

2018

Activity Report

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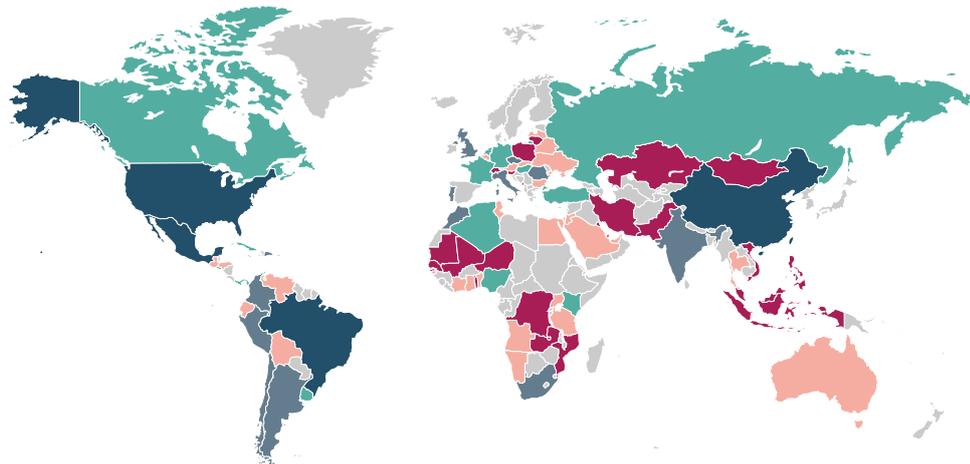
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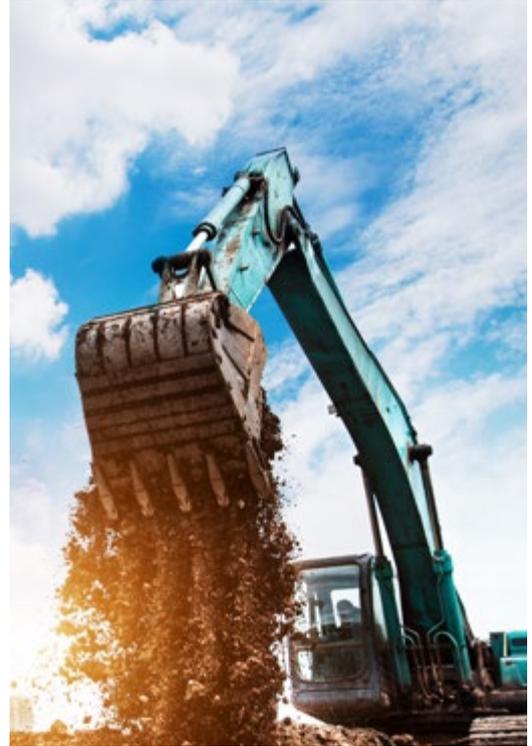
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1 Introduction

COFIDES celebrated 30 years of activity in 2018

COFIDES co-finances productive investments in all countries around the world with the aim of promoting the internationalization of the Spanish economy and the development of the countries in which it invests.

COFIDES has its own resources and manages the Foreign Investment Fund (FIEX) and the Fund for Foreign Investment Operations for Small and Medium Enterprises (FONPYME) on behalf of the Spanish government. These funds are assigned to the Ministry of Industry, Trade and Tourism through the Secretariat of State for Trade.

COFIDES also supports the Spanish Agency for International Development Cooperation (AECID) in managing the Fund for the Promotion of Development (FONPRODE) through reimbursable financing operations. It is also an accredited entity authorised to manage European Union budget funds and the United Nations Green Climate Fund in a blending arrangement. Moreover, it co-finances investments with its partners of the European Development Finance Institutions (EDFI).

COFIDES' shareholders include ICEX Spain Export and Investment, the Official Credit Institute (ICO) and the National Innovation Company (ENISA), which account for 53.68% of its share capital. The private capital shareholders (46.32%) are Banco Santander, Banco Bilbao Vizcaya Argentaria (BBVA) and Banco de Sabadell. They are joined by CAF, the Development Bank of Latin America, with 1.14%.

Mission

Contribute to the internationalization of Spanish companies and the Spanish economy and to the development of third countries, based on profitability and sustainability criteria. It achieves this by financing private investment projects and supporting the management of financial instruments to promote development.

Vision

To be the public-private reference in Spain for the financing of international investments, the development of Spanish private capital abroad and investment with social and environmental impact guided by the Sustainable Development Goals (SDGs), thus contributing to the growth of the Spanish economy and the development of the countries in which the private sector invests with the support of COFIDES.



**LEADERS IN
INTERNATIONALISATION
AND DEVELOPMENT**

Values

With its investments, COFIDES aims to have a positive social and environmental impact and obtain a financial return that guarantees the viability of the Company and the funds it manages.



Additionality

Offer solutions that are hard to find on the market thus making COFIDES complementary to the private financial sector



Economic feasibility

Risk/profitability management using the most advanced techniques and tools. Profits and a sound financial situation serve as evidence for shareholders and other stakeholders of COFIDES' solid financial management



Sustainability and impact Commitment to the Sustainable Development Goals

COFIDES is committed to the economic, social and environmental sustainability of its investments. This requirement is known as the 'COFIDES standard'. Over and above financial profitability, investments seek a positive impact on the Sustainable Development Goals



Catalyst effect

Spark a 'crowding-in' effect for private and public resources enabling the financing of projects that otherwise would have been difficult to carry out



Good governance

Corporate commitment to ethics, scrupulous compliance with the law and managerial excellence and transparency



Visit to COFIDES by the Minister of Industry, Trade and Tourism, Reyes Maroto, and the Secretary of State for Trade, Xiana Méndez

What does COFIDES do?

COFIDES finances investments abroad with the aim of making a positive social and environmental impact and achieving financial return.

In line with this objective, COFIDES finances viable private investment projects such as the creation of new companies or the acquisition of existing companies and the expansion of their activity, providing that they have assets that require medium and long-term financing, are projects undertaken abroad and are of interest to Spain. It also helps Spanish companies to expand abroad and can provide financing to the parent company of international Spanish enterprises. COFIDES also regularly engages in Public-Private Partnerships (PPP), sometimes structured as project finance schemes.

As an accredited entity to manage European Union budget funds, it can submit blending projects, i.e. an instrument that allows it to leverage a significant volume of resources to make investments in situations and sectors of potentially higher initial risk. In this way projects can be made bankable that otherwise would not be. The European Union contributes by means of several different instruments: donation for investment; technical assistance; interest rate subsidy; venture capital (first loss tranche) and guarantees. The first three contribute to reducing the cost of financing while the last two aim to reduce risk and therefore have a catalyst effect vis-à-vis other funders. Moreover, the European Union has made a clear commitment to private investment as an engine for sustainable development, employment and growth in African and neighbouring countries through the EU External Investment Plan. COFIDES is actively working to strengthen its role as a trusted partner with the European Commission in this area.

Also, as an accredited entity of the United Nations Green Climate Fund, it can put together mitigation and adaptation projects through private institutions or public bodies.

Since the start of its activity, COFIDES has approved a total of 961 investment projects in nearly 90 countries. In these projects it has committed over EUR 3.25 billion for a total investment of more than EUR 37 billion.

On 31 December 2018, the committed investment portfolio amounted to EUR 1,258.6 million and the total portfolio of COFIDES-managed projects was EUR 1,053.8 million.

COFIDES has approved 961 investment projects in nearly 90 countries



What products does COFIDES offer?

COFIDES has a wide range of products allowing it to offer customized financing:



Multi-currency financing

Financing in euros and other currencies, depending on the risk limits established for each currency.

COFIDES has a wide range of products allowing it to offer customized financing



Customized direct financing

- **Capital and quasi-capital.**
- **Debt products tailored to the client:** *bullet* or *semi-bullet* loans, subordinated debt, or subscription of bonds linked to internationalization.
- **Project finance.**
- **Blended finance.** Project structure that combines concessional resources with other market financing in order to improve the risk profile of projects. COFIDES has the capacity to mobilize donations, concessional financing and guarantees from the EU and the United Nations Green Climate Fund.



Indirect / intermediated financing

- Participation in **investment funds.** In addition to direct financing, it also participates as an investor in vehicles managed by third parties in order to increase the capillarity of its investments.
- This brokerage activity is done through **private equity** projects as an anchor investor promoting optimal fund sizing thereby generating a multiplier effect on resources available for Spanish companies in the development of their internationalization process.



Impact investment aims to achieve social and environmental positive impact along with financial return

Impact investment is intimately linked to the achievement by 2030 of the 17 Sustainable Development Goals (SDGs) agreed in 2015 at the United Nations Summit for the adoption of the development agenda.

Collective performance objectives were defined at that Summit and it was found that the magnitude of the global challenges far exceeds the possibilities of individual countries, public administrations and multilateral organizations, companies and the commercial financial system and philanthropic and third sector organisations. It also stressed the vital role of the private sector in achieving sustainable development, not only as a generator of wealth and decent employment, but also as a promoter of innovation, transmitter of knowledge, technology and good governance. It was also identified as an essential player in the fight against climate change and its effects.



Meeting between His Majesty the King and the COFIDES Board of Directors on the 30th Anniversary of COFIDES

- COFIDES also aspires to participate in **venture capital** projects in technological sectors. The underlying idea is that investment in early stages of entrepreneurship in such sectors ends up leading to internationalized and even global companies.
- The Company mobilizes resources for investment in **impact funds** in order to improve funding opportunities for sectors, companies or projects that are normally excluded from the traditional financial sector and hence are left without access to capital markets, generating positive impacts on employment, payment of taxes and other variables that are not strictly financial.

What is impact investment?

In 2013, the OECD launched the Global Social Impact Investment Initiative which aims to develop an environment that attracts investors in search of the best return-risk-impact combination.

This new paradigm in which investments are designed to have a positive social and environmental impact and achieve financial return is known as 'impact investment'.

One of the objectives of COFIDES is to strengthen its commitment to development and sustainability based on the conviction that Spanish companies can contribute to sustainable development and play an important role in future development scenarios.

COFIDES aims to strengthen its commitment to development and sustainability based on the conviction that Spanish companies can contribute to sustainable development and play an important role in future development scenarios

2

Letter from the **Chairman**

Dear friends,

I am honoured to chair the company in which I previously worked as Investment Director for ten years and am therefore especially pleased to address you through this Activity Report which summarizes some of COFIDES most important milestones in 2018.

Due to its symbolic value, it is appropriate to highlight that in 2018 the Company celebrated its 30th anniversary with an event that, on the one hand, brought together and honoured those who have contributed their talent to the company over the years and, on the other, with the participation of important analysts, reflected on the future of private investment in developing countries in the face of the global challenges defined by the 2030 Global Agenda. The Minister of Industry, Trade and Tourism, the Honourable Ms. Reyes Maroto, the Secretary of State for Trade, the Honourable Ms. Xiana Méndez, and the Director of the Spanish Agency for International Cooperation, Ms. Aína Calvo, honoured us with their presence. On 26 October 2018, His Majesty King Felipe VI granted an audience with the Company's Board of Directors.

At the 30th anniversary celebration we took great pleasure in acknowledging that COFIDES has become a benchmark in the financing of international private investment

projects. It was reviewed the contribution of the Company to the internationalization of Spanish companies, while there was also a thorough reflection on the emerging international financial architecture and its impact both on Spanish companies as well as on the institutional financial architecture of our country.

Modesty aside, it was acknowledged that COFIDES has achieved a deserved degree of prestige as a public-private financial institution. The company enjoys a wide array of relatively sophisticated financial instruments which are additional to what the commercial financial system offers. In a nutshell, COFIDES identifies, analyses, invests in and manages projects that contribute to the sustainability and development of both the economies in which the company invests and of Spanish companies, especially small and medium-sized ones.

COFIDES registered important achievements in 2018. Of the quantitative ones outlined in the Director-General's letter, I would draw attention to the record highs in many management indicators: the total investment portfolio exceeded the EUR 1 billion threshold for the first time, formalizations and the origination capacity of operations reached record levels, bad debt was kept under control and operating costs grew only moderately. Business



COFIDES is an essential instrument of public policy supporting the internationalization of Spanish companies

COFIDES is the first and only Spanish institution authorized to mobilize resources from the United Nations Green Climate Fund



José Luis Curbelo
COFIDES Chairman and CEO

We are moving towards a situation in the financing of the private sector in developing countries in which the 'do no harm' principle is giving way to the 'do good' principle

profits reached maximum levels with all-time highs in operating profit and recurring income.

While these outstanding results are a necessary condition for the growth of COFIDES, allow me to draw attention to other relevant achievements in terms of the strategic definition of the Company in the medium and long term.

One. While there is still room for improvement, satisfactory progress has been made in the relationship between AECID and COFIDES in coordinating the duties that the FONPRODE Act assigns to the Company and the joint action of these two institutions with third parties, especially with the European Commission and multilateral financial institutions.

Two. Following a thorough evaluation of its procedures and control systems, COFIDES was accredited by the European Commission as an indirect manager of Community financial resources. Through the first blending project led by COFIDES, it managed reimbursable and non-reimbursable funds from the European budget focused on the Competitive Development of Agricultural Enterprises in several developing countries. Similarly, EU resources are financing *three* Guarantee Programmes related to Resilient Cities, Financial Inclusion and Sustainable Energy. These programmes were presented by AECID and COFIDES within the ambitious EU External Investment Plan (EIP).

EU accreditation allows COFIDES to participate as the manager of Commission financial initiatives, including both programmes that seek to encourage foreign investment within the EU and those that seek to address the root causes of poverty and migration movements in developing countries.

At COFIDES we believe that the EU's EIP, which for the time being focuses on the African continent and the countries in the vicinity of the EU, can be an instrument that encourages greater participation of the Spanish private sector in development projects and geographies in which Spanish companies are currently less present. In addition to its relevance in its own right,

the Commission's certification of COFIDES encourages the Company to prepare itself to be an efficient player in channelling large amounts of financial resources to promote the sort of development envisaged in the EU's future Multi-year Budgetary Framework for the six-year period 2021-2027.

Three. After a rigorous and long audit process, COFIDES was accredited by the United Nations Green Climate Fund. This makes it the first and only Spanish institution authorized to mobilize funding through this important global financial instrument targeting the financing of projects for the preservation of the environment and the reversal of the effects that human activity has on the climate.

So-called 'climate financing' is currently a strategic pillar of the Company and COFIDES aspires to be a benchmark in Spain's private sector in mitigation and adaptation operations in developing countries. COFIDES hopes not only to contribute to combating climate change and its effects, but also to strength the market and the competitiveness of Spanish companies, many of them global leaders, that focus their offer of goods and services on activities linked to sustainability and the circular economy.

Four. In 2018, COFIDES culminated the structuring and funding of the *Spain-Oman Private Equity Fund*, created between the *State General Reserve Fund* of the Sultanate of Oman, Spain's Foreign Investment Fund (FIEX) and COFIDES. The Fund envisages joint investment of up to EUR 200 million to invest in Spanish mid-cap companies with international growth plans. The private manager in charge of this fund, selected in an open competitive process, has already

'Climate finance' is one of COFIDES' strategic pillars with which it also aspires to boost the global competitiveness of Spanish companies

started work. The fund's initial investments will soon be formalized.

Five. The undersigned of this letter was nominated as a member of the Board of Directors of the *European Development Finance Institutions Association* (EDFI) representing, in addition to COFIDES, its Italian (SIMEST) and Portuguese (SOFID) counterparts. That Board discusses best practices in financing the private sector in developing countries, establishes collaboration platforms between bilateral and multilateral financial institutions and aims to play an important role in defining the future European and international architecture for the financing of the private sector in the least developed countries.

Six. Within this context I would like to highlight that COFIDES is committed to sustainable development through what has been called "impact investment" in the Sustainable Development Goals. We are moving towards a situation in the financing of developing countries in which the "do no harm" principle, i.e. not having a negative impact, is giving way to the "do good" principle, i.e. improving the economic, social, environmental and global governance situation.

Seven. I would like to highlight that COFIDES management is satisfied that this year employees democratically elected a Worker Council for the first time with a view to establishing cordial relations of collaboration and respect that translate into the best working environment and improved company efficiency and achievement. I would also like to express my appreciation and encouragement for the commitment shown by COFIDES employees to maintain solidarity and sustainable initiatives in line with the "30 years # 30 solidarity actions" programme,

whose purpose is to collaborate responsibly with the society of which we form part. The Company will do what it can to promote these actions and hence reinforce our social commitment.

In conclusion, I reiterate that in COFIDES we will continue working so that our activity contributes to financially boost the internationalization of Spanish companies and to improve the world that we pass on to future generations. A world that we hope will be more sustainable, supportive and fair.

José Luis Curbelo
Chairman and CEO



Workers democratically elected the company's first works council



3

Letter from the Director-General

Dear friends,

This report provides an overview of COFIDES results in 2018. This is a company with a highly qualified multidisciplinary team with a level of capacity that is a cut above that of the Spanish public sector when it comes to analysing and structuring finance and investment operations in any country in the world, especially the least developed. Year-end results were excellent, both regarding its own business and as manager of FIEX and FONPYME, reaching record highs in many of its indicators.

I am pleased to report that COFIDES has successfully fulfilled the objectives it set for 2018 and the total investment portfolio has reached its highest historical level; i.e. EUR 1,053.79 million, an increase of 12% over last year and passing the EUR 1 billion threshold for the first time. Formalizations also reached the highest level since COFIDES was founded, climbing to EUR 307.49 million. Driving this expansion is an ambitious business development policy, with almost a thousand commercial contacts, and a superb capacity for structuring operations and analysing risk.

All the year's activity has translated into income levels that, for the first time and despite low interest rates, are close to EUR 26 million. These figures were achieved without tarnishing the creditworthiness of the portfolio. In fact, non-performing loans ratios have remained under control. Thanks to all of this, coupled with moderation in operating expenses, the bottom line was EUR 13 million in profit before taxes.

In 2018, the Company supported the Spanish Agency for International Development Cooperation (AECID) by preparing several financial condition profiles, proposing operations and monitoring the entire FONPRODE portfolio. Given the Company's experience and knowledge, COFIDES especially adds value by identifying FONPRODE operations in the private sector. For example, in 2018 it presented 13 microfinance operations and 6 impact investment fund operations to AECID. Of all of these, we are still working actively on 14 with the aim of soon including them in the FONPRODE portfolio.

At the end of 2018, COFIDES began preparatory work on the new 2019-2021 Strategic Plan based on the internationalization-development-sustainability triangle. This new COFIDES Plan will lay the foundations of its new strategy with its sights set on developing a sustainable future with a firm commitment to the achievement of the 2030 Agenda and the Sustainable Development Goals (SDGs).

We are facing the future with the conviction that our contribution to the internationalization of the Spanish economy and economic development must respect the precepts of financial profitability while remaining focused on sustainability as a corporate feature.

Indeed, COFIDES is widely recognized for supporting sustainable development through the investments it makes. The Company encourages the companies it

supports financially to maintain the highest standards of environmental and social protection, transparency and ethics.

Under these premises, and as part of the mandate included in its mission, COFIDES contributes to the economic growth of the host countries of its investment. Suffice it to say that in 2018 the projects financed by COFIDES generated close to 30,000 jobs and distributed EUR 329 million in salaries and wages. The Company also aims to promote measures that favour decent work. For example, in recent years it has been promoting the adoption of health and safety plans in certain projects and sectors. As a result, 46% of the projects in the COFIDES portfolio in 2018 had a plan for the prevention of occupational risks. In short, these figures motivate us to continue working with even greater determination on the internationalization of Spanish companies as agents of development and modernization of the host countries of the investments we finance.

Lastly, I would like to thank the shareholders and customers for their trust in and support of the Company. I would also like to take the opportunity to acknowledge and congratulate the staff for their dedication and commitment in meeting new challenges and opportunities as they arise.

Rodrigo Madrazo García de Lomana
Director-General

At the end of 2018, COFIDES began preparatory work on the new 2019-2021 Strategic Plan based on the internationalization-development-sustainability triangle

For the first time in its history, the total investment portfolio passed the one billion euro threshold



Rodrigo Madrazo García de Lomana
COFIDES Director-General

4

Milestones in 2018

During 2018 COFIDES' activity reached historical highs in lots of its indicators and in others it had the same high levels of activity as previous years working independently and also managing FIEX and FONPYME.

The total investment portfolio reached the highest historical level with 1,073.79 million euro, exceeding 1 billion euro for

the first time and with a 12% increase on the 2017 total portfolio.







Milestones in 2018



Record figures in 2018

Total portfolio

1,053.79

million euro

Committed portfolio

1,258.64

million euro

Formalisations

307.49

million euro

Total income

25.9

million euro



Approvals

250.34 million euro



Pre-tax profit

13.03 million euro

For a more sustainable company

Main SDGs that COFIDES contributes to through its activity





Award-winners in the 5th edition of the COFIDES Awards for "Internationalization and Development"



Employees and ex-employees from COFIDES in the company's 30th anniversary celebration event

Milestones in 2018



GREEN
CLIMATE
FUND

COFIDES Certification for the Green Climate Fund, a United Nations mechanism to contribute to the attainment of the climate change mitigation and adaptation aims, thus becoming the **first accredited Spanish company**.



Celebration of COFIDES' 30th anniversary with the round table entitled "Financing foreign investment. Market practices", amongst others. The COFIDES employees implement the "30 years #30 charitable actions" programme.



Spain-Oman
Private Equity
Fund

Formalisation and manager selection (MCH Private Equity Investments SGEIC S.A.) for the **Spain-Oman Private Equity Fund**, a venture capital fund that has a maximum value of 204.4 million euro.

