S.A. DAMM and Subsidiaries (Damm Group)

Consolidated Financial Statements for financial year ended on the 31 December 2018, prepared pursuant to the International Financial Reporting Standards (IFRS) adopted in Europe, and Consolidated Directors' Report, together with the Auditor's Report

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May 15, 2019

S.A. DAMM
Calle Rosselló, 515
08025 Barcelona

Dear Sirs:

We hereby confirm that the report attached to this letter corresponds to the translation into English of a report originally issued in Spanish corresponding to the consolidated financial statements of S.A. DAMM and subsidiaries for the year ended 31 December 2018.

DELOITTE, S.L.

Pedro Rodrigo

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Sociedad Anónima Damm (S.A. Damm),

Opinion

We have audited the consolidated financial statements of Sociedad Anónima Damm (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

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

Basis for Opinion

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

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

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

Most Significant Audit Matters

The most significant audit matters are those matters that, in our professional judgement, were considered to be the most significant risks of material misstatement in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

Provision for sales rebates	
Description	**Procedures applied in the audit**
As described in Note 3.17 to the accompanying consolidated financial statements, when the Group recognises its revenue it takes into account the trade rebates agreed on with certain customers, which are earned on the basis of the sales volume for the year and of the terms and conditions agreed on with each customer. "Trade and Other Receivables" in the consolidated balance sheet as at 31 December 2018 includes a provision in this connection. In this context, due to the variety of contractual terms and conditions agreed on, the estimation of the trade rebates accrued in the year, on the basis of the sales made and the terms and conditions with each customer, is a complex task that requires a thorough understanding of the Group's process for ensuring that these rebates, and, consequently, the provision for trade rebates, are appropriately recognised at year-end. Therefore, we considered this matter to be one of the most significant in our audit.	Our audit procedures to address this matter consisted, firstly, of the obtainment of an adequate understanding of the internal control system implemented by the Group and, second, of the performance of a combination of analytical and substantive tests, on a selective basis, to verify, inter alia, that the sales figure used and the contractual terms and conditions considered for the calculation of those trade rebates are correct. Lastly, we verified that the disclosures included by the Group in the accompanying consolidated financial statements (see Note 3.17 to the accompanying consolidated financial statements) in relation to the aforementioned provisions are appropriate pursuant to the regulatory financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

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

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

a) A specific level that applies to the consolidated non-financial information statement, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

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

Based on the work performed, as described above, we have checked that the information described in section a) above is presented in the separate "consolidated non-financial information statement" report to which a reference is included in the consolidated directors' report, and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Parent's Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 5 and 6 of this document, forms part of our auditor's report.

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

Pedro Rodrigo Peña
Registered in ROAC under no. 21619

9 May 2019

Appendix I to our auditor's report

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

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

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent's directors, we determine those risks that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

S.A. DAMM and Subsidiaries (Damm Group)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	31.12.18	31.12.17
Non-current assets		**1,216,964**	**1,086,955**
Goodwill	4	111,595	80,495
Other intangible assets	5	30,062	28,748
Property, plant and equipment	6	556,433	485,711
Equity accounted investments	7	364,358	350,631
Non-current Financial Assets	8	128,958	116,272
Deferred Tax Assets	24.7	25,558	25,098
Current Assets		**532,066**	**577,705**
Inventories	9	98,986	91,640
Trade and other receivables	10.1	228,512	185,977
Other current financial assets	10.2	3,861	653
Other current Assets	-	8,194	8,014
Cash and cash equivalents	11	192,513	291,421
TOTAL ASSETS		**1,749,030**	**1,664,660**
Equity		**888,364**	**837,599**
Share capital	12.1	54,017	54,017
Share premium	12.2	32,587	32,587
Other reserves of the Parent Company	12.3	543,086	537,645
Reserves in Consolidated Companies		258,590	213,466
Treasury shares and equity investments	12.4	(91,578)	(100,530)
Valuation Adjustments	12.5	2,935	5,160
Gains and Loss attributable to parent company		112,839	112,467
Interim dividend paid during the financial year	12.6 / 26	(38,105)	(27,793)
Equity attributable to Parent Company		**874,371**	**827,019**
Non-controlling interests	12.7	13,993	10,580
Total equity		**888,364**	**837,599**
Deferred Income	**13**	**2,303**	**876**
Non-current liabilities		**542,459**	**520,743**
Obligations and other negotiable assets	14	193,195	191,881
Derivative financial instruments	15	4,031	4,274
Debt with credit institutions	15	247,459	231,315
Provisions	-	17,925	16,500
Other non-current liabilities	-	69,721	66,219
Deferred tax liabilities	24.7	10,128	10,554
Current liabilities		**315,904**	**305,442**
Debt with credit institutions	15	37,555	31,523
Trade and other payables	-	207,795	185,563
Other current liabilities	19	70,554	88,356
TOTAL LIABILITIES		**1,749,030**	**1,664,660**

