which was drawn up following a methodological approach to identify and evaluate risks in the financial reporting process. This methodological approach is designed pursuant to relevance criteria approved by the Group's Board of Directors, and taking into consideration all the financial information that the Group reports and publishes. This document provides an inventory of key processes and sub-processes for generating financial information, and the main associated risks and controls put in place by the Group to mitigate said associated risks.

An officer is assigned to each process identified and included in the document, who works with the Regulatory Compliance and Risk Control Department to document the process, identify associated risks and existing controls, and define and roll out new controls where necessary, subsequent to obtaining approval from the Control and Risks Committee and under the RCAC supervision. They also assume responsibility for introducing measures put forward by the Regulatory Compliance and Risks Department.

- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency:

The scope of the methodology used to identify risks and design controls related with the generation of financial information covers the most relevant processes and areas following relevance criteria based on materiality and other qualitative aspects. Specifically, the Group has built its risk identification and evaluation process on key principles such as: existence and occurrence; accuracy; rights and obligations; measurement; presentation and disclosure; and comparability.

The inventory of processes and risks provided in the ICFRS Manual and the updating thereof is the responsibility of the Group's Control and Risks Committee, who must review it at least once a year. The Group's Internal Audit team is responsible for overseeing and validating the effectiveness thereof, checking whether there have been any significant changes in the risks associated with financial reporting specified in the aforesaid document. The RCAC will be notified of any changes.

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc:

The Group has a procedure in place for determining the scope of consolidation – described in point 4 of the Internal Accounting Policies Manual.

The Group's financial information is consolidated every quarter for the purpose of monitoring management control and reporting to Management and the Company's other control bodies. The principles set forth in prevailing accounting standards are followed when determining the scope of consolidation. The main stages of the consolidation process are as follows:

1. For each consolidation process, the Finance Department requests an updated organisational chart for the Group from the Legal Affairs Department. Any changes in scope will be taken into consideration by the person in charge of consolidation with a view to removing a company from the scope in the case of divestments, or including them when they are acquired (using the appropriate method of consolidation as per prior accounting standards). Legal Affairs will also be asked to provide any documentation on the transaction in question. This documentation will be used to determine the resulting ownership interest, type of investee, accounting treatment thereof, etc.
2. Once the scope of consolidation has been defined for the period in question and the ownership interest in and method of consolidation of the new entity (in the case of acquisitions) determined, the individual reporting closes will be checked in conjunction with the officers in charge of the investees (both in Spain and abroad) that have closed their accounts and are ready to begin consolidation.

3. The officer in charge of consolidation does so using BM Cognos Controller software

- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements:

The main risk categories of most relevance are: market risk, legal compliance and regulatory risk, operational risk, reputational risk, the risk of losing human capital, and exchange rate risk.

- Which of the company's governing bodies is responsible for overseeing the process?

In the last instance, the Board of Directors is ultimately responsible for assessing financial reporting risks through the RCAC, who is charged with overseeing the process with the help of the Group's Internal Audit area.

### F.3. Control activities.

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections:

The Board of Directors is responsible for approving the risk management and control policy, and overseeing the in-house training systems. It is therefore ultimately responsible for financial information and the existence of an internal control over financial reporting system that is fit for purpose.

The Group has an ICFRS Manual providing flowcharts of the main processes with a material impact on the generation of financial information, identifying the risks involved, and measures and controls to prevent, mitigate and minimise these risks. This ICFRS Manual defines the principal risks affecting each procedure, showing the following fields for each of these risks:

- Type of risk identified (including fraud risk).
- Impact in the event said risk arises.
- Likelihood of said risk occurring.
- Control activity.
- Type of control.
- Individual responsible for implementing the control.
- Evidence of the control.
- Frequency of the control.
- Materiality indicator.

In addition, the Internal Accounting Policies Manual sets out the ICFRS subprocesses.