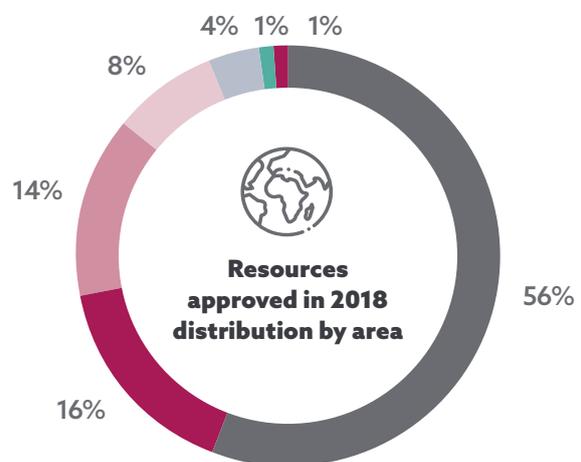
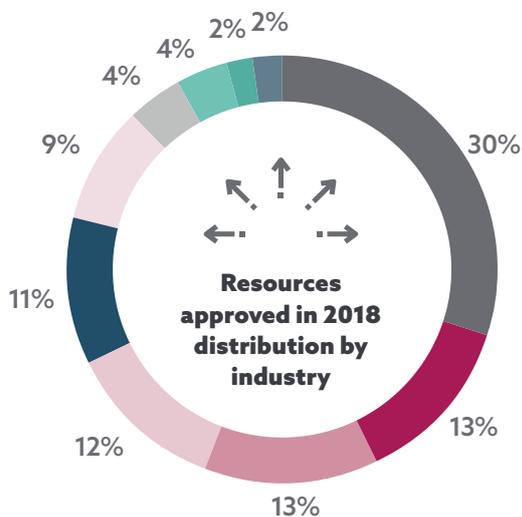


The European Union approved the first blending project to be led by COFIDES and the **Guarantee Programmes** presented by **AECID** and **COFIDES** within the context of the EU' External Investment Plan (EIP) for guarantee management and technical assistance.

2018 Main figures

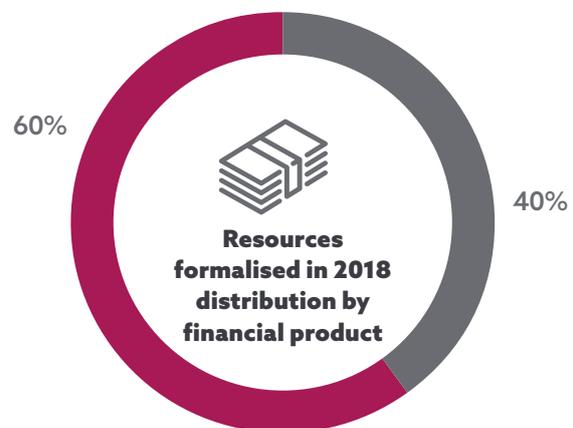
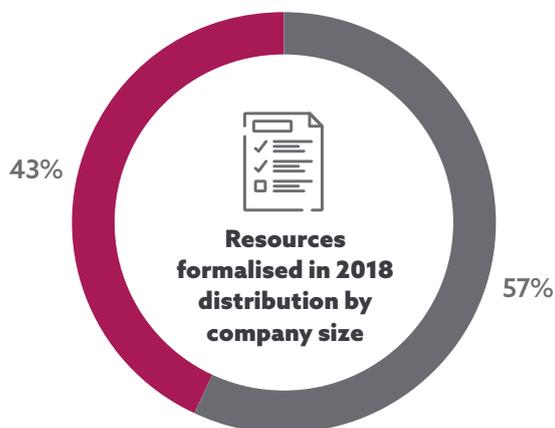
 **4.31/5** High customer satisfaction
Global satisfaction index

 **Socio-environmental standards**
The companies with support from COFIDES comply with the international requirements and standards with regards to socio-environmental, governance and SDG matters



- Transport infrastructure
- Environment
- Metal-mechanics industry
- Naval/aeronautical-railway
- Others
- Automotive
- Agri-food
- Services to companies
- Energy
- Financial

- Latin America
- North America
- Central and Eastern Europe
- Western Europe
- International
- Asia, Oceania and the Middle East
- Africa



- NON SME
- SME

- Loan
- Equity

5



Board of Directors

Chairman and CEO

Mr. José Luis Curbelo Ranero

Mr. Antonio Bandrés Cajal

Head of International
Financing and EU Affairs
Instituto de Crédito Oficial
(ICO)

Mr. Mario Buisán García

Head of the
Chairman's Office
Instituto de Crédito Oficial (ICO)

Mr. José Corral Vallespín

Chief Risk Officer
Banco Santander España, S.A.

Mr. Javier Estévez Zurita

Director of Solutions and
Business Transformation
Banco Bilbao Vizcaya
Argentaria, S.A.

Mr. Pablo López Tallada

Director of Global Trade
Finance
Banco Bilbao Vizcaya
Argentaria, S.A.

**Mr. Juan Ignacio
Moratinos Alonso**

Deputy Director General
for Program Management
and Execution
Directorate general
for Industry and SME
Ministerio de Industria,
Comercio y Turismo

Mr. David Noguera Ballús

Assistant General Manager
Banco de Sabadell, S.A.



From the left to right, (above) Ignacio Andino, Fernando Jiménez-Ontiveros, José Luis Curbelo, Rodrigo Madrazo & Antonio Bandrés; (down) Juan Ignacio Moratinos, Pablo López, Jaime Uscola, Pablo de la Torre, David Noguera & Ana Victoria Fernández

Mr. Fernando Jiménez-Ontiveros Diego

General Manager of
FONPRODE
AECID

Ms. Cristina Teijelo Casanova

Deputy Director-General
for International Trade in
Services and e-Commerce
Ministerio de Industria,
Comercio y Turismo

Mr. Pablo de la Torre Rodríguez

Commercial Head of
International Business
Banco Santander España S.A.

Mr. Jaime Uscola Lapiedra

Head of International
Business
Banco Santander España S.A.

Secretary, non-member
and legal counsel

Ms. Ana Victoria Fernández Sáinz de la Maza

Invited to the Board of Directors:
CAF representative

Mr. Ignacio Andino Riestra

During 2018 the following people resigned from the Board of Directors:

- Mr. Salvador Marín Hernández
- Ms. Rosario Casero Echeverri
- Mr. Miguel Otero Romaní
- Mr. Borja Rengifo Llorens
- Ms. Amor Suárez Muñoz
- Mr. Óscar Vélez de Mendizábal Castillo

6

Steering Committee

Chairman and Chief Executive Officer
Mr. José Luis Curbelo Ranero

Director-General
Mr. Rodrigo Madrazo García de Lomana

General Counsel
Ms. Ana Victoria Fernández Sáinz de la Maza

Ms. Ana Cebrián Parrondo
Deputy Manager, Commercial and Business Development

Ms. María Victoria de Luis Durán
Deputy Manager, Control, Internal Audit and Quality

Mr. Fernando Aceña Moreno
Deputy Manager, Corporate and Sustainability

Mr. Héctor Turiel Valdés
Deputy Manager, Economy and Finance

Ms. María Vidales Picazo
Deputy Manager, Financing for Development and European Management

Mr. Miguel Ángel Ladero Santos
Deputy Manager, Investment & Portfolio Management

Ms. Consuelo Díaz Martínez
Deputy Manager, Risk Division





From the left to right, María Victoria de Luis, Miguel Ángel Ladero, Héctor Turiel, Varía Vidales, Consuelo Díaz, José Luis Curbelo, Rodrigo Madrazo, Ana Victoria Fernández, Ana Cebrián & Fernando Aceña

7 COFIDES Business History Map

+ 35 projects

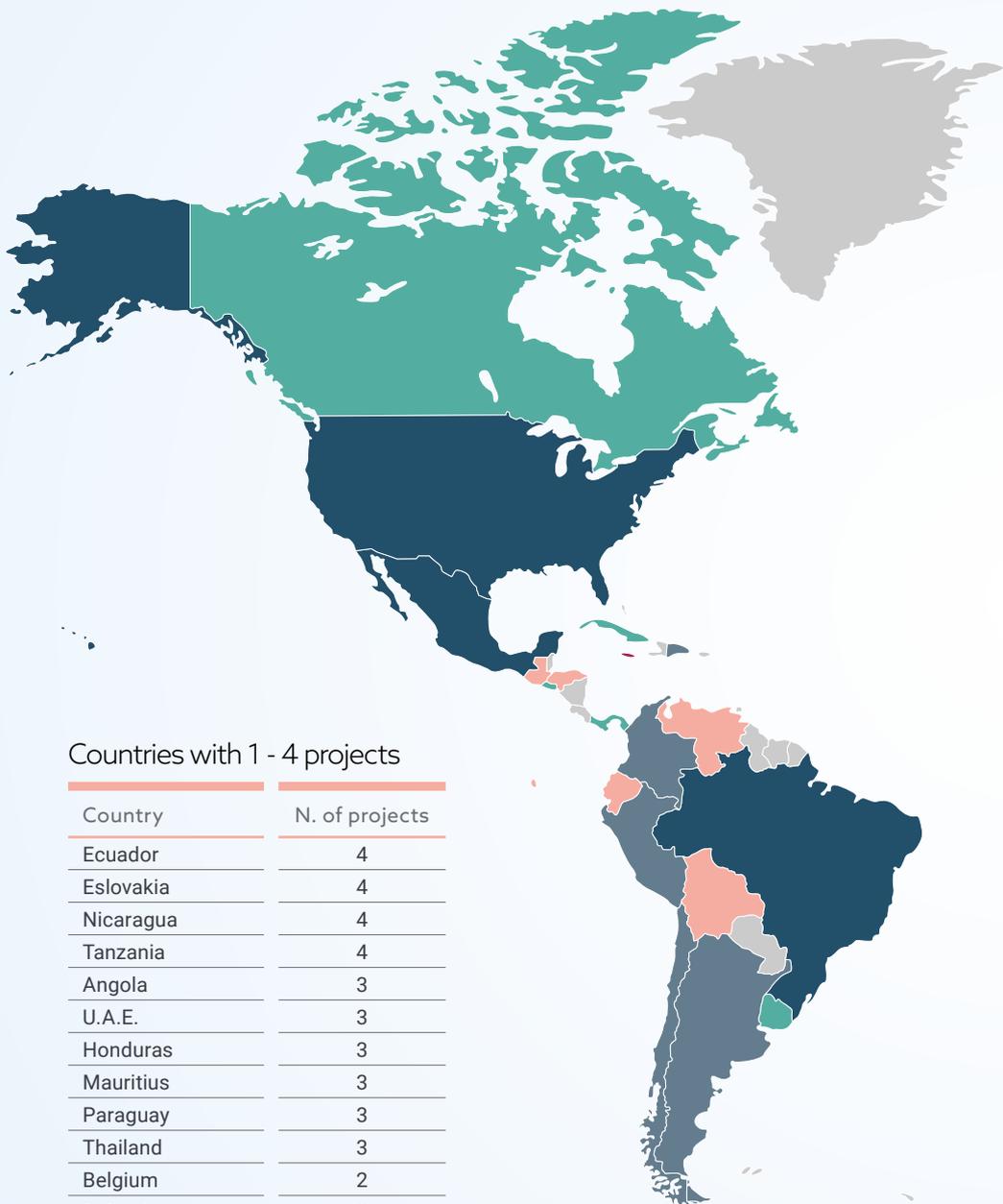
Country	N. of projects
Mexico	129
China	67
Brazil	52
USA	37

Countries with 10 - 35 projects

Country	N. of projects
Chile	35
Argentina	33
India	28
Colombia	27
Morocco	24
Peru	21
Poland	20
Romania	20
Czech Rep.	14
Portugal	13
United Kingdom	11
Dominican Rep.	11
Italy	10
South Africa	10

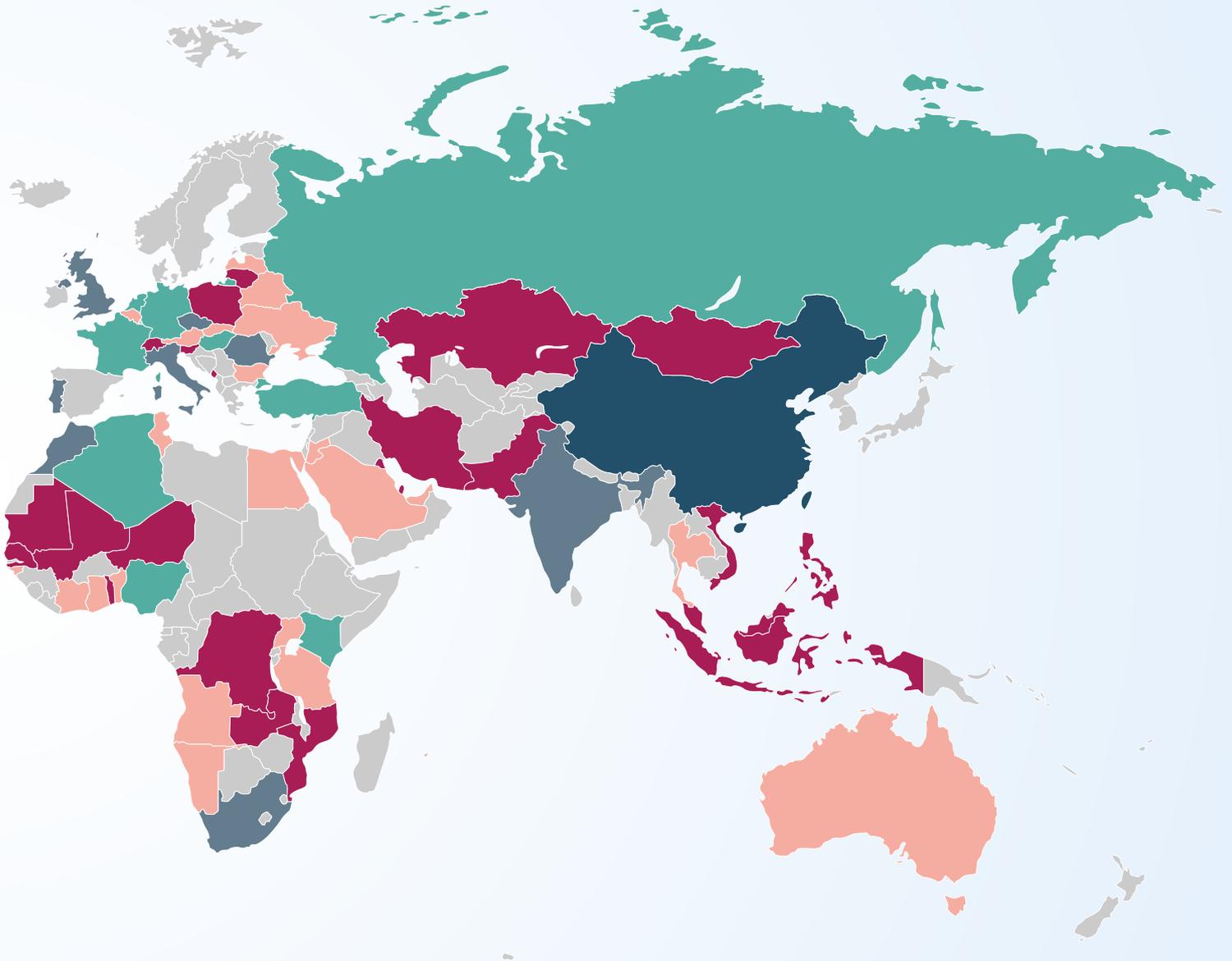
Countries with 5 - 9 projects

Country	N. of projects
Hungary	9
Panama	9
Turkey	9
Kenia	8
Germany	7
France	7
Russia	7
Algeria	6
El Salvador	6
The Netherlands	6
Canada	5
Cuba	5
Nigeria	5
Senegal	5
Uruguay	5



Countries with 1 - 4 projects

Country	N. of projects
Ecuador	4
Eslovakia	4
Nicaragua	4
Tanzania	4
Angola	3
U.A.E.	3
Honduras	3
Mauritius	3
Paraguay	3
Thailand	3
Belgium	2
Bulgaria	2
Ivory Coast	2
Ghana	2
Jordan	2
Latvia	2
Namibia	2
Tunisia	2
Venezuela	2
Ukraine	2
Uganda	2



Countries
one with project

Slovenia	Lithuania	Pakistan
The Philippines	Malaysia	Qatar
Guinea Bissau	Mali	D.R. Congo
Indonesia	Mauritania	Switzerland
Iran	Mongolia	Togo
Jamaica	Montenegro	Vietnam
Kazakhstan	Mozambique	Belarus
Kuwait	Niger	Zambia

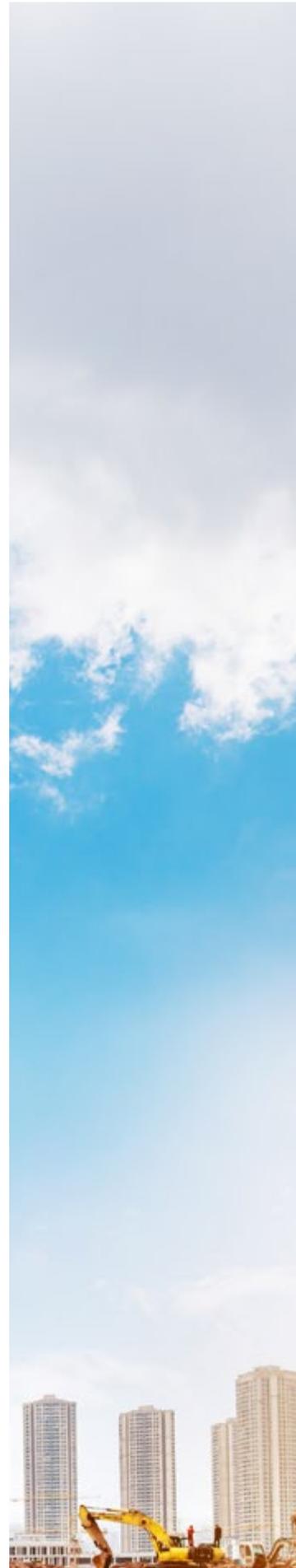
8

Selection of Investment Projects

In 2018 COFIDES formalized 44 projects for a total commitment of EUR 307.49 million.

The main targets of financed investment are Latin America, Asia, Oceania and the Middle East. The financial sector leads the sectoral classification as a result of the Spain-Oman Fund operation. Outside of that extraordinary operation,

investment distribution is very diverse with transport infrastructure, followed by the metal-mechanic, naval / aeronautical / rail and automotive industrial sectors meriting special mention.





fagorederlandgroup

Promoter

Fagor Ederlan, S. Coop.

SME No

Project Company

Fagor Ederlan México, S.A. de C.V.

Activity

Manufacture and sale of components for the automotive industry

Sector

Automotive industry

Total investment

62.8 million euro

Financing

15 million euro

Product

Joint venture loan

Resources

COFIDES and FIEX

Number of direct jobs linked to the project 331

Number of jobs in the parent company in Spain 2,440

This is the third operation in which COFIDES and Fagor Ederlan have collaborated, after supporting the company to set up in China in 2011

Innovation as an axis of technological development



The cooperative Fagor Ederlan has received support from FIEX and from COFIDES own resources to set up a production plant in San Luis de Potosí (Mexico), one of the country's automotive hubs. In this plant, Fagor Ederlan will manufacture aluminium suspension knuckles, a security component for vehicle suspensions, an activity that they already carry out in other plants in regions such as Europe and China.

This is the third operation in which COFIDES and Fagor Ederlan have collaborated, after supporting the company to set up in China in 2011. The project responds to Fagor Ederlan's strategy as a global supplier of automotive components, which leads it to accompany and provide service to customers based in North America.

A global supplier, Fagor Ederlan has 18 production plants in Spain, Slovakia, Brazil, China and Mexico, which allows it to guarantee an optimal response to the automotive market's supply needs. In

addition, it has eight commercial subsidiaries (Europe, USA, China, Korea and Japan) and a technological centre, Edertek, in the Basque Country where the cooperative focuses on innovation through developing research activities, designing and developing new products, processes and materials.

Fagor Ederlan is an industrial cooperative founded in 1963. Part of Corporación Mondragón, its scope of business is part of the industrial area, specifically in the group's Automotive Division. It focuses on designing, manufacturing and supplying automotive components for Chassis and Powertrain. As a technology leader, Fagor Ederlan is a benchmark supplier in technological processes of iron gravity casting, high and low pressure aluminium, tooling and assembly.

Innovation at Fagor Ederlan

Fagor Ederlan has a technological centre, Edertek, in the Basque Country where it carries out research activities, designing and developing new products, processes and materials under the prism of innovation.

The technological centre is the first Garaia Innovation Hub, a space of excellence that puts companies and research centres in contact, and that fosters the interrelation with other entities and technological agents, such as Mondragón Unibertsitatea, Ikerlan and TecNALIA, which Edertek has signed collaboration agreements with.

At Edertek, Research and Development hub, 55 people work with over 350 engineers spread across the different Fagor Ederlan Taldea plants. It has two buildings, one which is 1,500 square metres for R&D&I Advanced Engineering, and another one which is 1,000 square metres, called the Advanced Manufacturing Module (IMA) for the physical realization of prototypes in different technologies, as well as activities for transferring developments to the industrial field. In addition, Edertek has spaces, both specific and shared, on the Mondragon University campus where the area dedicated to carrying out functional tests for the verification of the developed products is located.

Its European centre of Advanced Engineering works to offer the best solution in terms of product performance, weight reduction and cost.

The innovation activities are carried out with state-of-the-art equipment, to guarantee the direct transfer of the developments to the industrial phase. It has a new cutting-edge laboratory, gravity and low pressure installations and high pressure facilities



It has eight commercial subsidiaries and a technology centre, Edertek, in the Basque Country where innovation is its central axis in the development of research activities, designing and developing new products, processes and materials

that are part of the resources for the reproduction of an environment similar to mass production.

In addition, it has a research programme that offers robust designs of lighter and technologically advanced components, based on the continuous development of new and different materials as well as innovative applications of its processes.



Promoter
State General Reserve Fund and COFIDES

Activity Financial

Sector All

Total investment
200 million euro

Financing
100 million euro

Product
Capital/Investment Fund

Resources
COFIDES and FIEX

Strategic alliance



Meeting of the first Investment Committee of the Fund, held in Oman

COFIDES, FIEX and the State General Reserve Fund are the exclusive investors of the *Spain Oman Private Equity Fund*, a fund created between Oman and the Spanish public sector that includes an investment of 200 million euro.

This strategic alliance will allow Oman and other countries of interest to benefit from the experience and technological know-how of Spanish companies through the creation of employment, technology transfer and return on investment. It will also provide Spanish companies with a new financing instrument to facilitate expansion abroad, the consolidation and growth of the parent company and contribute to the development of Oman and Spain.

The main target sectors of the fund are building materials, manufacturing, mining, tourism, logistics, health, infrastructure, energy, food and agri-food.

The areas of geographical interest of this instrument are focused primarily on, Oman and the countries of the Gulf Cooperation Council, East Africa (especially Tanzania, Kenya, Mozambique, Uganda and Rwanda), South Asia, (with special focus on India), Southeast Asia (Indonesia, Malaysia and

Vietnam) and Latin America, although the fund may also finance projects in other countries.

The General State Reserve Fund (SGRF), manages the reserves on behalf of the Government of Oman with the aim of achieving the best possible long-term benefits with acceptable risks, by investing in a diversified portfolio of asset classes in more than 40 countries worldwide.

The Spanish company MCH Private Equity Investments, one of the most prestigious national investment management firms in the national venture capital sector was awarded the fund management contract through a competitive process.

The Spain Oman Private Equity Fund has 200 million euro

It will allow Oman and other countries of interest to benefit from the experience and technological know-how of Spanish companies



Breakfast-presentation of Spain Oman Private Equity Fund

Interview with Luis Parras, José Manuel de Bartolomé and Celia Andreu, partners of MCH, manager of the Spain Oman Private Equity Fund

"One of the main virtues offered by the Fund is to allow Spanish companies to diversify risks in its investments and international projects through a partner who understands and accompanies it through the intrinsic difficulties of expanding abroad"



Luis Parras, José Manuel de Bartolomé and Celia Andreu, Partners of MCH

What do they make of the Spain Oman Private Equity Fund?

The Spain Oman Private Equity Fund ("SOPEF") is one of the results of the collaboration agreements in different areas that took place during King Juan Carlos I's visit to Oman in 2014. It is a new concept whereby two countries create a vehicle to help companies expand internationally. Other countries around us have already begun to use these agreements to boost investment.

The Fund makes temporary and minority investments in Spanish groups with international projection plans. It is a new financing instrument contributing to the development of Oman and Spain. In addition, the Fund will allow Oman to benefit from the technological expertise and know-how of Spanish companies.

What financial advantages can a company obtain to finance itself through this fund?

One of the main virtues offered by SOPEF is to allow Spanish companies to diversify risks in its investments and international projects through a partner who understands and accompanies it through the intrinsic difficulties of expanding abroad (search for local partners, country risk, processes of consolidation, among others).

How is the project search process going? Have many proposals been received? What are the most demanded areas?

SOPEF is a 'specialist' fund focused on companies that have one or several international expansion projects. That is why our commercial activity is very much aimed at companies that have an existing presence or with a vocation for development outside our borders.

"Companies are showing increasing interest in penetrating markets in the Middle East as they are still relatively non-mature markets, with many resources and numerous investment opportunities in many sectors"

During and after the financial crisis, many Spanish SMEs saw the opportunity to strengthen and grow their businesses by diversifying beyond the Spanish market. In this regard, it is pleasantly surprising to see how medium-sized companies with limited resources have undertaken successful internationalization processes with limited human and financial resources in sectors as diverse as tourism, health, food, renewable energy, technology and industry.

However, this growth path entails a strategic decision that is not easy to take in many cases. That is when SOPEF can act as a catalyst for this expansion, not only when it comes to financing the project, but also through diversifying risks and with a strong alignment of interests with the Spanish companies.

Geographically, Spain, for cultural reasons, has always had a special tendency to go abroad to Latin American countries and, obviously, Europe. However, companies are showing increasing interest in penetrating markets in the Middle East as they are still relatively non-mature markets, with many resources and numerous investment opportunities in the health, food, renewable energy, industry and tourism industries, among others.

How can the projects be structured? Do they aspire to make more complex and innovative structures?

Unlike other funds and financial instruments, SOPEF is very flexible when it comes to structuring transactions, as we have the possibility of investing as a Fund directly in projects in the destination countries, in structures created ad hoc for international expansion or in the Spanish parent company itself. The casuistry will depend on the business needs and the interests of the parties involved in the project.

Furthermore, we are not limited regarding the degree of development of the project, being able to undertake both *greenfield* and *brownfield* investments jointly with Spanish companies.

Although the fund can finance projects virtually anywhere in the world, Oman, the Gulf Cooperation countries and East Africa are this vehicle's main areas of geographical interest.

Do you think Spanish companies are interested in investing in this area?

More and more Spanish companies are turning their attention to the Gulf countries, where investment opportunities are very attractive.

Once the cultural barrier has been overcome and the activity is up and running, penetrating the area is very interesting. Proof of this are current companies in industries such as infrastructure, environment, renewable energy, tourism and health.

"Unlike other funds and financial instruments, SOPEF is very flexible when it comes to structuring transactions"

OPTICALIA®

Promoter

OPTICALIA GLOBAL HOLDING, S. A.

SME Yes

Project Company

OPTICALIA MÉXICO SRL de C.V.

Activity

Marketing and distribution of optical items and sunglasses

Sector

Services-Commerce

Total investment

9.5 million euro

Financing

3 million euro

Product

Joint venture loan to the project company

Resources

COFIDES and FONPYME

Number of direct jobs linked to the project 6

Number of jobs in the parent company in Spain 75

COFIDES has supported the international growth of Grupo Opticalia in Mexico, after the successful experience of supporting its implementation and consolidation in Colombia

First project 'CRECE + Internacional' (Grow more international)



COFIDES has supported the international growth of Grupo Opticalia in Mexico, after the successful experience of supporting its implementation and consolidation in Colombia.

The Company has provided three million euro through a co-investment instrument borne by the FONPYME and COFIDES own resources (50%) to support the company's business plan.

This is the first operation that COFIDES has developed through its new product 'Crece + Internacional', created to boost the growth of SMEs through its internationalization plans supporting the implantation in new markets or in markets where it already has a presence.

Grupo Opticalia is specialized in marketing and distributing optical items and sunglasses and its business model is based on the association of opticians and the sale of exclusive brands.

Opticalia Mexico has 150 affiliated establishments and plans to reach 1,000 by the end of 2023. Currently, it has six workers in the country and is

considering the creation of new jobs as its implementation in the country develops.

The demand for ophthalmology products and services in Mexico has increased in recent years, which indicates the broad growth potential of the industry.

Opticalia offers its customers a wide variety of products that complement their offer and positions them in the industry through mass advertising campaigns of major fashion brands, making them stand out from their competitors. Currently, Grupo Opticalia is present in Spain, Portugal and Colombia.

In 2018, Opticalia was one of the winners in the 5th edition of the "Internationalization and Development" Awards, with which the Company annually recognizes companies and institutions that have excelled in the field of internationalization and the promotion of development abroad.



Promoter

MB Mibor Internacional S.L.U.

SME Yes

Project Company

Mibor Vietnam L.L.C.

Activity

Manufacture of technical components for footwear

Sector

Industry-Footwear

Total investment

750,000 euro

Financing

450,000 euro

Product

Co-investment loan

Resources

COFIDES and FONPYME

Number of direct jobs linked to the project 5

Number of jobs in the parent company in Spain 30

It is the first product that COFIDES has supported in Vietnam, a country with very positive prospects for the auxiliary footwear industry

Vietnam, new investment destination



Mibor employees in Vietnam

COFIDES has granted a joint venture loan to the footwear company Mibor to set up in Vietnam. With this financing, a distribution company has been launched for its products in the Ho Chi Minh City area, that will allow it to improve the service to its customers in the region by reducing delivery times and guaranteeing the supply of products.

This is the first project that COFIDES has provided support to in Vietnam, a country with very positive perspectives for the auxiliary footwear industry, as it has become one of the largest producers in the world and it is home to renowned fashion companies. Vietnam is a densely populated developing country that has been in the process of transitioning to an open economy since 1996. In 2007, it joined the World Trade Organization, which attracted more competitive industries and increased their exports. Together with Cambodia and southern China, Vietnam is where world footwear production takes place.

Mibor is a family business based in Alcoy (Alicante), founded in 1964 and dedicated to manufacturing toe-puffs, back-counters, insoles and reinforcement materials and assembling plants for footwear. In 2001 it undertook a process of internationalization and geographical diversification and it has progressively consolidated the strategic footwear markets with an increasingly global presence.

After an ambitious internationalization programme, it is currently present in more than 25 countries, exporting more than 80% of its production. It has its own subsidiaries in New Delhi (India), León (Mexico) and the recently set up one in Ho Chi Minh City (Vietnam). In addition, it is firmly committed to investment in R&D in collaboration with Universities in order to develop new materials that allow it to become increasingly competitive.

Information and Characteristics of Vietnam

Vietnam's GDP grew by 6.6% in 2018 and it is expected that it will grow by 6.5% in 2019 and 2020.

Trade in Vietnam accounted for 200.38% of its GDP in 2017.

It is one of the largest exporters of rice, textiles, clothing and footwear, technology products and crude oil.

Spanish exports to Vietnam grew 10% in 2017.

The products imported by the Asian country are, mainly, organic chemistry, frozen fish, aircrafts, raw and tanned hides and skins, raw materials and semi-finished plastic materials, frits and ceramic glazes, pharmaceuticals, fibres, other chemical products and air navigation equipment.

**Promoter**

Molecor Tecnología S.L.

SME Yes**Project Company:** N.A.**Activity**

Manufacture of PVC-O pipes

Sector

Industry-Building material

Total investment

Minimum of 2.9 million euro

Financing

2 million euro

Product

Joint venture loan (participation in syndicated loan)

Resources

COFIDES and FONPYME

Number of direct jobs linked to the project N.A**Number of jobs in the parent company in Spain** 103

COFIDES participates in a syndicated loan to boost the company's internationalization strategy

First SME syndicated loan



Molecor's headquarters in South Africa

COFIDES has accompanied Molecor in its expansion in South Africa to set up a PVC-O pipe factory. To this end, it granted a joint venture loan for the euro equivalent of 35 million South African rand, up to a maximum of 2 million euro.

Molecor is a Spanish company specialized in the development of Molecular Orientation technology applied to pressurized water pipes. It was founded in 2006 and since then its exponential growth and continuous improvement in the advancement of efficient and innovative solutions for the development of technology for the manufacture of Oriented PVC pipes have made it the current world leader in the industry.

In 2018, Molecor requested COFIDES to replace the financing linked to this project with a participation in a syndicated loan to boost its internationalization strategy.

This strategy refers to a solid and sustainable business model, relying fundamentally on the development of markets, with a product that offers unbeatable products to transport water under pressure compared to other alternatives. This market development is carried out either by supplying the product



or by supplying the technology and, in recent years, by developing production plants in foreign markets.

Molecor has captured its technical advances in manufacturing and marketing on five continents, with new features and an optimized production process, improving the customer experience, adapting to the different market demands and presenting innovations that increase the range of products, achieving applications normally reserved for other solutions.



Promoter

Ortiz Construcciones y Proyectos, S. A.

SME No

Project Company

Concesión Transversal del Sisga S.A.S.

Activity

Construction, rehabilitation, operation and maintenance of the Transversal del Sisga motorway

Sector

Transport infrastructures

Total investment

Up to 25 million euro

Funding

298 million dollar

Product

Capital, subordinated debt and counter-guarantees

Resources

COFIDES and FIEX

Number of direct jobs linked to the project 1,710

Number of jobs in the parent company in Spain 1,543

COFIDES accompanies Grupo Ortiz in the expansion of its shareholding in the Sisga Transversal motorway project

Transport infrastructures in Colombia



Grupo Ortiz will expand its shareholding in the construction, rehabilitation, operation and maintenance project of the Transversal del Sisga motorway in Colombia with support from COFIDES.

In 2016, COFIDES acquired a 15% stake in Grupo Ortiz and a similar percentage of subordinated debt of the concessionaire of this infrastructure for a maximum of 14 million euro.

Grupo Ortiz has increased its participation in this concessionary company and COFIDES will also increase its financial support. With this new operation, COFIDES will increase its share in the project company Concesión Transversal del Sisga S.A.S. up to a maximum of 24.9% for an additional amount of 11 million euro, in such a way that COFIDES' total financing will increase to a maximum of 25 million euro.

The financing it provides is made through social capital, subordinated debt and counter-guarantees through the FIEX (85%) and COFIDES own resources (15%).

This concession is configured as an element of undoubted regional connectivity, which enhances the main road between Bogotá and the area of the Eastern Plains. The corridor is an alternative to the country's central connection and benefits the populations of the departments of Cundimarca, Boyacá and Casanare, crossing areas with a total of 3.7 million inhabitants.

La concesión Transversal del Sisga is part of the second wave of the fourth generation of road concessions in Colombia, called '4G'. The objective of the project is the consolidation of the Transversal del Sisga road corridor with rehabilitation and pavement reconstruction work to guarantee the corridor's trafficability.

Grupo Ortiz is the main company in a multinational business group with more than 55 years' experience focused on the construction industry. In recent years, its activity has been characterized by internationalization and diversification.

The development promoted by the project in the region of Sisga

The Transversal del Sisga road project is part of the 4th generation road infrastructure programme of the National Development Plan 2010-2014 "Prosperity for Everyone", as a result of a Private Initiative that does not require disbursements of public resources, within the framework of the Public-Private Partnerships set forth in law 1508 of 2019. This programme is one of the most ambitious projects in the history of infrastructure in Colombia and one of the most outstanding public-private collaboration initiatives in the world at the moment.

The Transversal del Sisga is a road corridor that will connect the centre of the country with the Eastern Plains, improving the trafficability between these two areas of the country. It will be a strategic connection between two corridors of national importance such as Bogotá - Tunja and Villavicencio - Yopal, boosting the economy of the municipalities in the area of influence of the Transversal del Sisga.

With this infrastructure the travel times between the interior of the country and the Eastern Plains will be reduced. It is estimated that travel time will be reduced by approximately two hours when construction is finished.

The concession is put together as an element of undoubted regional connectivity that enhances the connection between Bogotá, as the final node, and the area of the

eastern plains, crossing areas with a total population of around 3.7 million inhabitants, in addition to the possible contribution of the metropolitan area of Bogotá.

This transport corridor will allow greater circulation of heavy cargo vehicles, public transport and private vehicles and will considerably reduce transport and operation costs, promoting the competitiveness and progress of the region through the revitalization of the economy.

Furthermore, the construction of the Transversal del Sisga project will generate changes in the social and cultural dynamics of the communities in the area of influence. Therefore, it will contribute to the social and economic development of the region by contracting local labour, in addition to fostering the generation of business opportunities and productive projects in each economic sector present in the region (tourism, agriculture, crafts, among others).

José Luis Ocasar

COFIDES Head of Unit, Investment & Portfolio Management Division

It will be a strategic connection between two corridors of national importance, boosting the economy of the municipalities in the area of influence

Visit of the COFIDES General-Director, Rodrigo Madrazo, and the COFIDES Investment & Portfolio Management Division Head of Unit, José Luis Ocasar, to the Transversal del Sisga project



It will contribute to the social and economic development of the region by contracting local labour, in addition to fostering the generation of business opportunities and productive projects



Promoter

Sacyr, S. A.

SME No

Project Company

Sociedad Concesionaria Vespucio Norte Oriente, S.A.

Activity

Construction and operation of an urban motorway

Sector

Transport infrastructures

Total investment

Up to 940 million dollars

Financing

35 million euro

Product

Joint venture loan to the Promoter

Resources

COFIDES and FIEX

Number of direct jobs linked to the project 1,300 (approx.)

Number of jobs in the parent company in Spain 300

Urban mobility



COFIDES has supported the construction of the Vespucio Oriente urban motorway in Santiago de Chile by the Spanish group Sacyr.

The project consists of the construction and operation of a 9.3 km urban motorway that will have three lanes in each direction for the most part. It runs through five communes (La Reina, Las Condes, Vitacura, Recoleta and Huechuraba) and among the main actions to be undertaken include a tunnel under the San Cristóbal Hill and the Mapocho River, the improvement of

the existing road surface in La Pirámide and two underground roadways from the south of the Centenario Bridge to the Príncipe de Gales Bridge.

The scope of the project includes outstanding technical solutions and the regeneration of the urban environment, increased green areas, as well as the improvement of the city's facilities with the aim of improving the quality of life of its citizens. With a total investment of more than 900 million dollars, this project is one of the biggest in Chile and will benefit more

The scope of the project includes outstanding technical solutions and the regeneration of the urban environment, increased green areas, as well as the improvement of the city's facilities with the aim of improving the quality of life of its citizens

than 750,000 people. The infrastructure will contribute to reducing the travel times for people who transit through the eastern sector of the Chilean capital and will improve the service level of a structuring road, which are currently highly saturated.

The Company has contributed to the development of this infrastructure through the Fund for Foreign Investment (FIEX) and its own resources, providing 35 million euro through a joint venture loan.

For COFIDES it is a financial innovation, as it is expected that this co-investment loan will be repaid exclusively through the cash flows generated by the project, for which a depreciation profile has been drawn up without specific annual quotas, with cash sweeps defined according to the cash flows that the concessional

asset is expected to generate at any time through the different lines of remuneration or obtaining of resources foreseen in the concession contract.

Chile is a strategic market for the main Spanish infrastructure companies. Grupo Sacyr acquired its first concession in the country in 1996 and has added fourteen projects since then with a total investment of more than 6 billion euro.

With a total investment of more than 900 million dollars, this project is one of the biggest in Chile and will benefit more than 750,000 people



9 Corporate Areas





Presidency & General Management



From the left to right: Laura Manzano, Ángel González, Raúl Moreno, Marisol García, José Luis Curbelo, Rodrigo Madrazo, Pilar Cruz & Carlos Moreno.

General Secretariat



From the left to right: (above) Jesús Aranz, Eva Guerrero & Luis Torres, (down) Ana Victoria Fernández & Teresa Tamés.

Control, Internal Audit & Quality



From the left to right: Nuria Blanco, M^a Victoria de Luis, Isabel Barril & Ángeles Prieto.

Marketing & Business Development



From the left to right: (above) Teresa Madrigal, Sílvia Ferreiro, Ana Cebrián & Eduardo Serrano, (down) Ignacio Esandi & Cristina Mena. Sergio Sánchez is also part of the division.

Investment & Portfolio Management



From the left to right:
 Marta Blond,
 Umberto Ferrer,
 Cristina Sánchez,
 Adriana Pita, Pilar
 Morencos, Manuel
 Fernández, José
 Luis Ocasar, Marcos
 Martínez, Miguel
 Ángel Ladero, Yolanda
 Gómez de Segura,
 Álvaro Hernández,
 M^a Ángeles Vara,
 Álvaro Justo, Antonio
 Fernández, Mar Ríos,
 Cristina Estévez, Luis
 Naranjo & Eduardo
 Fernández. Gloria
 Fernández is also part
 of the division.

From the left to right:
 Beatriz Hervás,
 Carolina Fernández-
 Puebla, Consuelo Díaz
 & Cristina Rodríguez.

Risk

Economic & Finance



From the left to right: (above) Belén de la Fuente, Sergio Nieva, Laura Torres, Héctor Turiel, Emma Méndez & Consuelo Abad, (down) Ana Romero, Laura Sánchez, Laura Sanz & Sonia Gómez.



From the left to right (above) Amalia García, María Luz García, María Martínez, Beatriz Morant, José Carlos Villena, Julia Rabadán, Jennifer Mora & Cristina Bravo, (down) Cristina Rodríguez, María Vidales and Carlos Martín. Nuria Rodríguez & Lola Mercader are also part of the division.

Financing for Development & European Affairs



From the left to right: Regina Pallá, Ignacio Coloma, Silvia Rodado, Lola Vázquez, Fernando Aceña, May Sánchez & Álvaro Padial, Isabel Griñón is also part of the division.

Corporate & Sustainability



From the left to right:
(above) Alejandro Colino,
José Luis Viana, (down)
Alfonso Sánchez, Laura
Valeriani & Daniel Martínez.

Information Technologies

10

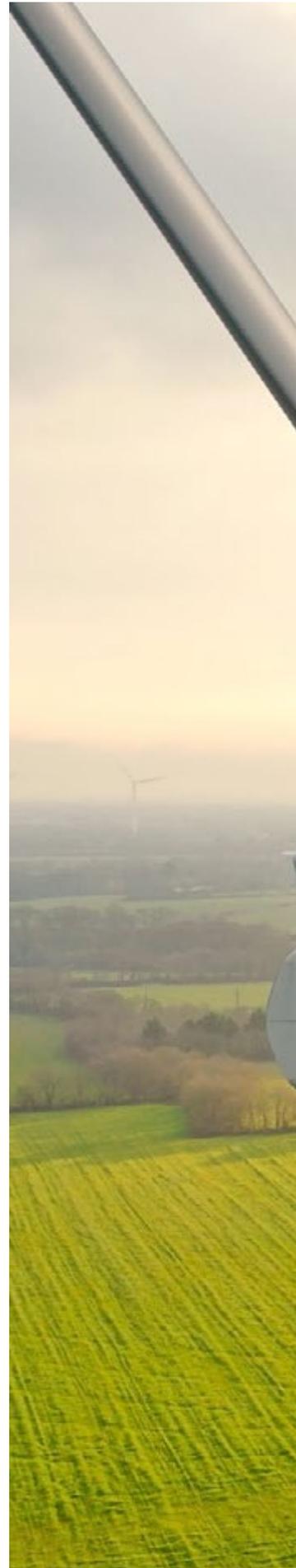
The Role of **Climate Financing** in the Achievement of the Paris Agreement

María Vidales, COFIDES Development
Finance and European Affairs Division Head

Excerpt from the article published in the ICE Economic Bulletin No. 3109

The 2015 Conference of the Parties of the United Nations Framework Convention on Climate Change, known as the Paris Agreement, brought about a profound change in the conception of the serious problem of climate change as an unprecedented global commitment was achieved to lower greenhouse gas emissions and develop climate resilience.

To achieve this ambitious objective, the Paris Agreement focuses on three fundamental objectives: mitigate climate change ("holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C"), adapt, (i.e. promote resilience to the adverse effects of climate) and finance (provide financing commensurate with these objectives).







With its participation in the fight against climate change, the private sector will contribute to the sustainability of the planet and generate new business opportunities

The importance of fighting climate change is also very apparent in the Sustainable Development Goals (SDGs), so much so that six of the 17 SDGs are directly or indirectly related to mitigation and adaptation to climate change: SDG 6 ('Clean water and sanitation'), 7 ('Affordable and non-polluting energy'), 11 ('Sustainable cities and communities'), 13 ('Action for climate'), 14 ('Underwater life') and 15 ('Life of terrestrial ecosystems').

Crucial role of the private sector

This ambitious roadmap will only be achieved if enough financial resources are made available. Developed countries have committed to contribute \$100 billion per year starting in 2020 through a wide variety of sources and instruments.

The public sector is thus defined as a financier and 'catalyst'. Indeed, the public sector must serve to mobilize private financing through risk mitigation, technical assistance and capacity building. This is what has come to be called 'from billions to trillions'. That means that the billions in public resources that have been contributed not only serve as direct financing of climate actions, but also serve to mobilize private initiative in order to amass the trillions of dollars needed to achieve the objectives of the Paris Agreement (World Bank, 2015¹).