The reporting close procedure is described in point 5 of the Internal Accounting Policies Manual, approved by the Board of Directors. The Alantra Group's accounting system (SAP) is, on the whole, shared by subsidiaries. This ensures a tighter control over accounting records and the generation of financial information. The Company's Finance Department can access the accounting records of all the Group companies' using this system. Due to the nature of the Alantra Group, the reporting close is split into two sub-processes:

- Reporting close of Spanish companies
- Reporting close of foreign companies

There is a number of important processes concerning the generation of financial information that must be followed by each participating area. Controls over and supervision of these processes ensure the completeness and accuracy of the financial information included in the reporting closes of the companies and the financial statements of each and of the Alantra Group (e.g. legal action, measurement of investees, etc.).

The Alantra Group also has an accounting consolidation tool (see F.4.2.) used in support of the information generated on an individual basis in SAP.

The Board Regulations also determine that the RCAC will normally meet every three months to review the regular financial information that must be submitted to the supervisory authorities, and the information that the Board of Directors must approve and include in the annual public reporting documents. It will also meet whenever it is convened by its Chairperson, who must call the meeting whenever the Board or Board Chairman requests the issuance of a report or the take-up of proposals and, in any case, whenever this is appropriate for its proper performance.

### F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The Group's IT systems used to prepare financial information either directly or indirectly ensure financial information is prepared and published properly at all times, using the SAP User Manual. Its content includes start instructions, access security, and instructions on all accounting processes.

Likewise, as part of the process for identifying financial reporting risks, the Group has a SAP User Manual, an ICFRS Manual and a Business Continuity Plan.

The ICFRS Manual features flowcharts for the main processes with a material impact on the generation of financial information, including those related with the disaster recovery plan, continuity plan, logical security and technology exploitation. These charts present each process in detail and describe the risks and controls implemented, along with the individuals who are involved in the process.

The Group also avails of a Business Continuity Plan which aims to specify the internal processes that will be triggered in the event of an internal or external threat, to ensure the business can continue to function. The plan identifies various possible scenarios and the measures and controls to prevent and mitigate the effects thereof and minimise response times.

This plan also refers to the existence of a business recovery team and the members thereof, which would be responsible for managing operations with a clearly defined functions and responsibilities in the event of a threat.

### F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group regularly reviews which outsourced activities are relevant to the process of preparing financial information.

Specifically, a Procedure for the Outsourcing of Essential Functions exists, which was approved by the Board of Directors on 24 February 2016, and applies to all essential activities that Alantra outsources to third parties. These include those identified when developing material processes that affect the generation of financial information, within the framework of the Internal Control over Financial Reporting System.

The basic points set forth in the procedure include a series of minimum requirements and criteria that suppliers must fulfil, essential service-level indicators to be included in each contract, reasons for penalties or contract cancellation, and lines of reporting and supervision in the process of outsourcing essential functions.

The procedure also specifies that the department in charge of the function or service being outsourced will carry out the controls needed to verify the assessments, calculations and valuations outsourced to third parties, paying close attention to any outsourced activities that could have a material impact on the generation of financial information. Incidents detected will be immediately reported to the Control and Risks Committee and the service provider, and corrective measures taken to resolve them.

## F.4. Information and communication.

Indicate the existence of at least the following components, and specify their main characteristics:

### F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

The Group has an Internal Accounting Policies Manual that describes, inter alia, the accounting procedures and technical support that help achieve better internal control.

As indicated in the manual, the Finance Department, acting with the authority of the General Manager, will be responsible for defining, updating and disseminating the Group's accounting policies in order to obtain the most suitable, timely and accurate financial information. It will also be responsible for resolving any doubts or conflicts deriving from the interpretation and applications of the accounting policies.

The Internal Accounting Policies Manual will be updated annually, or whenever any significant amendments to applicable legislation are introduced which require it to be updated.

The Finance Department will email the manual as well as any significant changes thereto to affected staff.

In both cases, employees will be required to provide formal written confirmation that they have read and understood the content thereof.

#### **F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.**

Practically the entire accounting information system of the Alantra Group companies is integrated in the same information system that is shared by all of them (SAP Business ByDesign). The parameters for the automated accounting are therefore the same across the Group. This parameterisation is defined and overseen from a technical and regulatory perspective by the Finance Department, which reports directly to the General Manager, thereby ensuring the Group's accounting policies and prevailing standards are adhered to. Since all the Alantra Group subsidiaries that are controlled (fully consolidated) use the same accounting information system, local charts of accounts can be used (pursuant to country-specific standards) and converted to a single chart of accounts in accordance with the Alantra Group's configurations. To a large extent, this Alantra Group chart of accounts formed using each of the local charts of accounts, includes the minimum disclosures needed to comply with the reporting requirements set forth by (local and foreign) authorities.

The consolidation process is automated using an application (IBM Cognos Controller) at the Alantra Group's parent, and brings together the month-end accounting information of all the Alantra Group companies. Once all the subsidiaries have completed the monthly close in the Alantra Group's accounting system (where applicable), the data is automatically loaded which informs the accounting consolidation tool as per the chart of accounts configured by the Alantra Group. The financial statements of companies that do not use the Alantra Group's functional currency (euros) are translated in the consolidation system by inputting the relevant exchange rates. The financial statements of all consolidated companies are then automatically aggregated:

- Intragroup items are identified and reconciled automatically, enabling any differences that could arise to be analysed and eliminated correctly.
- Adjustments are made automatically to eliminate own funds-investments.
- The Finance Department is able to input any accounting or off-balance sheet information and make any adjustments that might not be included in the automatic upload (companies not included in SAP, manual book entries, etc.).

This consolidation process is highly automated and involves different controls/reconciliations to ensure the process is carried out correctly. Moreover, once the consolidation process is finalised in the application, several reports are generated based on different previously defined criteria (by country, goodwill, etc.).

#### **F.5. Monitoring.**

Indicate the existence of at least the following components, describing their main characteristics:

##### **F.5.1 The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.**

The Internal Audit Procedure, approved by the Board of Directors on 24 February 2016, establishes that the RCAC will be responsible for overseeing the work performed by the Internal Audit Committee, which is currently outsourced to Informa Consulting Compliance S.L. It must also supervise and be aware of the effectiveness of the Group's internal control, and the risk management systems, including those associated with tax-related risks.

Informa Consulting Compliance S.L.'s functions, meanwhile, as authorised by the Board of Directors and the RCAC, include providing independent verification that the activities performed by the Group comply with its general policy and principles in place. Internal Audit's principal objective is therefore to verify the degree of compliance with and effectiveness of the written procedures that have been designed, and detect any regulatory breaches or sources of risk. Internal Audit must also notify the RCAC of progress with the Annual Plan, activities performed, reports, possible deviations, planned work, and any relevant matters. It will also prepare proposals for any pertinent corrective measures, directly informing the Board of Directors and RCAC of such action.

During the first quarter of 2019 an evaluation of the ICFR system by the Group Risks and Control Committee was presented to the Risk Control and Audit Committee. An assessment was likewise carried out by Internal Audit, currently outsourced to Informa Consulting Compliance S.L.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Group's Internal Audit Procedure established a relationship framework defining the lines of communication between Internal Audit and the RCAC and Board of Directors. Specifically, it is expressly stated that Internal Audit must notify the RCAC of progress with the Annual Plan, activities performed, reports, possible deviations, planned work, and any relevant matters. In turn, the RCAC must evaluate the results and responses of the management team, and serve as a conduit for communications between the Board of Directors and Internal Audit.

If the function is outsourced, the RCAC will also prepare an annual report on the performance of the company charged with internal audit – currently Informa Consulting S.L. – highlighting the main incidents arising, if any, with regard to its duties, and including improvement points in this report.

The RCAC will normally meet with the Board of Directors every three months to review the regular financial information that must be submitted to the authorities and the information that the Board of Directors must approve and include in the annual public reporting documents.

The Board Regulations also include a policy on reporting and relations with the Board (Title X), including the following points: Annual Corporate Governance Report, corporate website, shareholder relations, relations with markets and with accounts auditors. Lastly, one of the main duties of the RCAC is to oversee and remain abreast of the effectiveness of the Group's internal control, internal audit, and risk management systems, and discuss with the accounts auditors any significant weaknesses in the internal control system detected during their audit.