Likewise, the role of the public sector in achieving climate objectives transcends the financial sphere. Its role in developing public R&D&I policies, investing in clean infrastructure and providing training and capacity-building to facilitate the reconversion of certain sectors is particularly important. A stable regulatory framework that reduces uncertainty and stimulates change is also a key factor.

To reach the high level of funding needed for these objectives, resources must come from a variety of sources and the SDGs highlight that while the private sector plays a philanthropic role, it must especially play a business role. However, the participation of the private sector in the fight against climate change should not be viewed exclusively as a financial issue but needs to be much more pervasive. The private sector can and should play a key role in achieving a carbon-neutral economy² by incorporating climate change into its strategies and by adapting the way it produces and provides services through

low emission solutions and with low fossil fuel consumption (Burchardt, Gerbet et al, 2018³). With these measures, the private sector will not only be contributing to the sustainability of the planet but will also benefit from a business perspective with companies that can compete better in the market.

The importance of the Green Climate Fund

Global initiatives are needed to achieve such overwhelming funding figures. While all such initiatives are important, the Green Climate Fund is a United Nations initiative and has become the main multilateral financial institution contributing to the achievement of climate change objectives.

The objective of the Fund is to promote a paradigm shift towards low-emission development and resilience to climate change. To that end, it provides a variety of financial instruments that aim to mobilize enough resources to finance public and private projects to help developing and emerging countries mitigate and adapt to climate change. The Green Climate Fund offers four types of financial instruments, namely grants, concessional loans, equity and guarantees.

The public sector must serve to mobilize private financing through risk mitigation, technical assistance and capacity building

1 World Bank (2015). *From billions to trillions: MDB contributions to financing for development*. Washington, D.C. World Bank Group.

2 An equilibrium between emissions and the removal of greenhouse gases.

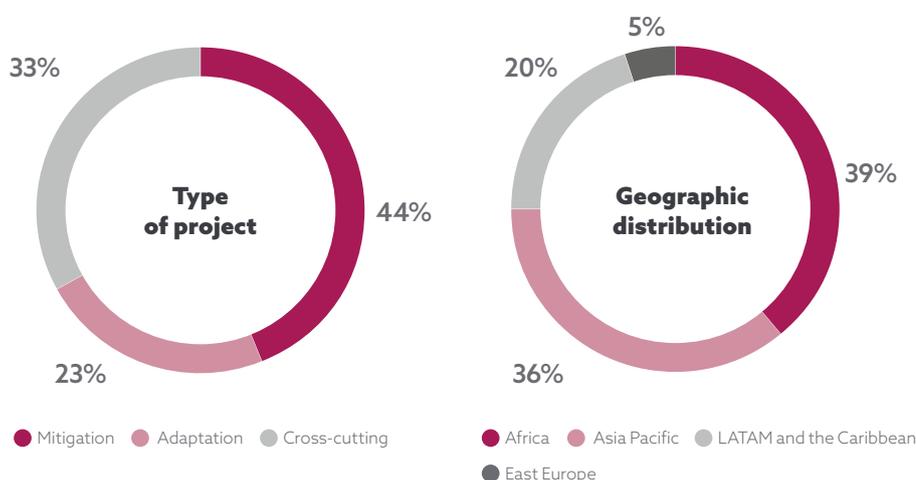
3 Burchardt, J., Gerbert, P., Schönberger, S., Herhold, P., and Brognaux, C. (2018). *The Economic Case for Combating Climate Change*. BCG Henderson Institute, September 2018.

4 Curbelo, J. L., and Madrazo, R. (2018). *In favour of more sustainable development: the opportunity of the Green Climate Fund*. *El Economista* published on 19 December 2018.



The recent accreditation of COFIDES by the Green Climate Fund opens a wide array of possibilities for companies and will help Spain to fulfil its international commitments

Geographical distribution of the Green Climate Fund portfolio by project type (June 2019)



Source: created in-house based on GCF figures.

Hence, through this private sector facility, the Green Fund aims to mobilize resources from pension funds, insurance companies, corporations, local and regional financial brokers and from the capital market itself.

The Green Climate Fund began financing projects in 2015 and in these few years has committed \$5 billion to 102 projects that will benefit more than 275 million people. These are mainly public projects (59%) although some private projects are now being approved, especially contributions to impact investment funds.

Accredited entities

The Green Climate Fund does not implement projects directly but does so through two important bodies: 'National Designated Authorities' (NDAs) and 'Accredited Entities'. The NDAs are local institutions in each country that are eligible for the Fund whose function is to guarantee that the projects and programmes financed by it are consistent with national regulations and policies.

Accredited entities are those institutions and bodies whose internal procedures have successfully undergone a thorough approval process to ensure that they are in a position to manage Green Fund resources while committing to structure the operation (providing financing and assuming part of the risk thereof), supervising the entire project execution and implementation process and being held ultimately responsible for its success. There are currently 84 accredited entities, nearly half of which (43%) are international.

COFIDES, the only accredited Spanish institution

In Spain, only COFIDES has managed to pass the rigorous accreditation process which authorises it to present potential public and private mitigation and adaptation projects to the Green Climate Fund. Cofides has extensive experience in these sectors, having financed more than 35 private mitigation and adaptation projects over the last seven years for over EUR 180 million (leading to the

mobilization of a total investment of close to EUR 5.5 billion) (Curbelo and Madrazo, 2018⁴).

The active participation of COFIDES in one of the main multilateral climate financing mechanisms opens an important range of possibilities for companies to support climate initiatives in developing countries and will also help Spain to fulfil its international commitments.

11

Management report

COFIDES is a state and private-owned company with more than 30 years of experience which, thanks to its management focus on internationalisation and development, has grown steadily over time.

Specialising in the management of third-party funds and with a portfolio of over one billion euro, COFIDES has become a benchmark company in the financing of international private investment projects.

Its contribution to the internationalisation of the Spanish economy and to economic development has been achieved by combining the precepts of financial profitability and sustainability.





11.1 Environment Year 2018

Global

3,7% Global GDP growth¹

4,6% Economic growth in emerging and developing countries worldwide

2,3% Economic growth in developed countries worldwide

Global FDI flows: down 19% from 2017²

3% growth in FDI inflows in developing countries

-40% decline in FDI inflows in developed countries

Spain

2,5%
GDP growth³

2,9%
Growth in Spanish goods exports⁴

15,92
Billion euro net Spanish investment abroad⁵ (up 7% from 2017)

Forecasts

3,5% global growth in 2019⁶

Framework for sustainable growth

- 2030 Agenda. 17 Sustainable Development Goals
- United Nations Global Compact
- Paris Agreement
- EU Sustainable Finance Plan

1 IMF

2 UNCTAD

3 INE (National Statistical Institute)

4 MINECO (Ministry of Industry, Trade and Tourism)

5 MINECO (Ministry of Industry, Trade and Tourism)

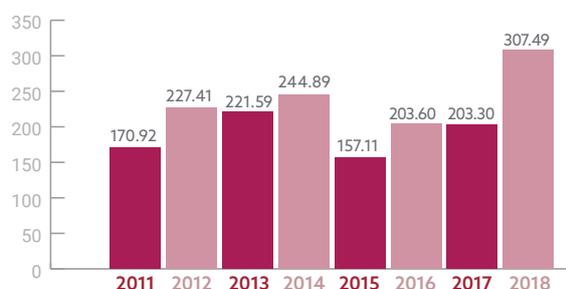
6 IMF

11.2 Project Financing

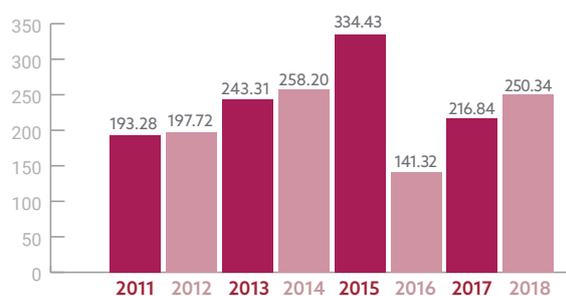
Outlays



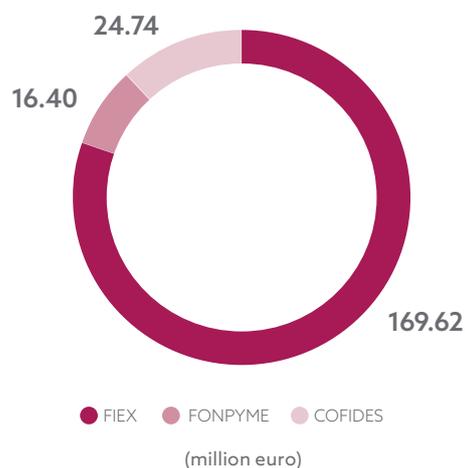
Formalisations



Approvals



11.2.1 Outlays



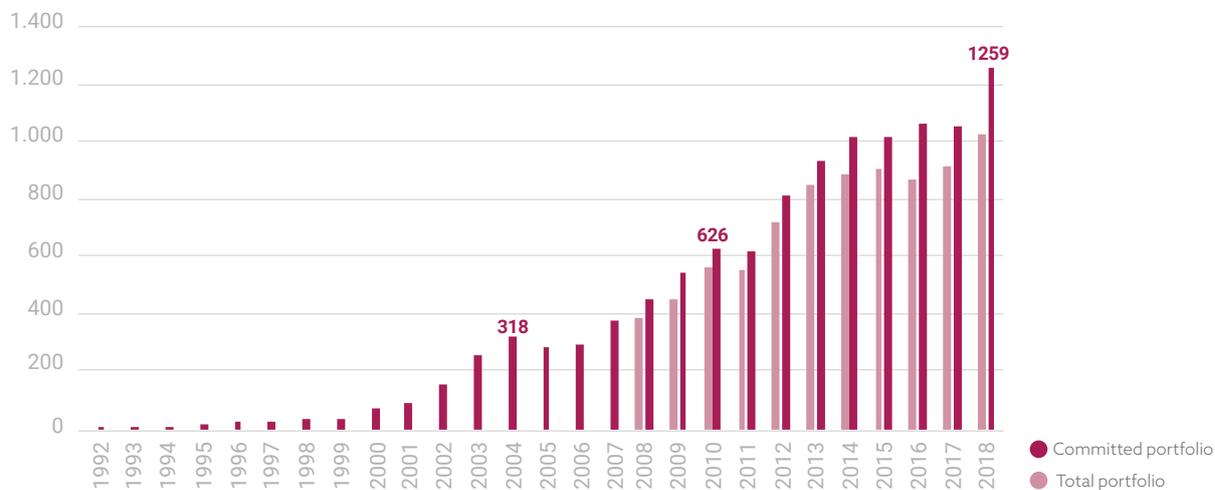
11.2.2 Approvals

- 49 projects for a total commitment of 250.34 million euro
- An increase of 15.4% in 2018 with respect to 2017

11.2.3 Formalisations

- 44 projects for a total volume of 307.49 million euro
- An increase of 51.2% in 2018 with respect to 2017
- Formalisation of the Spain Oman Private Equity Fund, a venture capital fund for which the management selection process also took place in 2018 (MCH Private Equity Investments SGEIC S.A.)
- 40% of the resources invested in all operations formalised during 2018 have been in the form of equity

Committed and total portfolio (million euro)



11.2.4 Portfolio

Total portfolio in 2018:

- 1,053.79 million euro
- An increase of 12.34% on the previous year
- The total portfolio on 31 December 2018 reflects all active disbursed operations

Committed portfolio in 2018:

- 1,258.64 million euro relating to 289 projects in 61 countries
- In addition to all active operations, the committed investment portfolio includes those that are in the process of recovery, as well as the amounts formalized and not yet disbursed



11.3 Capacity for Action and COFIDES Management



Management



COFIDES own resources

Net worth 31/12/2018:

132.84 million euro

2018 Approvals:

25 projects totalling

31.52 million euro

2018 Formalisations:

23 projects for

26.76 million euro

Committed investment portfolio 31/12/2018:

154 projects for an amount of 110.78 million euro



FIEX

Net Worth 31/12/2018:

919,56 millones de euros

2018 Approvals:

19 projects for

199.30 million euro

2018 Formalisations:

15 projects for

262.40 million euro

Historical revolving charges to the fund:

257 projects for 2,209.85 million euro

Committed investment portfolio 31/12/2018:

131 projects for an amount of 1,075.96 million euro



FONPYME

Net Worth 31/12/2018:

76.90 million euro

2018 Approvals:

27 projects for

19.52 million euro

2018 Formalisations:

25 projects for

18.33 million euro

Historical revolving charges to the fund:

204 proyectos por 146,41 millones de euros

Committed investment portfolio 31/12/2018:

111 projects for a value of 71.89 million euro

Management support



FONPRODE

This is Spanish Cooperation's main financial instrument, the principal objective of which is to contribute to the eradication of poverty.

Managed by the Spanish Agency for International Development Cooperation (AECID in the Spanish acronym).

COFIDES began to provide support to AECID in October 2015. This support is limited to cooperation loan transactions.

COFIDES supported AECID through the drawing up of:

- 7 profiles of financing terms
- 6 transaction proposals
- The formalisation of a microfinancing transaction
- Supervision of 100% of the FONPRODE portfolio (66 transactions)
- Participation in 17 missions on behalf of FONPRODE

Multilateral and bilateral resources



EDFI-EFP

EFP-European Financing Partners: Financing scheme, jointly promoted by the European Investment Bank (EIB) and the COFIDES' counterpart bilateral European Development Finance Institutions (EDFI).

Resources committed by EFP as of 31/12/2018:

500 million euro in 38 projects located in 14 countries.

Involvement of COFIDES and FIEX resources in EFP as of 31/12/2018:

16.90 million euro in 27 operations located in 12 different countries, 10 of them in the geographical area of Sub-Saharan Africa.

Multilateral and bilateral resources



EDFI-ICCF

ICCF-Interact Climate Change Facility: investment facility created by the French Development Agency (AFD in the French acronym), the European Investment Bank (EIB) and the Association of bilateral European Development Finance Institutions (EDFI) in order to finance viable private investment projects that contribute to the mitigation of climate change and the promotion of energy efficiency in countries receiving Official Development Assistance.

Resources committed by ICCF as of 31/12/2018:

397.61 million euro in 27 projects located in 12 countries.

Involvement of COFIDES and FIEX resources in ICCF as of 31/12/2018:

12.47 million euro in 27 operations located in 15 different countries, all of which receive Official Development Assistance.



Multilateral and bilateral resources



Green Climate Fund

In **October 2018, COFIDES became a Green Climate Fund (GCF) accredited** body. This agency is part of the United Nations Framework Convention on Climate Change which came out towards the end of 2010.

This accreditation by the GCF allows COFIDES to mobilise resources from the fund to finance public or private climate change mitigation and/or adaptation projects in developing countries.

COFIDES will be able to design projects for an amount of up to USD 250 million and with any level of environmental and social risk. Green Fund resources, which are combined with loans from accredited entities, can be used in the form of concessional loans, equity holding, guarantees and donations.

The GCF aspires to become one of the main multilateral funding mechanisms for climate activities in developing countries, promoting a paradigm shift towards low-emission and climate-resilient development.

The accreditation of COFIDES, the only Spanish company among the 84 entities accredited at the end of June 2019, presents an opportunity for all companies by offering access to these funds for the implementation of climate projects.

Multilateral and bilateral resources



Blending

In February 2018, the EU approved the first project to be led by COFIDES, the Huruma Fund. This is an impact investment fund the objective of which is to improve access to financing for small or excluded farmers in Latin America and the Caribbean, sub-Saharan Africa and Asia.

In addition, the EU has approved, within the framework of the European External Investment Plan, the three guarantee programmes submitted and co-led by AECID and COFIDES in the areas of renewable energies, financial inclusion and sustainable cities.

Meanwhile, COFIDES has continued with its work identifying operations, carrying out field missions and organising outreach seminars. COFIDES is in constant dialogue with the European Commission to confirm its interest in preliminary phases of potential projects, and with the Secretary of State for Trade in order to identify and analyse operations that can be financed under the FIEM-EU Facilities Line.



The accreditation by the GCF allows COFIDES to mobilise resources from the fund to finance public or private climate change mitigation and/or adaptation projects in developing countries



COFIDES' Head of Division of Financing for Development and European Affairs, María Vidales, together with Stephanie Kwan, Senior Specialist in Green Climate Fund Accredited Entities, at the GCF committee meeting where COFIDES obtained its accreditation

11.4 Institutional Action



Signing of a partnership agreement between COFIDES and Baiterek Holding

11.4.1. Activities within the framework of EDFI and other international finance institutions

- COFIDES continued as a member of the EDFI board of directors in 2018.
- Working groups and seminars organised by EDFI and other development finance institutions with the participation of COFIDES: *meeting of EDFI Auditors, Corporate Governance, Technical Assistance, Interact Lawyer Meeting, Development Effectiveness, Environmental and Social, Communication Strategy, EFP and ICCF working groups, DFI Gender Finance Collaborative, SME Finance Forum, Finance for Refugees Conference, HIPSO 2018 Annual Meeting, Working session on Mobilisation, Financial Inclusion Summit West Africa, OECD Workshop: Managing environmental risks in Development Banks and Development Finance Institutions*, among others.

11.4.2. Signing of partnership agreements

New agreements signed in 2018:

- Bilateral statement of intent with Baiterek Holding, a development finance group from the Republic of Kazakhstan.
- A partnership and co-financing agreement with the European Investment Bank (EIB) to co-finance projects within the framework of blending and the Green Fund.
- A memorandum with the Development Bank of Latin America (CAF) regarding the future implementation of the Impact Fund for SMEs, aimed at boosting the competitiveness and internationalisation of Latin American SMEs.

Renewals:

- The partnership agreement in place since 2016 with the promotion agency of the Autonomous Community of Cantabria, SODERCAN.

11.5 Commercial Activities

11.5.1. Commercial and promotional activity

with active participation in 2018 at the Business Meetings and Forums held in Argentina, Canada, Peru and Serbia.

Publicity and promotion. National level:

- Organisation of conferences and seminars for companies to present COFIDES' financing options (ACCIÓ, SODERCAN, ARES, INFO, among others).
- Partnerships: Banco Sabadell within the framework of the Export to Grow programme, CAJAMAR Cooperative Group -within the CAJAMAR International Platform-, Exporter's Club, Spain's Chamber of Trade, CEOE and CEPYME (at various business meetings, investment missions and other types of conferences), as well as business associations (AEE, ASCRI, FEIQUE and TECNIBERIA, among others).
- Partnership with ICEX Spain Trade and Investments through the sponsorship of the Business Meetings and Forums organised by ICEX Spain Trade and Investments,

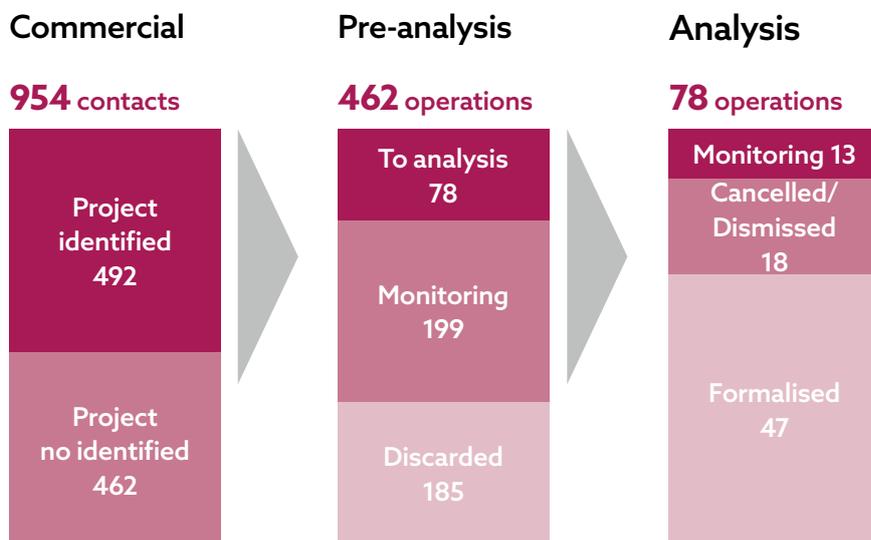
- Sponsorship of the new season of the television programme "Connect with the Market" (Conecta con el mercado) produced by ICEX Spain Trade and Investments for Spanish radio and television.

Publicity and promotion. International level:

- Strengthening of relations with multilateral and bilateral development entities and institutions such as the IDB, CAF, IFC, EDFI, TCX and business promotion institutions such as ProColombia, PRO ECUADOR, ProMéxico, Kotra (Korea) and Baiterek (Kazakhstan), as well as the Embassies of Canada, Japan and Belgium.



COFIDES Marketing and Business Development Head of Division, Ana Cebrián, participated in the Spain-Argentina Business Meeting.



Commercial activities:

In 2018, COFIDES intensified its commercial activity with the aim of making companies aware of the financial instruments the company can provide them to support their internationalisation projects.

Throughout the 2018 fiscal year, contacts were maintained with 954 companies (an increase of 22% compared to 2017). Of these companies, 462 were evaluating concrete investment projects abroad. After carrying out the preliminary analysis of eligibility, the structuring and analysis of 78 operations was carried out in more detail, and 47 were formalised.

New product:

Design, launch and implementation of CRECE + International:

- Objective: to support SMEs and small and medium capitalisation companies in their expansion through internationalisation.
- Financing, through participatory-equity and quasi-equity instruments, of a growth plan based on the development and implementation of several projects to set up operations abroad, in one or more countries (either completely new or in markets in which they are already present).

11.5.2. Other actions: A special event to celebrate COFIDES' 30th Anniversary



The COFIDES Chairman, José Luis Curbelo, the Minister of Industry, Trade and Tourism, Reyes Maroto, and the General Director of COFIDES, Rodrigo Madrazo, at the company's 30th anniversary celebration



Sir Paul Collier participating in the COFIDES 30th anniversary celebration



From the left to right: former COFIDES Chairmen Juan de la Mota and Joaquín de la Infiesta, COFIDES Chairman José Luis Curbelo, and former Chairmen Juan José Zaballa and José Gasset at the 30th anniversary celebration

An official commemorative event to celebrate the 30th anniversary of the company was held on December the 11th, 2018.

- The Minister of Industry, Trade and Tourism, Reyes Maroto; the Secretary of State for Trade, Xiana Méndez; the COFIDES Chairman, José Luis Curbelo, and the Oxford University professor Paul Collier all attended.
- Holding of the 'Financing foreign investment; Market Practices' round table, moderated by Rodrigo Madrazo, General Director of COFIDES, and with the participation of representatives of Elecnor, MCH Private Equity, Banco Santander and EDFI.
- Winners at the 5th edition of the "Internationalisation and Development" Awards:

- The Association of Internationalised Industrial Companies (AMEC in the Spanish acronym), in the Promotion of Internationalisation category.
- The Spanish Agency for International Development Cooperation (AECID), in the Institutional Partnership category.
- GAWA Capital, in the Impact Investment category.
- ELEC NOR, in the Large Company Project Abroad category.
- OPTICALIA, in the SME Project Abroad category.

- The employees celebrated the 30th anniversary of the company with the '30 years #30 solidarity initiatives' programme. Team members participated voluntarily in 30 solidarity initiatives in 2018, designed by the employees themselves, all of which are already part of the company's Corporate Social Responsibility programme.



During her visit to COFIDES, the Minister of Industry, Trade and Tourism, Reyes Maroto, reviews the solidarity initiatives carried out by employees in 2018

11.6 Project Supervision

- Review and update of the rating of most of the total risk managed by FIEX, FONPYME and COFIDES at the aggregate portfolio level during 2018. The aggregate portfolio will be 100% revised in the first quarter of 2019.
- More intensive supervision of those operations requiring special attention, and adapting the financial conditions of these viable operations to their new risk situation while taking into account the interests of COFIDES, FIEX and FONPYME at all times.
- Divestment of a capital operation in 2018.

11.7 COFIDES financial situation as of December the 31st, 2018

- In 2018, the company reached the 25 million euro turnover mark, arriving at an amount of 25.88 million euro, a 4.2% increase in turnover compared to the previous year.
- Operating expenses remained moderate due to the plans for rationalisation of expenditure set in motion by the company.
- As a result of all of the above, pre-tax profits for the 2018 fiscal year were 13.03 million euro, exceeding the 12.39 million euro profit of 2017 by 5.2% and further reinforcing the company's financial maturity and its solvency, as well as its position as a benchmark in the field of financing the internationalisation of the Spanish economy.



12

Financial Statements





Letter from the auditors for the financial year ending December the 31st, 2018

Informe de Auditoría de Cuentas Anuales
emitido por un Auditor Independiente

COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO,
COFIDES, S.A., S.M.E.
Cuentas Anuales e Informe de Gestión
correspondientes al ejercicio anual terminado
el 31 de diciembre de 2018



Ernst & Young, S.L.
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28003 Madrid

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ey.com

INFORME DE AUDITORÍA DE CUENTAS ANUALES EMITIDO POR UN AUDITOR INDEPENDIENTE

A los accionistas de
Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E.:

Opinión

Hemos auditado las cuentas anuales de Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E. (la Sociedad), que comprenden el balance a 31 de diciembre de 2018, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha.

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la Sociedad a 31 de diciembre de 2018, así como de sus resultados y flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación (que se identifica en la Nota 2 de la memoria) y, en particular, con los principios y criterios contables contenidos en el mismo.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales* de nuestro informe.

Somos independientes de la Sociedad de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Aspectos más relevantes de la auditoría

Los aspectos más relevantes de la auditoría son aquellos que, según nuestro juicio profesional, han sido considerados como los riesgos de incorrección material más significativos en nuestra auditoría de las cuentas anuales del periodo actual. Estos riesgos han sido tratados en el contexto de nuestra auditoría de las cuentas anuales en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esos riesgos.

Estimación de las pérdidas por deterioro por riesgos de crédito de la cartera de préstamos y partidas a cobrar

Descripción La estimación de las pérdidas por deterioro por riesgo de crédito es una de las áreas más significativas y complejas en el proceso de elaboración de la información financiera de la Sociedad. En la Nota 4.6.6 de la memoria adjunta, se detallan los principios y criterios relevantes aplicados por la Sociedad.

El proceso de estimación de las pérdidas por deterioro por riesgo de crédito se basa en el análisis singularizado de cada una de las operaciones cuyas conclusiones se concretan en la asignación individualizada de un determinado nivel de rating interno, salvo en el caso de las operaciones dudosas por morosidad en las que la variable a considerar es la antigüedad de la deuda. Las estimaciones de estas pérdidas tiene en consideración, fundamentalmente y, entre otros factores, la identificación y clasificación de exposiciones deterioradas, la estimación de las evoluciones futuras de los negocios de los deudores (descuento de flujos de efectivo futuros) y, en su caso, la estimación del valor realizable de las garantías asociadas.

Por todo ello, la estimación de las pérdidas por deterioro por riesgo de crédito de la cartera de préstamos y partidas a cobrar ha sido considerada como una cuestión clave de nuestra auditoría.

Nuestra respuesta

Entre los procedimientos de auditoría que hemos realizado en esta área, hemos evaluado y comprobado el control interno y llevado a cabo pruebas sustantivas tanto sobre las pérdidas por deterioro calculadas en base al rating interno asignado de forma individual como a los deudores, así como sobre las operaciones dudosas por morosidad.

Respecto al sistema de control interno, nuestras pruebas se han centrado en:

- ▶ La verificación de la adecuación de las distintas políticas y procedimientos establecidos por la Sociedad, así como su aplicación efectiva.
- ▶ Comprobación de la fiabilidad y coherencia de las fuentes de datos utilizadas en los cálculos.
- ▶ La revisión, en el proceso de concesión, de los procedimientos establecidos por la Sociedad para evaluar el cobro de las operaciones en base al análisis de flujos de caja futuros e información financiera del acreditado.
- ▶ La evaluación de que el proceso de revisión periódico de expedientes de acreditados para la actualización de su rating interno (seguimiento de su clasificación) se realiza de forma adecuada.

- ▶ La comprobación de los criterios de clasificación de las exposiciones en función de la antigüedad de los impagos, condiciones de la operación, incluyendo refinanciacines o reestructuraciones, así como de los controles de seguimiento establecidos.
- ▶ La evaluación del diseño de los controles relevantes establecidos para la gestión y valoración de las garantías asociadas a las operaciones crediticias.

Adicionalmente, hemos realizado procedimientos consistentes principalmente, en:

- ▶ Evaluar las hipótesis utilizadas por la Sociedad para identificar y cuantificar las pérdidas por deterioro, seleccionando una muestra de expedientes para evaluar la adecuación del deterioro registrado.
- ▶ Evaluar la segmentación y correcta clasificación de los préstamos, así como el valor realizable de las garantías, verificando el cálculo.
- ▶ Evaluar los procedimientos de contraste que realiza la Sociedad como parte del proceso de estimación de las pérdidas por deterioro por riesgo de crédito, mediante la comparación de los riesgos asignados por la misma en base a su política con la experiencia en el sector bancario español.

Otra información: Informe de gestión

La otra información comprende exclusivamente el informe de gestión del ejercicio 2018, cuya formulación es responsabilidad de los administradores de la Sociedad y no forma parte integrante de las cuentas anuales.

Nuestra opinión de auditoría sobre las cuentas anuales no cubre el informe de gestión. Nuestra responsabilidad sobre el informe de gestión, de conformidad con lo exigido por la normativa reguladora de la actividad de auditoría de cuentas, consiste en evaluar e informar sobre la concordancia del informe de gestión con las cuentas anuales, a partir del conocimiento de la entidad obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma. Asimismo, nuestra responsabilidad consiste en evaluar e informar de si el contenido y presentación del informe de gestión son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito en el párrafo anterior, la información que contiene el informe de gestión concuerda con la de las cuentas anuales del ejercicio 2018 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores en relación con las cuentas anuales

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de la Sociedad, de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la Nota 2 de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales, los administradores son responsables de la valoración de la capacidad de la Sociedad para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar la Sociedad o de cesar sus operaciones, o bien no exista otra alternativa realista.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- ▶ Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- ▶ Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad.
- ▶ Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores.
- ▶ Concluimos sobre si es adecuada la utilización, por los administradores, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad de la Sociedad para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que la Sociedad deje de ser una empresa en funcionamiento.
- ▶ Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales, incluida la información revelada, y si las cuentas anuales representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.



5

Nos comunicamos con los administradores de la entidad en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

Entre los riesgos significativos que han sido objeto de comunicación a los administradores de la Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E., determinamos los que han sido de la mayor significatividad en la auditoría de las cuentas anuales del ejercicio 2018 y que son, en consecuencia, los riesgos considerados más significativos.

Describimos esos riesgos en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

AUDITORES
INSTITUTO DE CENSORES JURADOS
DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

2019 Núm. 01/19/07514

SELLO CORPORATIVO: 95,00 EUR
.....
Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional
.....

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores
de Cuentas con el N° S0530)



José Luis Ruiz
(Inscrito en el Registro Oficial de Auditores
de Cuentas con el N° 5217)

5 de abril de 2019


 Balance Sheet on December the 31st, 2018 (expressed in thousands of euro)

ASSETS	Notes	2018	2017
NON-CURRENT ASSETS		79,657	70,116
Intangible assets	5	54	58
Computer applications		54	28
Computer applications advances		-	30
Tangible fixed assets	6	822	935
Other facilities		556	624
Furnishings		185	200
Equipment for information processes		80	110
Transportation items		1	1
Long-term financial investments		78,781	69,123
Equity instruments	10	2,334	1,399
Loans to companies	11	65,717	58,009
Other financial assets	11	115	115
Debtors Funds	11	10,616	9,600
CURRENT ASSETS		57,281	58,445
Non-current assets held for sale	7	475	725
Trade receivables and other accounts receivable	11	9,523	12,017
Debtors		2,270	2,907
Debtors Funds		7,253	9,110
Short-term financial investments	11	14,220	15,321
Loans to companies		13,886	14,969
Loans to companies interest receivable		334	352
Short-term accruals		7	19
Cash and other equivalent liquid assets	12	33,056	30,363
Treasury		22,556	19,863
Other equivalent liquid assets		10,500	10,500
TOTAL ASSETS		136,938	128,561

Balance Sheet on December the 31st, 2017 (expressed in thousands of euro)

NET EQUITY AND LIABILITIES	Notes	2018	2017
NET EQUITY		132,840	124,959
Issued capital	13	39,396	39,396
Reserves		84,252	76,757
Legal and articles		7,879	7,879
Other reserves		76,373	68,878
Result for the year	3	9,192	8,806
CURRENT LIABILITIES		4,098	3,602
Liabilities linked to non-current assets held for sale	7	613	40
Short term debts	15		216
Debts with credit institutions			216
Trade creditors and other accounts payable		2,127	1,415
Sundry creditors	15	489	350
Staff (salaries pending payment)	15	250	266
Current tax liabilities	17	347	478
Other debts with public administrations	17	369	321
Other financial liabilities	15	672	
Short-term accruals	16	1,358	1,931
TOTAL NET EQUITY AND LIABILITIES		136,938	128,561

Profit and Loss Account for the financial year ending December the 31st, 2018
(expressed in thousands of euro)

	Notes	2018	2017
CONTINUING OPERATIONS			
Net amount of turnover	19.1	25,876	24,837
Staff expenses	19.2	(5,856)	(5,667)
Wages, salaries and similar expenses		(4,463)	(4,329)
Social security contributions		(1,393)	(1,338)
Other operating expenses		(6,712)	(5,840)
External services	19.3	(3,829)	(3,101)
Taxes	19.3	(111)	(112)
Losses, impairment and variations to provisions due to commercial operations	11.1 & 11.2	(2,772)	(2,627)
Amortisation of fixed assets	5, 6	(186)	(188)
Impairment and result from disposals of equity instruments		(16)	(73)
Impairment of equity instruments	10	(43)	(73)
Results from disposals	10	27	
Impairment and result from disposal of fixed assets	5, 6 & 7	(249)	(1)
Impairments and losses			
Result from disposals and other		(249)	(1)
Other results		246	168
OPERATING RESULT		13,103	13,237
Financial income	19.4	6	3
From marketable securities and other financial instruments			
From third parties		6	3
Financial expenses		(116)	(93)
Interest on accounts payable to credit institutions		(1)	(9)
From other debts with third parties		(115)	(84)
Exchange-rate differences		34	(758)
FINANCIAL RESULT		(76)	(848)
RESULT BEFORE TAX		13,027	12,389
Taxes on profits	17	(3,835)	(3,583)
RESULT FOR THE FINANCIAL YEAR	3	9,192	8,806

Statement of Changes to Net Equity for the financial year ending, december the 31st, 2018 (expressed in thousands of euro)

A) Statement of Recognised Income and Expenditure for the financial year ending December the 31st, 2018

	Notes	2018	2017
Result of the profit and loss account	3	9,192	8,806
TOTAL RECOGNISED INCOME AND EXPENDITURE		9,192	8,806

B) Consolidated Statement of Changes in Net Equity for the financial year ending December the 31st, 2018

	Issued capital (Note 13.1)	Legal reserve (Note 13.2)	Voluntary reserves (Note 13.3)	Result for the year (Note 3)	Dividends (Note 3.1)	Total
BALANCE AS OF DECEMBER 31ST, 2016	39,396	7,879	61,684	8,505		117,464
Total recognised income and expenditure in 2017				8,806		8,806
Profit distribution for the financial year 2016:						
To reserves			7,194	(7,194)	(1,311)	(1,311)
To dividends				(1,311)	1,311	
BALANCE AS OF DECEMBER 31ST, 2017	39,396	7,879	68,878	8,806		124,959
Total recognised income and expenditure in 2018				9,192		9,192
Profit distribution for the financial year 2017:						
To reserves			7,495	(7,495)	(1,311)	(1,311)
To dividends				(1,311)	1,311	
BALANCE AS OF DECEMBER 31ST, 2018	39,396	7,879	76,373	9,192		132,840

Cash Flow Statement for the financial year ending
December the 31st, 2018 (expressed in thousands of euro)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Result for the financial year before tax		13,027	12,389
Adjustments to the result		3,848	2,833
Amortisation of fixed assets (+)	5, 6	186	188
Value adjustments due to impairment (+/-)	10, 11.1 & 11.2	(43)	(73)
Variation in provisions (+/-)		2,772	2,627
Results due to losses and disposals of fixed assets (+/-)		250	1
Financial income (-)		(6)	(3)
Financial expenses (+)		116	93
Other income and expenditure (-/+)		573	
Changes in working capital		(8,476)	(8,987)
(Increase)/Decrease in Debtors and other accounts receivable		2,494	(4,323)
(Increase)/Decrease in Other current assets		(721)	(1,656)
Increase/(Decrease) in Creditors and other accounts payable		842	(141)
Increase/(Decrease) in Other current liabilities		(573)	1,384
Other non-current assets (+/-)		(10,518)	(4,251)
Other cash flows from operating activities		(4,076)	(3,415)
Interest payments (-)		(116)	(93)
Interest charges (+)		6	3
Charges (payments) due to profit tax (+/-)		(3,966)	(3,325)
Cash flows from operating activities		4,323	2,820
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments due to investments (-)		(69)	(82)
Intangible assets	5	(27)	(15)
Tangible fixed assets	6	(42)	(67)
Charges due to divestments (+)			
Cash flows from investment activities		(69)	(82)
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments due to financial liability instruments		(216)	(429)
Return and amortisation of		(216)	(429)
Debts with credit institutions (-)		(216)	(429)
Payments due to dividends and remuneration of other equity instruments	3.1	(1,311)	(1,311)
Dividends		(1,311)	(1,311)
Cash flows from financing activities		(1,527)	(1,740)
EFFECT OF EXCHANGE RATE VARIATIONS		(34)	758
NET INCREASE / (DECREASE) OF CASH OR EQUIVALENTS		2,693	1,756
Cash or equivalents at the beginning of the financial year	12	30,363	28,607
Cash or equivalents at the end of the financial year	12	33,056	30,363

1. Nature, Activities of the Company and Composition of the Group

Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E. (hereinafter the Company or COFIDES), is a state and private-owned company whose purpose is to provide financial support to private projects involving some manner of Spanish interest which are carried out in developing or emerging countries.

In order to comply with its company purpose, the Company has signed different financing agreements with other public or multilateral financial entities as well as having its own resources.

Spanish Law 66/1997 of December the 30th designated COFIDES as the manager of the Fund for Foreign Investment (FIEX) and of the Fund for SME Foreign Investment Operations (FONPYME), in its own name and on behalf of said Funds. Additionally, the activities and operation thereof are regulated by Spanish Royal Decree 1226/2006 of October the 27th, which repealed the previous one, which in turn was modified by Royal Decree 321/2015 of April the 24th. These funds are endowed annually with funds from the Spanish State General Budget and have as their purpose the promotion of the internationalisation of companies' activities, and, in general, of the Spanish economy, by means of participative financial instruments, under a co-financing arrangement with the company leading the project.

Spanish Law 14/2013 concerning support for entrepreneurs and their internationalisation incorporated COFIDES' authority to collaborate in the identification and analysis of investment projects that could be financed by the Company Internationalisation Fund (FIEM), managed by the Secretariat of State for Trade from the Ministry of Economy and Finance.

The second final provision of Spanish Law 8/2014, of April the 22nd, on coverage by the State for the risks of the internationalisation of the Spanish economy stipulates that the management of the FONPRODE (Fund for Development Promotion), including the research, planning, negotiation and monitoring of the aid covered by it, is the competence of the Ministry of Foreign Affairs and Cooperation, by way of the Secretary of State competent in affairs of international development cooperation and the Spanish Agency for International Development Cooperation, with the support of the Spanish Development Finance Institution (COFIDES). The approval of this Law entails recognition for COFIDES in its capacity as the Spanish Development Finance Institution, as well as the role it plays within the EDFI Association of bilateral European Development Finance Institutions. COFIDES' functions as regards support in the management of the FONPRODE are regulated in Article 8 of Royal Decree 597/2015 of July the 3rd, which approves the Regulations of the Fund for Development Promotion.

Since May 2016, COFIDES is an accredited entity before the EU, which allows it to indirectly manage the EU budget. COFIDES can, therefore, assume the role of principal co-financier in blending operations, a

European Union financing instrument which is coordinated by means of the combination of European Union subsidies with financing from accredited public and private financial institutions.

In October 2018, COFIDES became an accredited entity before the Green Climate Fund (GCF), an Agency of the United Nations Framework Convention on Climate Change which came into existence at the end of 2010. The accreditation to the GCF enables COFIDES to mobilise resources of the Fund in order to finance public or private projects for the mitigation and/or adaptation to climate change in developing countries. COFIDES will be able to design projects for an amount of up to USD 250 million and with any level of environmental and social risk (including category A). The resources of the Green Fund, which are combined with the loans of the accredited entities, can be implemented in the form of concessional loans, equity holdings, securities and donations.

The Company's registered office and tax residence is at Paseo de la Castellana, 278, 3rd storey, Madrid, Spain.



2. Filing basis

The annual accounts have been prepared in accordance with the General Accounting Plan approved by Royal Decree 1514/2007, of November the 16th, which was modified in 2016 by Royal Decree 602/2016, of December the 2nd, as well as with the rest of the current commercial legislation.

The annual accounts have been prepared by the Members of the Board of Directors of the Company for submission to the approval of the General Meeting of Shareholders, with the expectation that they will be approved without any modification.

The figures included in the annual accounts are expressed in thousands of euro, unless otherwise indicated.

2.1 Fair presentation

The annual accounts have been drawn up based on the COFIDES accounting records. The annual accounts for the financial year 2018 have been prepared in accordance with current commercial legislation and with the standards established in the General Accounting Plan, in order to provide a fair presentation of the equity and of the financial situation as of December the 31st, 2018 and of the results of its operations, of the changes in the net equity and of its cash flows corresponding to the year ending on that date.

The Members of the Board of Directors of the Company expect that the annual accounts for the year 2018 will be approved by the General Meeting of Shareholders without any modification.

2.2 Comparison of information

The annual accounts are presented, for comparative purposes, with each of the items from the balance sheet, the profit and loss account, the statement of changes in equity, the statement of cash flows and the report, in addition to the figures for the financial year 2018, those corresponding to the previous year, which were part of the annual accounts for the financial year 2017, approved by the General Meeting of Shareholders on April the 23rd, 2018.

2.3 Critical aspects of the valuation and estimation of the uncertainties and relevant judgments in the application of accounting policies

The preparation of the annual accounts requires the application of significant accounting estimates and the making of judgments, estimates and hypotheses in the process of applying the Company's accounting policies. A summary is thus provided below of the aspects that have involved a greater degree of judgment or complexity or in which the hypotheses and estimates are significant for the preparation of the annual accounts.

Value adjustments due to impairment

One of the specific tasks of the Company's Operations Department and Risks Department is the monitoring and management of risk for its commercial financial operations, as well as the analysis of the impairment of said financial assets throughout the year (Note 4.6.6).

2.4 Functional currency and presentation currency

The annual accounts are presented in thousands of euro, rounded to the nearest thousand, this being the functional and presentation currency of the Company.

The annual accounts have been prepared by the Members of the Board of Directors of the Company for submission to the approval of the General Meeting of Shareholders

3. Distribution of Earnings

3.1 Distribution of Earnings

The distribution of earnings for the financial year ending on December the 31st, 2017, formulated by the Members of the Board of Directors and approved by the General Meeting of Shareholders on April the 23rd, 2018, consisted of:

	2017
Basis of distribution	Euro
Profits for the year	8,805,586.72
Distribution	
Distribution of Dividends	1,311,000.00
Legal Reserve	
Capitalisation reserve (*)	719,400.00
Voluntary reserve	6,775,186.72
Total	8,805,586.72

The proposal to distribute the profits for the financial year ending on December the 31st, 2018, formulated by the Members of the Board of Directors and pending approval by the General Meeting of Shareholders, consists of:

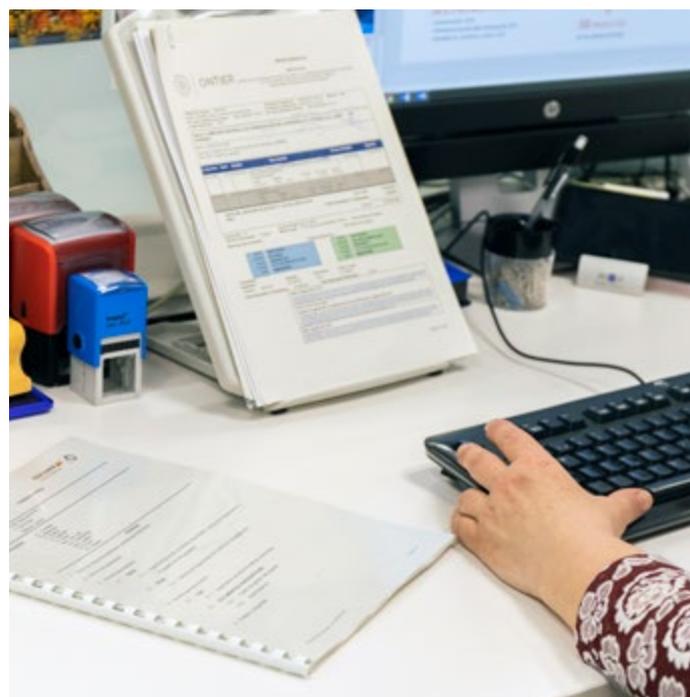
	2018
Basis of distribution	Euro
Profits for the year	9,191,893.30
Distribution	
Distribution of Dividends	1,474,875.00
Legal Reserve	
Capitalisation reserve (*)	677,518.67
Voluntary reserve	7,039,499.63
Total	9,191,893.30

(*) In compliance with the requirements set forth in Article 25 of Spanish Law 27/2014, of November the 27th, on Corporate Tax, in relation to capitalisation reserve, an allocation is proposed as part of the distribution of the result for the financial year 2018 using funds from the positive result for the year amounting to 677,518.67 (719,400 euro in 2017) to the Capitalisation Reserve. (Note 17).