#### **F.6. Other relevant information.**

On 14 December 2018 the Alantra Group submitted a material disclosure reporting the acquisition by Grupo Mutua of 50.01% of Alantra Wealth Management Agencia de Valores, S.A. and Alantra Wealth Management Gestión, SGIIC, S.A. The close of the deal was conditional on the Spanish securities markets regulator, the Comisión Nacional del Mercado de Valores, not raising any objections and on authorisation, if applicable, from the supervisory authorities for markets and competition. The closing of the transaction could imply a review of the core processes of the ICFR system.

#### **F.7. External auditor's report.**

State whether:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Pursuant to the recommendation on the auditor's report on information concerning the internal control system included in the Guide on Internal Control over Financial Reporting in Listed Companies, published on its website by the Spanish securities markets regulator (Comisión Nacional de Mercado de Valores), the Group will present the content of information on the Internal Control over Financial Reporting System to the accounts auditor for review. The resulting report will be attached on issue as an appendix to the Annual Corporate Governance Report.



## **G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant ☒ Explain ☐

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

Compliant ☐ Partially Compliant ☐ Explain ☐ Not Applicable ☒

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- c) Changes taking place since the previous annual general meeting.
- d) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant ☒ Partially Compliant ☐ Explain ☐

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant ☒ Partially Compliant ☐ Explain ☐



5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant [ X ] Partially Compliant [ ] Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the appointments and remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant [ X ] Partially Compliant [ ] Explain [ ]

7. The company should broadcast its general meetings live on the corporate website.

Compliant [ X ] Explain [ ]

The Company broadcast live, via its website, the Annual General Meeting of shareholders held on 25 April 2018. During the Extraordinary General Meeting held on 25 July 2018 there was a technical problem on the Company website that made it impossible to broadcast the General Meeting live. Nevertheless, when the problem was resolved minutes later, the video of the General Meeting was posted on the Company website.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant [ X ] Partially Compliant [ ] Explain [ ]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant ☒ Partially Compliant ☐ Explain ☐

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Publish 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) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not Applicable ☐

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not Applicable ☐

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value..

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant ☒ Partially Compliant ☐ Explain ☐

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant [ X ] Explain [ ]

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant [ ] Partially Compliant [ X ] Explain [ ]

The Company adheres to the various principles in this recommendation, except for the point concerning the target of having at least 30% of board places occupied by women by 2020. As recommended by the Appointments and Remuneration Committee, the Company's Board ratified the decision not to include this principle in the board selection process for the time being. However, as per the provisions of the aforesaid policy, processes to select board members must expressly:

- Ensure selection procedures do not have any implicit bias, and do not discriminate because of race, gender or any other reason.
- Encourage the presence of women on the Board, proactively searching for candidates with the right professional profile.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant [X] Partially Compliant [ ] Explain [ ]

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant [ X ] Explain [ ]

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 per cent of capital, independent directors should occupy, at least, a third of board places.

Compliant [ X ] Explain [ ]

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Compliant [ X ] Partially Compliant [ ] Explain [ ]

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant [ ] Partially Compliant [ ] Explain [ ] Not applicable [ X ]

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant ☐ Partially Compliant ☐ Explain ☐ Not applicable ☒

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant ☒ Explain ☐

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant ☒ Partially Compliant ☐ Explain ☐

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of director's regulations should lay down the maximum number of company boards on which directors can serve.

Compliant ☒ Partially compliant ☐ Explain ☐

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant ☒ Partially Compliant ☐ Explain ☐

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant ☒ Partially Compliant ☐ Explain ☐

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant ☒ Partially Compliant ☐ Explain ☐

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant ☒ Partially Compliant ☐ Explain ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.  
For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant ☒ Partially Compliant ☐ Explain ☐

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant ☒ Partially Compliant ☐ Explain ☐

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant ☒ Partially Compliant ☐ Explain ☐

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant [ X ] Partially Compliant [ ] Explain [ ] Not applicable [ ]

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant [ X ] Explain [ ]

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant [ X ] Partially Compliant [ ] Explain [ ]

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Compliant [ ] Partially Compliant [ ] Explain [ ] Not applicable [ X ]



38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant [ ]      Partially Compliant [ ]      Explain [ ]      Not applicable [ X ]

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant [ X ]      Partially Compliant [ ]      Explain [ ]

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant [ X ]      Partially Compliant [ ]      Explain [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant [ X ]      Partially Compliant [ ]      Explain [ ]      Not applicable [ ]

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant [ X ]   Partially Compliant [ ]   Explain [ ]

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant [ X ]   Partially Compliant [ ]   Explain [ ]

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.
- b) The setting of the risk level that the company deems acceptable.
- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant ☒ Partially Compliant ☐ Explain ☐

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant ☒ Partially Compliant ☐ Explain ☐

47. Appointees to the appointments and remuneration committee - or of the appointments committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant ☐ Partially Compliant ☒ Explain ☐

The members of the appointments and remuneration committee are designated such as to ensure the right balance of knowledge, skills and experience for the functions they are called upon to discharge. Nevertheless, said committee is composed of four members, one proprietary, one external and two independents, as specified in section C.1.2.

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Compliant [ ]

Explain [ ]

Not applicable [ X ]

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Compliant [ X ]

Partially Compliant [ ]

Explain [ ]

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant [ X ]

Partially Compliant [ ]

Explain [ ]

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant [ X ]

Partially Compliant [ ]

Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the board of director's regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Compliant [ ]      Partially Compliant [ ]      Explain [ ]      Not applicable [ X ]

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant [ X ]      Partially Compliant [ ]      Explain [ ]

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant ☐ Partially Compliant ☐ Explain ☒

The Company carried on diverse CSR activities over the course of 2018, although no specific CSR policy had been approved at the end of said year. Nevertheless, during 2019 the Board of Directors of the Company has approved a CSR Policy.

Alantra Asset Management does have a CSR policy approved. Alantra CPA approved a CSR policy in January of 2018.

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant ☒ Partially Compliant ☐ Explain ☐

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant ☒ Explain ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant ☒ Partially Compliant ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the Company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short-, medium- and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐



61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

Although it is envisaged that future variable remuneration will be linked with the awarding of shares, this has not been set up. It should nevertheless be noted that the Chairman and CEO (the Company's only executive director) is a significant shareholder of the Company, so the alignment of interests pursued by this variable remuneration structure is largely achieved.

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant ☐ Partially Compliant ☐ Explain ☐ Not applicable ☒

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

64. In addition, the Bank has adopted a policy on the application of malus clauses in the field of remuneration. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant ☒ Partially Compliant ☐ Explain ☐ Not applicable ☐

## H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the code and date of adoption. In particular, expressly state whether the Company has endorsed the Code of Good Tax Practices of 20 July 2010:

### SECTION A.2

The information in this section has been taken from the records of shareholders as at 31 December 2018 provided to the Company by IBERCLEAR (given that the Company's shares are registered shares) and from the information in the official registers of significant shareholdings of the Spanish securities markets regulator (Comisión Nacional del Mercado de Valores or CNMV).

### SECTION C.1.25

For the sake of clarity, it is placed on record that during 2018 the Board of Directors met physically or by telephone on eight occasions and adopted resolutions in writing without a meeting on two occasions.

It is likewise noted for the record that the Risk Control and Audit Committee met physically or by telephone on eight occasions, and the Appointments and Remuneration Committee met physically or by telephone on six occasions.

It is placed on record that each year the Board approves a calendar or schedule of Board meetings and Committee meetings for the year with the aim of facilitating and encouraging attendance at those meetings by the Directors.

### SECTIONS D.2 and D.3

In the Notes to the consolidated and individual and consolidated financial statements the Company provides information on the main transactions carried out during 2018 with related parties, all of which were carried out on an arm's length basis and within the ordinary course of business of the Company and of its group.

### SECTION D.5

A breakdown of the transactions carried out by the Company with other related parties included in this section is given in Nota 23 to the 2018 consolidated annual report.

This Annual Corporate Governance Report was adopted by the Company's Board of Directors at its meeting held on 28 March 2019.

List whether any directors voted against or abstained from voting on the approval of this report.

[ ] Yes  
[ ☒ ] No