3.2 Limitations on the distribution of dividends

The Company is obliged to allocate 10% of the profits for the year to the constitution of the legal reserve, until it reaches at least 20% of the company capital. This reserve, while not exceeding the limit of 20% of the company capital, is not distributable to shareholders (Note 13).

Once the obligations provided for by the Law or bylaws have been covered, dividends may only be distributed using funds from the profit for the financial year, or from unrestricted reserves, if the value of the net equity resulting from the distribution is not less than the company capital. For these purposes, the profits directly attributed to the net equity cannot be distributed directly or indirectly. If there were losses from previous years that led to the value of the Company's net worth being lower than the amount of the company capital, the profit will be used to offset said losses.



4. Accounting and Valuation Criteria

The main accounting and valuation criteria used by the Company in the preparation of these annual accounts are the following:

4.1 Intangible assets

Intangible assets are initially valued at their cost, whether this is the acquisition price or the production cost.

After the initial recognition, intangible assets are valued at cost, minus accumulated amortisation and, if applicable, the accumulated amount of the impairment losses registered.

Each intangible asset is analysed and it is determined whether the useful life is definite or indefinite.

4.1.1 Industrial property

The activation of the amount corresponding to the name or corporate name of the Company is included in this category.

4.1.2 Software

Software is booked at its acquisition price. Maintenance expenses are booked when incurred.

4.1.3 Useful life and Amortisations

The amortisation of intangible assets is carried out by systematically distributing the amortisable amount over its useful life by applying the following criteria:

	Amortisation Method	Years of estimated useful life
Industrial property	Straight-line	10
Software	Straight-line	4

For these purposes, the amortisable amount is understood as the acquisition cost minus, if applicable, its residual value.

The Company reviews the residual value, useful life and amortisation method of the intangible assets at least at the end of each year. Changes to the criteria initially established, if there are any, are recognised as a change in estimate.

4.1.4 Impairment of fixed assets

The Company evaluates and determines the value adjustments due to impairment and the reversion of impairment losses on intangible assets in accordance with the criteria mentioned in Note 4.3.

4.2 Tangible fixed assets

4.2.1 Initial recognition

Assets included in tangible fixed assets are recorded at their acquisition price or production cost, and are presented in the balance sheet at that value minus the amount of the amortisations and, if applicable, the accumulated impairment losses.

4.2.2 Amortisations

Amortisation of tangible fixed asset items is carried out by systematically distributing the amortisable amount over their useful life. For these purposes, the amortisation amount is understood as the acquisition cost minus its residual value. The Company determines the amortisation expense for each item of property, plant and equipment.

The amortisation of items of tangible fixed assets is determined by applying the criteria outlined below:

	Amortisation method	Years of estimated useful life
Other facilities	Straight-line	10
Furnishings	Straight-line	10
Equipment for information processes	Straight-line	4

The Company reviews the residual value, the useful life and the amortisation method of the tangible fixed assets at the end of each year. Changes in the initially established criteria are recognised as a change in estimate.

4.2.3 Subsequent costs

Subsequent to the initial recognition of the asset, only those costs incurred are capitalised inasmuch as they entail an increase in their capacity, productivity or lengthening of useful life. Therefore, the costs derived from the daily maintenance of the tangible fixed assets are registered in results as they are incurred.

4.2.4 Impairment of assets

The Company evaluates and determines the valuation adjustments due to impairment and the reversions of losses due to impairment of tangible fixed assets in accordance with the criteria mentioned in Note 4.3.

4.3 Impairment of non-financial assets subject to amortisation or depreciation

The Company follows the criterion of evaluating the existence of evidence that might show the potential impairment of non-financial assets subject to amortisation or depreciation, in order to verify whether the book value of the aforementioned assets exceeds their recoverable value, understood as the higher of the fair value, minus selling costs and their value in use.

Once the valuation adjustment due to impairment or its reversion has been recognised, the amortisations of the following years are adjusted taking into account the new book value.

Notwithstanding the above, if the specific circumstances of the assets show an irreversible loss, this is recognised directly in losses from the fixed assets of the profit and loss account.

Impairment losses are recognised in the profit and loss account.

4.4 Non-current assets held for sale

The Company classifies under the heading "Non-current assets held for sale" those assets whose book value will be recovered mainly through their sale, instead of their continued use, when they meet the following requirements:

- They are available in their current conditions for immediate sale, subject to the usual and customary terms of sale.
- Their sale is highly probable.

Non-current assets held for sale are valued at the lower of their book value and their fair value minus selling costs, except deferred tax assets. These assets do not amortise and, if necessary, appropriate valuation adjustments are made so that the book value does not exceed the fair value minus selling costs.

The related liabilities are classified under the heading "Liabilities linked to non-current assets held for sale".

4.5 Leases

Leases in which the contract transfers substantially all the risks and benefits inherent to ownership of the assets are classified as finance leases and otherwise are classified as operating leases.

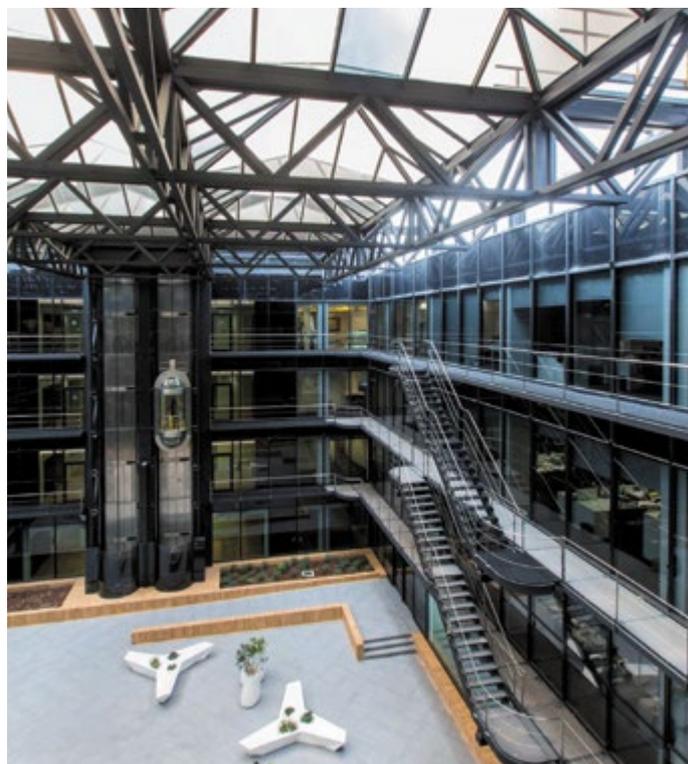
4.5.1 Lessor accounting records

The income derived from operating leases is recorded in the profit and loss account when accrued. The direct costs attributable to the contract are included as the higher value of the leased asset and are recognised as an expense during the term of the contract, applying the same criteria used for the recognition of lease income.

4.5.2 Lessee accounting records

The Company leases to third parties, under operating lease agreements, the properties where it carries out its usual activity (central offices and representative office), as well as a vehicle that is used by the members of the company.

The quotas derived from the operating leases, net of the incentives received, are recognised as an expense on a straight-line basis over the lease term.



4.6 Financial instruments

Classification and separation of financial instruments

Financial instruments are classified at the time of their initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and with the definitions of financial assets, financial liabilities or equity instruments.

The Company classifies the financial instruments in the different categories, for the purpose of their valuation, taking into account the characteristics and indications of Management at the time of their initial recognition.

4.6.1 Loans and receivables

Loans and receivables consist of trade and non-trade receivables with fixed or determinable collections that are not listed in an active market.

These assets are initially recognised at fair value, including the transaction costs incurred, and are subsequently valued at the amortised cost, using the effective interest rate method.

Notwithstanding the financial assets that do not have an established interest rate, with maturity not exceeding one year or whose amount is expected to be received in the short term and the effect of not being updated is not significant, they are valued at their nominal value.

4.6.2 Investments held until maturity

Investments held until maturity are debt securities with a fixed maturity date, fixed or determinable collections, which are traded in an active market and which the Company has the effective intention and the ability to hold until maturity, other than those classified in other categories. The valuation criteria applicable to financial instruments classified in this category are those applicable to loans and receivables.

4.6.3 Other financial assets at fair value

Investments in companies are initially recognised at cost, which is equivalent to the fair value of the compensation given, including the transaction costs incurred, and they are subsequently valued at cost, minus the accumulated amount of the impairment losses.

Although there are some shareholdings in companies above 20%, they will not be consolidated since they are support investments for which there are agreed repurchase terms and, therefore, they are not considered permanent investments, nor do they receive a global management integrated with the strategy of the Company.

4.6.4 Interest

Interest is posted in keeping with the effective interest rate method and dividends when entitlement thereto is established.

4.6.5 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows related to them have expired or have been transferred and the Company has substantially transferred the risks and benefits derived from their ownership.

The derecognition of a financial asset in its entirety entails the recognition of results due to the difference between its book value and the sum of the compensation received, net of transaction expenses, including the assets obtained or liabilities assumed and any deferred loss or gain in income and expenses recognised in net equity.

4.6.6 Impairment of financial assets

A financial asset or group of financial assets is impaired and an impairment loss has occurred, if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and the event or events causing the loss have an impact on the estimated future cash flows of the asset or group of financial assets, which can be estimated accurately.

On June the 28th, 2017, the Board of Directors approved an update of the policy of coverage of risks due to the impairment of the portfolio, which maintains the Banco de España's principles in this regard as a reference. The application of this new policy has entailed the following lines of action:

- The Policy to Cover Risks due to Impairment of Operations is applicable to all of them with the sole exception of open-price capital operations for which, in accordance with the Accounting Plan, the impairment of these operations is determined by the difference between the acquisition cost and the value of the shareholding/ which, in the absence of an accurate market value, will be assimilated to the theoretical book value of the investee company.
- This Policy is based on the targeted analysis of the risk of each one of the operations whose conclusions are specified in the allocation of a certain internal rating level, except in the case of dubious transactions due to late payments in which the variable to be considered is the age of the debt. Once categorised, the level of impairment (DV in the Spanish acronym) is in general estimated collectively for each category of internal rating – internal rating of the transaction before considering securities - and is presented by means of a grid that assigns a certain level of impairment to each rating category.

The coverage of risks due to impairment of dubious assets follows a general procedure distinguishing between debts of 3 to 6 months, 6 to 9 months, 9 to 12 months, 12 to 15 months, 15 to 18 months and more than 18 months, applying to each of these ranges percentages of 30%, 70%, 80%, and 90%, 95% and 100% respectively.

In the case of transactions with country risk, the value impairment corresponding to its solvency will be maintained, provided that it is equal to or greater than that which would correspond to it due to country risk.

- The policy also establishes the option of estimating the amount of impairment individually (individual risk estimation) for portfolio transactions rated as Special Monitoring and Dubious. On this basis, the value impairment applicable will be determined based on a specific report issued by the Transactions and/or General Secretariat departments that thus support it.
- In the case of having security interests, provided that their valuation and enforceability are considered acceptable, the applicable provision will take into account the amount of the risk minus the value of the security.

Rating	Percentage
A	0.20%
B+	0.20%
B	0.20%
B-	0.20%
C+	4%
C	10%
C-	20%
DM3	30%
DM6	70%
DM9	80%
DM12	90%
DM15	95%
DM18	100%

The loss or reversion of the impairment is recorded in the profit and loss account.

4.7 Financial liabilities

4.7.1 Debits and payables

These include financial liabilities arising from the purchase of goods and services by the Company's trading operations and debits from non-commercial transactions which are not derivative instruments.

When initially recorded in the balance sheet, they are recorded at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the compensation received adjusted for the transaction costs which are directly attributable to them.

After their initial recording, these financial liabilities are valued at their amortised cost. The accrued interest is recorded in the profit and loss account, applying the effective interest rate method.

However, debits from commercial transactions with a maturity of no more than one year and which do not have a contractual interest rate, as well as disbursements required by third parties on shareholdings, the amount of which is expected to be paid in the short term, are valued at their nominal value, when the effect of not updating the cash flows is not significant.

4.7.2 Security Deposits

Security deposits delivered as a result of the lease agreements are valued according to the criteria set out for the financial assets.

4.7.3 Derecognitions and modifications of financial liabilities

The Company derecognises a financial liability or a part thereof when it has complied with the obligation contained in the liability or it is legally exempt from primary responsibility for the liability, either by virtue of a judicial process or by the creditor.

The Company recognises the difference between the book value of the financial liability or of a part of it that is written off or assigned to a third party and the compensation paid, including any assigned asset different from the cash or liability assumed, with a charge or credit to the profit and loss account.



4.8 Transactions, balances and flows in foreign currency

Transactions in foreign currency have been converted into euro by applying the cash exchange rate on the dates on which they are carried out to the amount in foreign currency.

Monetary and non-monetary assets and liabilities denominated in foreign currency have been converted into euro by applying the rate existing at the end of the year.

Non-monetary assets valued at fair value have been converted into euro applying the exchange rate at the end of the year.

In the presentation of the statement of cash flows, the flows from transactions in foreign currency have been converted into euro applying the cash exchange rate on the dates on which they occur to the amount.

The positive and negative differences shown in the settlement of transactions in foreign currency and in the conversion into euro of monetary assets and liabilities denominated in foreign currency are recognised in results.

Profits or losses due to exchange differences of non-monetary financial assets and liabilities valued at fair value are recognised together with the change in the fair value. However, the component of the variation in the exchange rate of non-monetary financial assets denominated in foreign currency classified as available for sale and classified as covered items in hedges of the fair value of said component, is recognised in results. The rest of the variation in the fair value is recognised as explained in Note 4.6 Financial instruments.

4.9 Cash and other equivalent liquid assets

This heading includes cash in hand, bank current accounts and deposits and temporary acquisitions of assets that meet all of the following requirements:

- They are convertible into cash.
- At the time of acquisition, their maturity was not greater than three months.
- They are not subject to a significant risk of change in value.
- They are part of the Company's normal treasury management policy.

For the purposes of the statement of cash flows, the occasional overdrafts that are part of the cash management of the Company are included as minus cash and other equivalent liquid assets.

4.10 Short-term employee benefits

The Company recognises the expected cost of short-term benefits as employees provide the services that entitle them to collect them.

The Company recognises the expected cost of share in profits or of incentive plans for workers when there is a present, legal or implicit obligation as a consequence of past events and a reliable estimate of the value of the obligation can be made.

4.11 Severance payments

Compensation for involuntary termination is recognised at the moment when there is a detailed formal plan and a valid expectation has been generated among the staff affected that the termination of the employment relationship will occur, either because they have begun to execute the plan or because they have announced its main characteristics.

In accordance with current labour legislation, the Company is obliged to pay compensation to those employees with whom, under certain conditions, it terminates their employment relationships. Severance payments that can be reasonably quantified are registered as an expense for the year in which there is a valid expectation, created by the Company with regard to the third parties affected.

4.12 Provisions

Provisions are recognised when the Company has a present obligation, whether legal, contractual, implicit or implied, as a result of a past event; it is probable that there is an output of resources that incorporate future economic benefits in order to write off such an obligation; and a reliable estimate of the amount of the obligation can be made.

The financial effect of the provisions is recognised as financial expenses in the profit and loss account.

Provisions do not include the tax effect, nor the expected gains from the disposal or write-off of assets.

Provisions are reversed against results when it is not probable that there is an output of resources in order to write off such an obligation.

4.13 Profit tax

The expense or income due to profit tax includes both current and deferred taxes.

Assets or liabilities due to current profit tax are valued at the amounts expected to be paid or recuperated from the tax authorities, using the regulations and tax rates in force or approved and pending publication on the closing date of the financial year.

Current or deferred profit tax is recognised in results, unless it arises from a transaction or economic event that has been recognised in the same or a different financial year, against net equity or of a business combination.

Taxable temporary differences are recognised in all cases except exceptional ones determined by current legislation, while deductible temporary differences are recognised provided it is probable that there will be sufficient positive future taxable bases which are sufficient for their payment.

Deductible temporary differences are recognised whenever it is probable that there will be sufficient positive future tax bases for their payment.

Deferred tax assets and liabilities are valued at the tax rates that will be applicable in the years in which the assets are expected to perform or the liabilities are to be paid.

Deferred tax assets and liabilities are recognised in the balance sheet as non-current assets or liabilities, regardless of the expected date of performance or settlement.

4.14 Classification of assets and liabilities between current and non-current

The Company classifies assets and liabilities as current when they are expected to perform or be settled in the course of the normal operating cycle of the Company. They are kept mainly for trading purposes and are expected to perform within the twelve month period following the closing date.

Financial liabilities are classified as current when they must be settled within twelve months after the closing date even if the original term is for a period exceeding twelve months and there is a refinancing or restructuring agreement for long-term payments in place which has concluded after the closing date and before the annual accounts are drawn up.

4.15 Income and expenditure

Income and expenditure are recorded in the period to which the annual accounts refer based on the accrual criterion, as a consequence of an increase or decrease in the company's resources, and provided that the amount can be accurately determined.

Revenue from day-to-day management is recognised at the fair value of the offsetting received or to be received derived from same, considering the degree of completion on the closing date.

The Company recognises the ordinary income and the costs associated with the operations in which it acts as a mere manager, collecting the amounts on behalf of the Funds. In these operations, the Company only recognises the collected commissions as ordinary income. Likewise, it recognises the ordinary income and its associated costs of its own credit transfer operations, recognising both the commissions and the interests.

4.16 Transactions between related parties

Transactions with related parties are accounted for in accordance with the valuation standards detailed above.

The prices of transactions carried out with related parties are adequately incurred, so the Company's Members of the Board of Directors consider that there are no risks that could give rise to significant tax liabilities.

5. Intangible assets

The details and movements of the different items that comprise the intangible assets are the following:

Thousands of euro	2018			
	Industrial property	Software	Advances Computer Software	Total
Cost as of January 1st, 2018		851	30	881
Acquisitions		27		27
Derecognitions		(1)		(1)
Transfers		30	(30)	
Cost as of December 31st, 2018		907	30	907
Accumulated amortisation as of January 1st, 2018		(823)		(823)
Acquisitions		(31)		(31)
Derecognitions		1		1
Transfers				
Accumulated amortisation as of December 31st, 2018		(853)		(853)
Net book value as of December 31st, 2018		54		54

Thousands of euro	2018			
	Industrial property	Software	Advances Computer Software	Total
Cost as of January 1st, 2017		851	15	866
Acquisitions			15	15
Derecognitions				
Transfers				
Cost as of December 31st, 2017		851	30	881
Accumulated amortisation as of January 1st, 2017		(789)		(789)
Acquisitions		(34)		(34)
Derecognitions				
Transfers				
Accumulated amortisation as of December 31st, 2017		(823)		(823)
Net book value as of December 31st, 2018		28	30	58

5.1 Fully amortised assets

The cost of the intangible assets that are fully amortised and that are still in use as of December the 31st is as follows:

Thousands of euro	2018	2017
Industrial property		
Computer applications	764	725
Total	764	725

5.2 Insurance

The Company has taken out several insurance policies to cover the risks to which the intangible assets are subject. The coverage of these policies is considered sufficient.

5.3 Other Information

There have been no sale-purchase transactions of fixed assets with group companies.

As of December, the 31st, 2018, there are no purchase commitments related to intangible assets, nor did they exist as of December the 31st, 2017.

6. Tangible fixed assets

The details and movements of the different items that comprise the tangible fixed assets are the following:

Thousands of euro	2018				
	Other facilities	Furnishings	Information processing equipment	Transport items	Total
Cost as of January 1st, 2018	821	353	262	2	1.438
Acquisitions	11	14	16		41
Derecognitions			(13)		(13)
Transfers					
Cost as of December 31st, 2018	832	367	265	2	1.466
Accumulated amortisation as of January 1st, 2017	(197)	(153)	(152)	(1)	(503)
Acquisitions	(79)	(30)	(46)		(155)
Derecognitions		1	13		14
Transfers					
Accumulated amortisation as of December 31st, 2018	(276)	(182)	(185)	(1)	(644)
Net book value as of December 31st, 2018	556	185	80	1	822

Thousands of euro	2017				
	Other facilities	Furnishings	Information processing equipment	Transport items	Total
Cost as of January 1st, 2017	836	359	232	2	1.429
Acquisitions	3	3	54		60
Derecognitions	(18)	(9)	(24)		(51)
Transfers					
Cost as of December 31st, 2017	821	353	262	2	1.438
Accumulated amortisation as of January 1st, 2017	(135)	(134)	(136)		(405)
Acquisitions	(80)	(30)	(43)	(1)	(154)
Derecognitions	18	11	27		56
Transfers					
Accumulated amortisation as of December 31st, 2017	(197)	(153)	(152)	(1)	(503)
Net book value as of December 31st, 2017	624	200	110	1	935

6.1 Fully amortised assets

The cost of items of tangible fixed assets that are fully amortised and are still in use as of December the 31st is as follows:

Thousands of euro	2018	2017
Other facilities	33	30
Furnishings	66	66
Information processing equipment	114	65
Total	213	161

6.2 Insurances

The Company has taken out several insurance policies to cover the risks to which the tangible fixed assets are subject. The coverage of these policies is considered sufficient.

6.3 Other Information

There have been no sale-purchase transactions of fixed assets with group companies.

As of December the 31st, 2018 and 2017, there are no commitments to purchase tangible fixed assets.

7. Non-current assets held for sale

On February the 28th, 2012, Commercial Court No. 2 of Bilbao issued an award order in favour of the Company of a property located in the municipality of Munguía (Vizcaya) in conclusion of a foreclosure proceeding as payment of a credit. The adjudication value of said property was 1,327 thousand euro. The property was not leased to third parties.

On April the 19th, 2012, possession of the aforementioned property was granted in favour of the Company by means of a public deed, and said deed was formalised in the property registry of Gernika-Lumo. On that date, the property was accounted for at the fair value of the property (1,356 thousand euro).

Given that the Company's management is actively promoting the sale of this property, it was registered under Non-current Assets Held for Sale, remaining registered under this heading as of December the 31st, 2018.

The estimated selling costs related to this asset are registered in the section of Liabilities linked to non-current assets held for sale, with the amount registered in said section as of December the 31st, 2018 being 613 thousand euro (40 thousand euro in 2017).

As of December the 31st, 2015, the company considered, as a result of a new valuation commissioned to a specialist company, that the valuation of the property had been reduced to 725 thousand euro.

As of December the 31st, 2018, the company has considered making a new valuation correction of the property, with its fair value being 475 thousand euro, as a result of a new valuation made at the beginning of the 2019 fiscal year.

The Company has policies in order to correctly evaluate whether its financing operations are carried out with clients with an adequate credit history

8. Policy and Risk Management

8.1 Financial risk factors

The Company's activity is exposed to various financial risks: exchange rate risk, credit risk, liquidity risk and interest rate risk in cash flows. The Company's overall risk management focuses on the uncertainty of the economic environment and seeks to minimise the potential adverse effects on the Company's financial profitability.

Active risk management falls within the scope of both the Operations Department of the Company and the Risk Department, in accordance with the policies approved by the Board of Directors and more specifically the Operating Performance Criteria of the Company and the Strategic Plan 2016-2019, as well as its recent revision, which has greatly strengthened the mechanisms of monitoring, information and supervision of financial risks. The Operations Department identifies, evaluates and details the financial risks of the new operations that are proposed to the Company and it also manages the financial risks of the operations in effect in order to be able to anticipate future contingencies. For its part, the Risk Department manages the risk of the portfolio as a whole and monitors compliance with the Company's internal risk criteria, both individually and globally. It does all of this, and for accounting purposes, following what is established in section 4.6.6.

8.1.1 Credit risk

The Company, in accordance with the provisions of its own Operating Criteria, does not have significant concentrations of credit risk. The Company has policies in order to correctly evaluate whether its financing operations are carried out with clients with an adequate credit history.

The valuation adjustment due to client insolvencies entails a significant judgment by Management and the review of individual balances based on the creditworthiness of the clients, current market trends and historical analysis of insolvencies at the aggregate level. To determine the specific component of the country of the individual valuation correction, the credit rating of the country is considered, determined based on the information provided by external agencies. In relation to the valuation correction derived from the aggregate analysis of the historical experience of unpaid debts, a reduction in the volume of balances entails a reduction of the valuation adjustments and vice versa.

The Company manages liquidity risk prudently

8.1.2 Exchange rate risk

The Company operates internationally and, therefore, some of its operations are exposed to exchange rate risk, specifically the US dollar. The exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investments in businesses abroad.

8.1.3 Liquidity risk

The Company manages liquidity risk prudently, based on the maintenance of sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit facilities and sufficient capacity to liquidate market positions.

8.2 Operational risk factors

Operational risk is that which can lead to losses due to human errors, inadequate or defective internal processes, failures in the systems and as a consequence of external events. This definition includes legal risk and excludes the strategic and/or business risk and the reputational risk of the Company.

Operational risk is inherent to all the activities, products, systems and processes, and its origins are highly varied (processes, internal and external fraud, technology, human resources, business practices, suppliers). Operational risk management is integrated into the overall risk management structure of the Company.

The Company therefore has an integrated methodology of internal monitoring with policies that cover personnel management and training, investment in information technologies and policies for monitoring credit operations, a methodology developed by the different Company departments with the impetus of the Department of Monitoring, Internal Audit and Quality and of the Chairmanship which it comes under. This section conducts periodic internal audits and monitoring of said established policies and processes. In addition, it ensures compliance with regulations and the adoption of good practices in Compliance, mainly in collaboration with the General Secretariat, which oversees the legal and regulatory aspects of the Company.



General Shareholders' Meeting

9. Operating leases- Lessee

The Company leases to third parties, under operating lease agreements, the properties where it carries out its usual activity, as well as a vehicle that is used by members of the institution.

The figures for operating lease payments recognised as expenses are as follows:

Thousands of euro	2018	2017
Buildings	854	846
Vehicles	8	8
Other	12	27
Total	874	881

The minimum future payments for operating leases in euro which cannot be written off are the following:

Thousands of euro	2018	2017
Up to one year	687	687
Between one and five years	2,061	2,748
More than five years		
Total	2.748	3.435

10. Investments in equity instruments

The breakdown of investments in equity instruments and classified as "Other financial assets at fair value" is as follows:

Thousands of euro	2018						
	Company	Country	Activity	% Shareholding	Cost	Impairment	Net book value of shareholding
	European Financing Partners	Luxembourg	(i)	15.38	6		6
	Interact Climate Change Facility, S.A.	Luxembourg	(ii)	7.69	6		6
	AURICA III FCR	Spain	(iii)	3.14	1,562	(94)	1,468
	STATE AND PRIVATE OWNED COMPANY COFIDES Venture Capital SGEIC, S.A	Spain	(iv)	100	150		150
	AUTOPISTA DEL NORDESTE, S.A.S	Colombia	(v)	0.07	205	(22)	183
	SPAIN OMAN PRIVATE EQUITY FUND I.L.P.	Oman	(vi)	0.5	15		15
	CONCESION TRASVERSAL DEL SISGA, S.A.S.	Colombia	(vii)	0.075	506		506
Total					2,450	(116)	2,334

(i) Financial intermediation for countries in Asia, the Caribbean and the Pacific. (ii) Financial intermediation for environmental projects for countries in Asia, the Caribbean and the Pacific
(iii) Financial intermediation for projects with a profile oriented towards their international expansion. (iv) Investment management for one or several venture capital entities
(v) Infrastructure, transportation. (vi) Investment management for one or several entities. (vii) Infrastructure, transportation

Thousands of euro	2017						
	Company	Country	Activity	% Shareholding	Cost	Impairment	Net book value of shareholding
	European Financing Partners	Luxembourg	(i)	15.38	6		6
	Interact Climate Change Facility, S.A.	Luxembourg	(ii)	7,69	6		6
	AURICA III FCR	Spain	(iii)	3.14	1,105	(51)	1,054
	STATE AND PRIVATE OWNED COMPANY COFIDES Venture Capital SGEIC, S.A	Spain	(iv)	100	150		150
	AUTOPISTA DEL NORDESTE, S.A.S.	Colombia	(v)	0.07	205	(22)	183
Total					1,472	(73)	1,399

(i) Financial intermediation for countries in Asia, the Caribbean and the Pacific. (ii) Financial intermediation for environmental projects for countries in Asia, the Caribbean and the Pacific
(iii) Financial intermediation for projects with a profile oriented towards their international expansion. (iv) Investment management for one or several entities. (v) Infrastructure, transportation

The equity instruments indicated in the previous tables for the years 2018 and 2017, the fair value of which cannot be accurately estimated, are valued at cost minus, if applicable, the accumulated amount of the valuation adjustments due to impairment of their value.

Additionally, it should be noted that all of the capital operations have a minimum disinvestment price set contractually with the respective shareholders.

The functional currency of the shareholdings abroad is the currency of the countries in which they are domiciled. Furthermore, the net investment of the shareholdings matches the book value of the investment.

EUROPEAN FINANCING PARTNERS, S.A. (EFP)

A company formed by Development Finance Institutions associated with EDFI, including COFIDES, together with the European Investment Bank (EIB) with the initial purpose of financing private sector projects in ACP countries, the European Financing Partners (EFP) financing scheme has to date had six rounds of financing, the last of which was signed in 2016 for an additional 201 million euro. In the sixth round of funding, the EFP expanded its geographical scope of activity in order to finance projects in countries included among the list of recipients of Official Development Assistance of the DAC of the OECD. Until that date, the EFP had exclusively financed projects in ACP countries (Africa, Caribbean, Pacific). In total, in all of the rounds, COFIDES has contributed a total of 45 million euro from its own resources and the FIEX.

As of December the 31st, 2018, the EFP financing scheme, jointly promoted by the European Investment Bank (EIB) and the European bilateral development financial institutions which are counterparts of COFIDES, had committed a total of 500 million euro, in 38 projects located in 14 different countries. The holding from the resources of COFIDES and the FIEX in these projects at the end of 2018 translates into an amount committed of 16.9 million euro in 27 operations located in 12 different countries, 10 of them in the geographical area of Africa Sub-Saharan Africa.

INTERACT CLIMATE CHANGE FACILITY, S.A. (ICCF)

During the 2011 financial year, COFIDES, together with other European development institutions such as the European Investment Bank (EIB), the *Agence Française de Développement* (AFD) and the European bilateral Development Finance Institutions, formed INTERACT CLIMATE CHANGE FACILITY, S.A. (hereinafter ICCF). The purpose of

this facility is to finance private and viable investment projects that contribute to the mitigation of climate change and promote energy efficiency in countries receiving Official Development Assistance. As of December the 31st, 2018, ICCF had committed a total of 397.61 million euro in 27 projects located in 12 different countries. At the end of 2018, COFIDES had committed a total of 12.47 million euro in 27 ICCF projects in 27 operations located in 15 different countries, all countries receiving Official Development Assistance.

AURICA III FCR

Investment in a fund to facilitate financing through capital operations to Spanish companies with a profile oriented towards their international expansion. The duration of the fund is 10 years and the amounts of the investments will be between 10 and 30 million euro. It is expected that between 6 and 8 investments will be made in total. The target profitability is 20%.

The fund was set up at the impetus of Aurica Capital, a subsidiary of Banco de Sabadell. It also participates as an investor.

During 2018, 3 investments were made for the amount of 50 million euro. The total capital committed at the end of the year amounts to EUR 86 million, having invested close to 50% of committed capital.

COFIDES CAPITAL RIESGO SGEIC, S.A.

A Spanish company with the name COFIDES CAPITAL RIESGO, SGEIC, S.A. has been set up.

The Company's main purpose is the management of investments for one or several venture capital entities (ECR in the Spanish acronym), as well as the monitoring and management of their risks. Additionally, the Company will perform functions described in Article 42.4 of the Spanish Law concerning ECRs. As a complementary activity, it may provide an advisory service to non-financial companies defined in accordance with Article 7 of the LECR (Spanish Venture Capital Entities Law).

This company has a share capital of 150,000 euro, the result of an initial contribution of 125,000 euro and a subsequent capital increase of 25,000 euro.

AUTOPISTA DEL NORDESTE, S.A.S.

Ortiz Construcciones y Proyectos is the parent company of a multinational business group whose activity focuses on the construction sector (civil works, construction, EPC energy), although, in recent years, it has carried out a strategic process based on the internationalisation and the diversification of its business mix.

A Concession Contract was awarded in 2014 within the framework of the bidding process for the first wave of the fourth generation of road concessions in Colombia (4G Programme).

The concession term is 25 years, extendable to 4 more years in the event of not reaching the amount of income expected and stipulated in the Concession Contract. The construction period is 5-6 years.

This concession was awarded in December 2014 to a consortium formed by Ortiz Construcciones y Proyectos (25%), KMA (25%), Valorcon (25%) and Equipo Universal (25%).

The operation consists of providing financial support to the Grupo Ortiz through the provision of funds to the concession company Autopistas del Noreste in the form of capital, subordinated debt and counter-guarantees of capital and subordinated debt.

COFIDES/FIEX acquired the status of shareholders in the concession company in July 2017, at which time the purchase and payment of shares took place.

SPAIN OMAN PRIVATE EQUITY FUND, I.L.P.

A fund that was established as a result of COFIDES' agreement with SGRF to set up the Spain Oman Private Equity Fund.

Management has been entrusted to a private company, selected through an open procurement procedure during the first semester of 2018, within the framework of the public sector contract regulations applicable to COFIDES for service contracts, specifically respecting the principles of disclosure, concurrency, transparency, confidentiality, equality and non-discrimination stipulated in Article 192 of the Consolidated Text of the Spanish Law on Public Sector Contracts, in force at the beginning of the contracting process.

MCH PRIVATE EQUITY INVESTMENTS, SGEIC, S.A. was the winner of the fund management service. It is one of the most prestigious national fund managers in the Spanish venture capital sector.

The CNMV registered the Fund in its register of Private Equity Funds on July the 13th, 2018. The fund is intended for investment in minority shareholdings in capital in subsidiaries of Spanish groups or in

the Spanish parent company in order to support its international development. Its duration is 10 years with two extensions of 1 year and the investment period is 3 years with one extension of 1 year. 12-15 investments will be made for amounts of EUR 7 million - 30 million per operation.

The size of the fund is EUR 200 million. FIEX has an investment share of EUR 99m and COFIDES of EUR 1 million. The rest is provided by the State General Reserve Fund (SGRF) which was founded in 1980 with the objective of obtaining sustainable results from the investments made via the surplus generated in the sale of oil after fulfilling the government's budgetary needs, with a view to securing funds for future generations. The SGRF manages and invests these funds in a diversified portfolio in more than 25 countries around the world. It is supervised by the Economic and Energy Ministry.

CONCESION TRASVERSAL DEL SISGA, S.A.S.

It consists of financing the construction, rehabilitation, operation and maintenance of the existing *Transversal del Sisga* corridor (137 km), with almost all of the improvement works and through three instruments: company capital, subordinated debt and counter-guarantees (capital and subordinated debt).

The financial support of COFIDES/FIEX consisted of acquiring a stake of up to 15% in Grupo Ortiz (with FIEX and COFIDES funds) and a similar percentage of subordinated debt from the concession company, for a maximum amount of EUR 14 million (85% FIEX).

The Project was formalised on December the 30th, 2016, although the investment was subject to compliance with certain conditions precedent (mainly financial closing). Global financing for the Project will reach the equivalent in COP (Colombian Peso) of a maximum amount of EUR 25 million (from the previous operation and the extension). The financial closure of the concession took place in May 2018 and the conditions precedent to the disbursement of FIEX were met in October 2018.

The movements which occurred in the amount of the valuation adjustments due to impairment of the loans as of December the 31st are the following:

Thousands of euro	2018	2017
Cost	2,450	1,472
Net impairment	(116)	(73)
Net book value	2,334	1,399
Impairment variation	(43)	(73)

Thousands of euro	2018	2017
Impairment as of January 1st	(73)	
Net decreases	(43)	(73)
Impairment of accumulated value as of December 31st	(116)	(73)

11. Financial Assets

The composition of the financial assets as of December the 31st is as follows:

Thousands of euro	Equity instruments (Note 10)		Debt securities		Loans, derivatives and other		Total	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Financial year 2018								
Loans and receivables	1,645		65,717	13,886	10,730	20,357	78,092	34,243
Investments held until maturity								
Assets available for sale - valued at cost	689						689	
Total	2,334		65,717	13,886	10,730	20,357	78,781	34,243
Financial year 2017								
Loans and receivables	1,216		58,009	14,969	9,715	22,869	68,940	37,838
Investments held until maturity								
Assets available for sale - valued at cost	183						183	
Total	1,399		58,009	14,969	9,715	22,869	69,123	37,838

These amounts are broken down in the balance sheet as follows:

Thousands of euro	Equity instruments (Note 10)		Debt securities		Loans, derivatives and other		Total	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Financial year 2018								
Long-term financial investments								
Equity instruments	2,334						2,334	
Loans to companies			65,717				65,717	
Other financial assets					115		115	
Debtors Funds					10,616		10,615	
Trade and other receivables								
Debtors						2,270		2,270
Debtors Funds						7,253		7,253
Short-term financial investments								
Loans to companies				13,886				13,886
Interest accrued loans to companies						334		377
Other financial assets						10,500		10,500
Interest accrued other financial assets								
Total	2,334		65,717	13,886	10,731	20,357	78,781	34,243

Thousands of euro	Equity instruments (Note 10)		Debt securities		Loans, derivatives and other		Total	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Financial year 2017								
Long-term financial investments								
Equity instruments	1,399						1,399	
Loans to companies			58,009				58,009	
Other financial assets					115		115	
Debtors Funds					9,600		9,600	
Trade and other receivables								
Debtors						2,907		2,907
Debtors Funds						9,110		9,110
Short-term financial investments								
Loans to companies				14,969				14,969
Interest accrual loans to companies						352		352
Other financial assets						10,500		10,500
Interest accrued other financial assets								
Total	1,399		58,009	14,969	9,715	22,869	69,123	37,838

11.1 Debt securities

11.1.1 Loans and receivables

The loans granted correspond to the financing agreements signed with third parties in order to promote private projects involving some manner of Spanish interest carried out in developing countries. These loans can be granted in addition to their own resources, through financing agreements with other

public financial entities. The conditions regarding the term of the loans as well as the interest rate they accrue and any guarantee on them are stipulated individually in the contracts signed for each of the loans.

The variations undergone by the loans granted in the financial year are the following:

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
Cost as of January 1 st	65,195	15,537	63,867	14,104
Increases	24,115		21,697	
Decreases	(1,750)	(15,537)	(4,832)	(14,104)
Short-term transfers	(14,637)	14,637	(15,537)	15,537
Cost as of December 31 st	72,923	14,637	65,195	15,537
Impairment of accumulated value as of December 31 st	(7,206)	(751)	(7,186)	(568)
Net book value as of December 31 st	65,717	13,886	58,009	14,969

At the close of the 2018 financial year, there are loans granted and pending disbursement in the amount of 32,704 thousand euro (21,697 thousand euro at the close of the 2017 financial year).

the foregoing, given the repurchase conditions that are established, these operations are considered debt instruments and not equity instruments.

Some of these debt instruments are formalised through the acquisition of shares in the companies which COFIDES finances; notwithstanding

The details of the loans that have been formalised under this classification are the following:

Thousands of euro	2018						
	Company	Country	Activity	% Shareholding	Cost	Impairment	Net book value of shareholding
	Electrón Investment S.A.	Panama	(i)	2.67%	3,637	(145)	3,492
	South East U.P. Power Transmission Company Ltd.	India	(ii)	2.59%	4,237	(4,025)	212
	Globalvia Chile SPA	Chile	(iii)	8.17%	5,213	(209)	5,004
Total					13,087	(4,379)	8,708

(i) Construction, operation and maintenance of two power plants.

(ii) Civil construction works.

(iii) Infrastructure, transport.

Thousands of euro		2017				
Company	Country	Activity	% Shareholding	Cost	Impairment	Net book value of shareholding
Electrón Investment S.A.	Panama	(i)	2.67%	3,557	(142)	3,415
South East U.P. Power Transmission Company Ltd.	India	(ii)	2.59%	4,053	(3,648)	405
Globalvia Chile SPA	Chile	(iii)	8.17%	5,027	(201)	4,826
Total				12,637	(3,991)	8,646

(i) Construction, operation and maintenance of two power plants.
(ii) Civil construction works.
(iii) Infrastructure, transport.

The details of the annual maturities of the loans are as follows:

Thousands of euro	2018	2017
Year 2018		15,537
Year 2019	14,637	15,222
Year 2020	15,740	13,365
Year 2021	10,754	8,333
Year 2022 and subsequent years (for 2017)	16,336	28,275
Year 2023 and subsequent years	30,093	
Total	87,560	80,732

In general, for the purpose of mitigating the risk borne, the loans granted by COFIDES usually have security interests or personal securities, as appropriate.

The financial income and accrued interest pending collection generated by these loans during the 2018 and 2017 financial years are the following:

Thousands of euro	2018	2017
Accrued financial income (Note 19.1)	2,324	2,276
Accrued interest pending collection (Note 11.2)	334	352

The movements in the amount of the valuation adjustments due to impairment of the loans as of December the 31st are the following:

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
Impairment as of January 1st	(7,186)	(568)	(4,251)	(678)
Net increases	(20)	(183)	(2,935)	110
Net decreases				
Write-offs				
Transfers				
Disapplication of provisions				
Short-term / long-term transfers				
Impairment of accumulated value as of December 31st	(7,206)	(751)	(7,186)	(568)

The valuation adjustments indicated in the table above are calculated based on the methodology applicable per operation mentioned in Note 4.6.6.

11.2 Loans, derivatives and others - Loans and receivables

The details of this classification as of December the 31st are as follows:

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
Trade receivables	10,615	9,523	9,600	12,017
Other financial investments:				
Interest accrued loans to companies (Note 11.1.1)		334		352
Other financial assets	115	10,500	115	10,500
Interest accrued other financial assets				
	10,730	20,357	9,715	22,869

11.2.1 Trade receivables

The details of the trade receivables are the following:

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
Debtors		6,269		6,035
Debtors Funds	13,019	7,253	11,087	9,110
Other debtors		1,938		2,169
Total	13,019	15,460	11,087	17,314
Impairment of trade receivables	(2,404)	(5,937)	(1,487)	(5,297)
Total trade receivables	10,615	9,523	9,600	12,017

The details of the movements in the financial year 2018 and 2017 of the Impairment of trade receivables are the following:

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
Balance as of January 1st	(1,487)	(5,297)	(2,001)	(5,392)
Net provisions	(917)	(1,651)	514	(316)
Transfers				
Disapplication of provisions		1,011		
Applications				411
Balance as of December 31st	(2,404)	(5,937)	(1,487)	(5,297)

"Debtors" mainly includes the amounts due and pending collection for loan operations to third parties, related to those indicated in Note 11.1.1 above.

"Debtors Funds" includes the amount of commissions accrued and pending collection for management and other services related to the FONPYME and FIEX funds.

11.2.2 Other financial assets

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
Other financial assets				
Security Deposits	115		115	
Deposits		10,500		10,500
Total	115	10,500	115	10,500



Non-current:

Other financial assets, including as Non-current 115 thousand euro at the close of the 2018 financial year (115 thousand euro at the close of the 2017 financial year) corresponding mainly to the security deposits deposited in relation to the rents maintained by the Company as indicated in Note 9.

Current:

The details of the bank deposits for a period of less than one year at the close of the 2018 financial year are as follows:

Type	Annual fixed interest rate	Contract date	Expiration date	Time deposits (thousands of euro)	Interest accrued and pending collection (thousands of euro)
Financial year 2018					
Time deposits Banco Sabadell	0.03%	15/06/2018	15/06/2019	5,000	
Time deposits Banco Sabadell	0.02%	13/09/2018	13/09/2019	5,000	
Total				10,500	

Al cierre del ejercicio 2017 el detalle de las mismas es el siguiente:

Type	Annual fixed interest rate	Contract date	Expiration date	Time deposits (thousands of euro)	Interest accrued and pending collection (thousands of euro)
Financial year 2017					
Time deposits Banco Sabadell	0.12%	26/10/2017	26/04/2018	5,000	
Time deposits Banco Sabadell	0.1%	28/11/2017	28/02/2018	5,000	
Total				10,500	

11.3 Amounts denominated in foreign currency

The details of monetary financial assets denominated in foreign currency (USD) are as follows:

Thousands of euro	2018	2017
Long-term financial investments:		
Loans to companies	5,561	3,816
Total non-current assets	5,561	3,816
Trade and other short-term receivables:		
Debtors	493	689
Short-term financial investments:		
Loans to companies	620	625
Interest accrued loans to companies	33	38
Cash and other equivalent liquid assets		
Treasury in banks	7	12
Total current assets	1,153	1,364
Total financial assets in foreign currency	6,714	5,180

The EUR/USD exchange rate used at the close of the 2018 and 2017 financial year was:

	2018	2017
Exchange rate	1,145	1,198

12. Cash and Other Equivalent Liquid Assets

The details of the cash and other equivalent liquid assets section as of December the 31st are as follows:

Thousands of euro	2018	2017
Cash and banks	22,556	19,863
Short-term investments of high liquidity	10,500	10,500
Total	33,056	30,363

13. Own Funds

The composition of own funds are presented in the statement of changes in net equity.

13.1 Capital

The company capital as of December the 31st, 2018 and 2017, is represented by 6,555 registered shares of 6,010.12 euro each, subscribed and disbursed. All shares have equal voting and economic rights.

There are no restrictions for the free transferability of same.

The companies with direct shareholdings in the company capital are the following:

Shareholder	% Shareholding	Amount
ICEX España Exportación e Inversiones	25.74%	10,139
Instituto de Crédito Oficial	20.31%	7,999
Banco Santander, S.A.	20.17%	7,952
Banco Bilbao Vizcaya Argentaria, S.A.	16.68%	6,569
Banco Sabadell, S.A.	8.33%	3,281
Empresa Nacional de Innovación, S.A.	7.63%	3,005
Corporación Andina de Fomento	1.14%	451
Total	100%	39,396

13.2 Legal reserve

In accordance with Article 274 of the Spanish Capital Companies Act, companies are obliged to allocate 10% of the profits of each financial year to the constitution of a reserve fund until it reaches at least 20% of the company capital.

It cannot be distributed and if it is used to offset losses, in the event that there are no other reserves available for this purpose, it must be made up for with future profits.

As of December the 31st, 2018, the Company had this reserve endowed in the maximum amount established by law, so in the proposed distribution of profits for the financial year 2018 formulated by the Members of the Board of Directors (Note 3) it is not considered for distribution to Legal Reserve.

13.3 Voluntary reserves

Voluntary reserves are discretionary.

13.4 Capitalisation reserve

As of December the 31st, 2018, the Company has a capitalisation reserve of 2,295 thousand euro (1,575 thousand euro in 2017); the increase of same is broken down in Note 3 of this report by 677 thousand euro.

13.5 Information regarding the right of withdrawal of a shareholder due to failure to distribute dividends (Article 348 bis of the consolidated text of the Spanish Capital Companies Act)

During the last five financial years dividends have been distributed for an amount between 15% and 20% of the result of each, except in financial year 2011 when there was no distribution. Additionally, for the financial year 2018, the Company has proposed distributing a dividend amounting to 1,475 thousand euro (Note 3).

At the ordinary general meeting of shareholders held on April the 23rd, 2018, which approved the proposal for the application of the result of the 2017 financial year, in which the distribution of dividends was approved, no shareholder voted against this proposal.

14. Contingent assets and liabilities

The Company, together with its legal advisors, has characterised the likelihood of success of the claim of a range of pending lawsuits, mainly due to the claim of amounts pending collection as probable or possible,

for which reason it has registered a provision for those amounts pending collection as of December the 31st, 2018 and 2017, within the impairments of the balances receivable.

15. Financial liabilities

The composition of financial liabilities as of December the 31st is as follows:

Thousands of euro	Debts with credit institutions		Derivatives and other		Total	
	Non-current	Current	Non-current	Current	Non-current	Current
Financial year 2018						
Loans and receivables				1,411		1,411
Total				1,411		1,411
Financial year 2017						
Loans and receivables		216		616		832
Total		216		616		832

15.1 Debts with credit institutions

The details of debts with credit institutions as of December the 31st are as follows:

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
Otros activos financieros				
CAF Agreement				69
ICO Line				146
Accrued interest payable				1
Total				216

ICO

On June the 1st, 2009, a Multi-Currency Financing Agreement with a limit of 6 million euro was signed between the Official Credit Institute (ICO in the Spanish acronym) and COFIDES. This line of financing was available until May the 31st, 2010.

On July the 23rd, 2010, a Multi-Currency Financing Agreement with a limit of 4 million euro was signed between the Official Credit Institute (ICO) and COFIDES. The availability period ended on July the 22nd, 2011.

On January the 13th, 2011, the Framework Agreement of General Financing Conditions for the "ICO-2011 Lines" was signed by the Official Credit Institute (ICO) and COFIDES, with COFIDES, on the same date, subscribing to the "Special conditions" of the financing line "ICO-Internationalisation investment 2011". This line of financing was extant until the end of 2011.

On January the 2nd, 2012, the Framework Agreement of General Financing Conditions for the "ICO-2012 Lines" was signed by the Official Credit Institute (ICO) and COFIDES, with COFIDES, on the same date, subscribing to the "Special conditions" of the financing line "ICO-Internationalisation 2012". This line of financing was extant until the end of 2012. For 2014 it was not renewed.

The Company applies the financing obtained through the previous lines to investment projects, according to their eligibility.

As of December the 31st, 2018, there was no balance outstanding with the ICO for these lines. The main details of the amounts drawn down on from ICO loans as of December the 31st, 2017 were the following:

31st of December 2017

Multi-currency agreement	End date of availability	Grace period end date	Contract end date	Year	Formalised amount (Thousands of euro)	Amount drawn down (Thousands of euro)	Outstanding amount (Thousands of euro)	Reference rate	Differential (%)
2017									
2009 Agreement	14/06/2009		14/12/2018	2009	368	368		LIBOR 6M	0.8
2010 Agreement	25/05/2011	24/04/2013	24/04/2018	2010	1,360	1,360	146	LIBOR 6M	2.5
Total in foreign currency (USD)					1,728	1,728	146		
Total ICO loans					1,728	1,728	146		

The financial expenses and interest accrued pending payment generated by these loans received during the 2017 financial year were the following:

Thousands of euro	2018	2017
Financial expenses accrued (Note 20.1)		9
Accrued interest pending payment (Note 15.1)		1

Amounts denominated in foreign currency

The details of the financial liabilities denominated in foreign currency (USD) are as follows:

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
ICO Line				146
Total				146

15.2 Derivatives and Others - Loans and payables

Thousands of euro	2018		2018	
	Non-current	Current	Non-current	Current
Various creditors		489		350
Staff (salaries pending payment)		250		266
Other financial liabilities		672		-
Total		1,411		616

15.3 Information about the average period of payment to suppliers

The average period of payment to suppliers during the financial year was 29.14 days (30.20 days in 2017).

15.4 Classification by maturity

The classification of financial liabilities by maturity is as follows:

Thousands of euro	2018					Subsequent years	Total
	2019	2020	2021	2022			
Debts with credit institutions							
Trade payables	489						489
Staff	250						250
Other Financial Liabilities	662						672
Total	1,411						1,411

Thousands of euro	2017					Subsequent years	Total
	2018	2019	2020	2021			
Debts with credit institutions	216						216
Trade payables	350						350
Staff	266						266
Other Financial Liabilities	-						-
Total	832						832

16. Short-term accrual

This section of current liabilities includes, as of December the 31st, 2018 and 2017, the amount of the regularisation of the research commissions paid for from the Fund for Investments Abroad (FIEX) invoiced in the financial year and not considered as accrued therein, in accordance with the provisions of the Second Provision of the Order issued by the Hon. Mr. Minister of Economy and Finance of July the 28th, 19991, also called the FIEX Rule.

"... If it were verified, at the end of each financial year, that the expenses accrued by the manager of the Fund for Investments Abroad, in the research and bidding process phase, previously indicated, were less

than seventy-five (75) percent of the amounts accrued by same, in respect of the corresponding research commission, provided for in Section 1.a. above, fifty (50) percent of this difference will be kept in the accounts of the manager and will be used to pay said commission over the following financial years, without the manager being able to receive new amounts for this, inasmuch as this remaining balance has not been exhausted. "

17. Tax Situation

The details of the credit balances with Public Administrations as of December the 31st are as follows:

Thousands of euro	2018		2017	
	Non-current	Current	Non-current	Current
Assets				
Current tax assets				
Withholdings and prepayments				
Value Added Tax				
Other				
Total				
Liabilities				
Current tax liabilities		347		478
Social Security		95		97
Value Added Tax		160		115
Withholdings		114		109
Total		716		799

According to current legal provisions, tax settlements cannot be considered definitive until they have been inspected by the tax authorities or the statute of limitations has elapsed, currently set at four years. The Company has the last four financial years open to inspection since their presentation for all taxes applicable to it. In the opinion of the Company, as well as that of its tax advisors, there are no significant tax contingencies that could arise, in the event of inspection, from possible different interpretations of the tax regulations applicable to the operations carried out by the Company.

As a consequence, among others, of the different possible interpretations of the current tax legislation, additional liabilities may arise as a result of an inspection. In any case, based on the information available, the methodology of analysis and specific advice received by the Company, the latter considers that said liabilities, should they occur, would not significantly affect the annual accounts.

17.1 Tax on earnings

The reconciliation between the net amount of the income and expenses of the financial year and the tax base (tax result) of the Corporation Tax is as follows:

Thousands of euro	2018	2017
Profit for the financial year	9,192	8,806
Corporate tax	3,835	3,583
Profit before tax	13,027	12,389
Permanent differences		
Temporary differences treated as permanent, due to limitation to the amortisation of the financial year (70%)		(16)
Capitalisation reserve	(677)	(719)
Temporary differences treated as permanent, due to losses, impairment and variations of provisions for commercial operations	2,992	2,677
Tax base (tax result)	15,342	14,331
Tax at 25%	3,835	3,583
Previous financial years adjustments		
Expenses due to tax on profits abroad	6	6
Deductions from the current financial year	(6)	(8)
Expense due to profit tax	3,835	3,583

(*) In compliance with the requirements set forth in Article 25 of Spanish Law 27/2014, of November the 27th, concerning Corporation Tax, in relation to the capitalisation reserve, it is proposed as part of the distribution of the result of the 2018 financial year, a provision charged to the positive results of the financial year amounting to 677,518.67 (719,400.00 euro in 2017) to the capitalisation reserve. (Note 17)

The estimate of the Corporation Tax payable is as follows:

Thousands of euro	2018	2017
Tax base (tax result/accounting profit)	15,342	14,331
Corporate tax at 25%	3,835	3,583
Deductions	(6)	(8)
Prepayments	(3,301)	(2,902)
Withholdings	(181)	(195)
Taxes paid abroad		
Corporation Tax payable	347	478

18. Environmental Information

As of December the 31st, 2018, there were no significant assets for the protection and improvement of the environment, nor had there been any significant expenses of this nature incurred during the financial year.

During the financial years 2018 and 2017, no subsidies of an environmental nature were received.

19. Income and Expenditure

19.1 Accessories and current management income

This section covers the financial income and commissions that the Company receives corresponding to its own independent activity.

Likewise, accrued commissions as a consequence of the Company's activity as manager of the FIEX and FONPYME are also covered, as well as of development programmes and development funds of Multilateral Organisations (Note 1). Income is also included from the management

of the FONPRODE and from the analysis and presentation of operations to the FIEM.

The details of the aforementioned independent interests and commissions, as well as the commissions calculated for FIEX and FONPYME based on the provisions of the Order issued by the Hon. Mr. Minister of Economy and Finance of July the 28th, 1999, are the following:

Category	Calculation Basis	Thousands of euro	
		2018	2017
COFIDES interests	Financial income from interest on loans to companies	2,324	2,526
	Total Interest	2,324	1.862
Research Commissions	1.65% on the amount of the investment proposed to the FIEX	2,128	2,526
Formalisation Commissions	1% on the amount of the investment to be made in FIEX and 1.5% of the amounts formalised in FONPYME	2,633	1,862
Disbursement Commissions	1% of the amounts actually disbursed by the FONPYME	149	140
Management Commissions	1.25% on the value of the live portfolio of the FIEX investment	9,245	8,743
Performance Commissions	20% on dividends and other income effectively collected by the Funds	5,384	4,939
Settlement Commissions	1.5% of the value of the investments disbursed and effectively collected by the FIEX	1,176	1,733
Other COFIDES commissions	Commissions other than the management of the FIEX and FONPYME Funds	2,837	2,618
	Total Commissions	23,552	22,561
	Total	25,876	24,837

In order to facilitate the understanding of the particularities of its activity and achieve an adequate optimisation in the analysis of the management of its financial assets, the Company distinguishes between two types of income not included explicitly covered in the regulatory accounts presentation format; what are known as recurring income and non-recurring income.

Recurring income is that which derives from the automatic application of the financing contracts subscribed and, therefore, the exogenous factors have a minimum specific weight in their generation.

On the other hand, non-recurring income would be all that in which in its generation the exogenous factors not only play a very significant role but the final decision depends on a third party different from that of the Company itself.

Therefore, the income of the Company under this classification system would be distributed as follows:

Category	Thousands of euro	
	2018	2017
Recurring commissions	22,600	21,194
Financial income from interest on loans to companies	2,324	2,276
Total recurring income	24,924	23,470
Non-recurring commissions	952	1,367
Total non-recurring and anticipated income and advances	952	1,367
Total income	25,876	24,837

19.2 Staff expenses

The details of the staff expenses, in thousands of euro, are the following:

Thousands of euro	2018	2017
Wages and salaries	4,365	4,229
Per diems of the Board	99	100
Social Security costs of the company	972	949
Other company costs	420	389
Total	5,856	5,667

19.3 External Services and Taxes

The details of the "External Services" and "Taxes" accounts are as follows:

Thousands of euro	2018	2017
Advertising, marketing and public relations	166	149
Leases	874	881
Repairs and maintenance	173	135
Independent professional services	1,727	1,047
Insurance premiums	37	42
Training expenses	109	125
Transport and travel expenses	271	400
Other expenses	472	322
Total	3,829	3,101
Taxes	111	112
Total	111	112
Total	3,940	3,213

Services from independent professionals mainly covers the cost of external consulting associated with different projects carried out by the Company during the financial years 2018 and 2017.

19.4 Financial revenues

This account covers, mainly, the amount of the financial income accrued in the 2018 and 2017 financial years, in relation to the returns

obtained by the amounts held in the company's current accounts and the investments maintained as other financial assets by Time deposits.

20. Operations with Related Parties

The related parties with which the Company has carried out operations, as well as the nature of this relationship, are the following:

Financial year 2018		Financial year 2017	
Nature of the relationship		Nature of the relationship	
FIEX	Fund Managed by the Company	FIEX	Fund Managed by the Company
FONPYME	Fund Managed by the Company	FONPYME	Fund Managed by the Company
Official Credit Institute	Shareholder of the Company	Official Credit Institute	Shareholder of the Company
ICEX	Shareholder of the Company		
Senior management:	Directors Chairperson Managing Director	Senior management:	Directors Chairperson Managing Director

20.1 Related entities

The detail of the balances maintained with related entities is as follows:

2018			
Thousands of euro	FIEX	FONPYME	Total
ASSETS			
Long-term financial investments			
Debtors Funds (Note 11.2.1)	12,680	373	13,053
Trade and other receivables			
Debtors Funds	7,042	211	7,253
LIABILITIES			
Long-term debts			
Short-term debts			
Debts with credit institutions (Note 15.1)			

2017					
Thousands of euro	Official Credit Institute (ICO)	FIEX	FONPYME	CAF	Total
ASSETS					
Long-term financial investments					
Debtors Funds (Nota 11.2.1)		10,794	293		11,087
Trade and other receivables					
Debtors Funds		8,881	229		9,110
LIABILITIES					
Long-term debts					
Short-term debts					
Debts with credit institutions (Note 15.1)	147			69	216

The details of the transactions carried out with related entities are the following:

2018				
Thousands of euro	Official Credit Institute (ICO)	FIEX	FONPYME	Total
Net turnover amount		19,963	753	20,716
Financial expenses				
For debts with credit institutions	(1)			(1)
	(1)	19,963	753	20,715

2017				
Thousands of euro	Official Credit Institute (ICO)	FIEX	FONPYME	Total
Net turnover amount		19,290	654	19,944
Financial expenses				
For debts with credit institutions	(9)			(9)
	(9)	19,290	654	19,935

20.2 Members of the Board of Directors and senior management

During the financial year ended on December the 31st, 2018, the Company's Members of the Board of Directors received compensation in the amount of 99 thousand euro (100 thousand euro in 2017).

Likewise, and for information purposes only in this Annual Accounts Report, the following table shows the remuneration received for all items by the Company's Senior Management, except for the Members of the Board of Directors mentioned in the previous paragraph:

Thousands of euro	Salary payments		Other remunerations	
	Fixed	Variable	Profits	Other
Financial year				
2018	221	60		
2017	218	59		

As of December the 31st, 2018 and 2017, no advances or credits had been granted and no obligations had been assumed on their behalf as securities. Likewise, the Company has not contracted obligations in respect of pensions and life insurance with respect to former or current Members of the Board of Directors of the Company.

The members of the Board of Directors of COFIDES have declared their compliance with the provisions of Articles 229 and 230 of the Spanish Capital Companies Act. The details of the shareholding in the capital, positions or functions, performed on their own behalf or on behalf of third parties, in companies whose activity is the same as that of the Company, is included in the attached Appendix I.

21. Information on employees

The number of employees and Members of the Board of Directors of the Company in the last two financial years, broken down by category, is as follows:

	2018	2017
Members of the Board of Directors	12	12
Senior Management + Technical Management	21	20
Technical Team	50	49
Support Staff	10	11
Total	93	92

*In 2018, the new hires of employees were carried out under the provisions of the Twenty-Ninth Additional Provision of Spanish Law 6/2018, of July the 3rd, concerning the General State Budgets for the year 2018. On the one hand, those of a temporary nature, in exceptional cases and to cover urgent and unavoidable needs, and, on the other, both indefinite contracts with a limit of 100 percent of the replacement rate, and intra-administrative mobility, in accordance with the provisions in said Additional Provision. In all cases, prior authorisation has been obtained from the Ministry of Finance and Civil Service, through the State Secretariats of Budgets and Expenses and Civil Service and the majority shareholder, as prescribed in the aforementioned Additional Provision.

The distribution by gender of staff at the end of the financial year and of the Members of the Board of Directors is as follows:

2018				
	Women	Men	Total	Average number of people with disabilities >33%
Members of the Board of Directors	1	11	12	
Senior Management + Technical Man.	11	10	21	
Technical team	31	19	50	1
Support staff	8	2	10	
Staff on Leave				
Total	51	42	93	1

2017				
	Women	Men	Total	Average number of people with disabilities >33%
Members of the Board of Directors	2	10	12	
Senior Management + Technical Man.	11	9	20	
Technical team	31	18	49	1
Support staff	9	2	11	
Staff on Leave				
Total	53	39	92	1

22. Audit Fees

The fees accrued for the services provided by the account auditor amount to:

Thousands of euro	2018	2017
Auditing	27.70	27.10
Other services		
Total	27.70	27.10



23. Events after the closing of the financial year

Since December the 31st, 2018 until the formulation by the Board of Directors of the Company of these annual accounts, there has been no event that significantly affects these annual accounts and which should be mentioned.

List of Company Directors' Shareholdings and Position in other Companies on December the 31st

Members of the Board of Directors	Company	Number of Shares	Percentage shareholding	Positions and duties
Mr. José Luis Curbelo Ranero				
Mr. Mario Buisán García	ICO			Head of the Chairperson's Office
Mr. Antonio Bandrés Cajal	ICO			Head of Department of International Relations and Foreign Affairs
Mr. José Corral Vallespín	Banco Santander, S.A. Banco Santander, S.A.		<0.005% <0.005%	Executive Vice-President- Risk Manager Santander Spain
Mr. Javier Estévez Zurita	BBVA			Business Execution Head
Mr. Pablo López Tallada	BBVA			Director of Global Trade Finance
Mr. David Noguera Ballús	Banco Sabadell Sabadell Corporate Finance, S.L.	72,128	<0.005%	Sub-Director General Structured financing director Chairman
Mr. Pablo de la Torre Rodríguez	Banco Santander S.A.			Commercial Head International Business Santander Spain
Mr. Fernando Jiménez-Ontiveros Diego				
Mr. Juan Ignacio Moratinos Alonso				
Ms. Cristina Teijelo Casanova				
Mr. Jaime Uscola Lapiedra	Banco Santander, S.A.			

Formulation of Accounts and Management Report of the 2018 financial year

Members of the Board of Directors	Company	Number of Shares	Percentage shareholding	Positions and duties
Mr. Salvador Marín Hernández	Banco Santander, S.A.	766	<0,005%	
	CAM	200825	<0,005%	
	Sabadell Garantía Extra 19 (Investment Fund)	436.89	<0,005%	
	Sabadell Garantía Extra 16 (Investment Fund)	500.89	<0,005%	
	Sabadell Plan Fixed Performance 1001	519.90	<0,005%	
	Sabadell CAM – Related Parties	200	<0,005%	
Mr. Óscar Vélez de Mendizabal Castillo	BBVA			Director of Transformation
Mr. José Corral Vallespín	Banco Santander, S.A.		<0,005%	Deputy General Director - Director of Companies Santander Spain
	Banco Santander, S.A.		<0,005%	
Mr. Miguel Darío Otero Romani				
Mr. Juan Ignacio Moratinos Alonso				
Mr. Pablo de la Torre Rodríguez				
Mr. Javier Estévez Zurita	BBVA			Director of Solutions and Business Transformation
Mr. Borja Rengifo Llorens				
Ms. Amor Suárez Muñoz				
Ms. Rosario Casero Echeverri				
Mr. Alberto Gómez Nicolau	Banco Santander, S.A		<0,001%	Head of Management Systems
Mr. David Noguera Ballús	Banco Sabadell Sabadell Corporate Finance, S.L.	57,192	<0,005%	Sub-Director General Structured financing director Chairman