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of financial position at 31.12.2018.

S.A. DAMM and Subsidiaries (Damm Group)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	2018	2017
Continuing operations:			
Revenue	20	1,249,891	1,153,057
Other operating income	20	14,512	10,227
Changes in inventories of finished goods and work in progress	9	5,455	8,830
Raw materials and consumables used	21.1	(479,583)	(430,879)
GROSS MARGIN		**790,275**	**741,235**
Employee costs	21.2	(180,438)	(160,963)
Depreciation and amortization	5 and 6	(75,298)	(69,648)
Other expenses	-	(407,349)	(361,714)
Net gain/(loss) for impairment and disposal of non-current assets	25.1	(609)	(2,761)
OPERATING PROFIT		**126,581**	**146,149**
Investment income	22	6	7
Other interest and similar income	22	2,371	4,576
Finance expense and similar expense	23	(9,194)	(10,160)
Exchange rate differences	23	274	(887)
Share of the profit or loss of investments accounted for using the equity method	7	17,279	25,033
Net gain/(loss) from disposal of financial instruments	8-25.2	9	1,269
PRE-TAX PROFIT/(LOSS)		**137,326**	**165,987**
Income tax	24.5	(22,474)	(51,281)
PROFIT ON CONTINUING OPERATIONS		**114,852**	**114,706**
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**114,852**	**114,706**
Attributable to:			
Non-controlling interests	12.7	(2,013)	(2,239)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTED TO PARENT COMPANY		**112,839**	**112,467**
Earnings per share (in euros):			
From continuing operations	27	**0.45**	**0.45**
From continuing and discontinued operations	27	**0.45**	**0.45**

There are no dilutive potential ordinary shares over the shares of Damm Group's Parent Company, and therefore the Diluted Earnings per share is the same as the Basic Earnings per share.

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Profit or Loss for financial year 2018.

S.A. DAMM and Subsidiaries (Damm Group)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN THOUSANDS OF EUROS)

	2018	2017
A.- CONSOLIDATED INCOME FOR THE FINANCIAL YEAR before non-controlling interests	**114,852**	**114,706**
B.- OTHER COMPREHENSIVE INCOME DIRECTLY RECOGNISED IN EQUITY	**(2,322)**	**(15,805)**
Items that will not be transferred to profit or loss:		
1. Due to actuarial gains and losses and other adjustments	523	488
2. Entities accounted for using the equity method	3,860	(14,719)
3. Tax effect	(131)	(122)
Items that can be subsequently transferred to profit or loss:		
4. From the valuation of financial instruments:	(6,540)	(1,305)
a) Financial assets at fair value through other comprehensive income	*(6,540)*	*(1,305)*
5. From cash flow hedges	(64)	(137)
6. Translation differences	15	(44)
7. Tax effect	15	34
C.- TRANSFER TO STATEMENT OF PROFIT OR LOSS	**97**	**(959)**
1. From the valuation of financial instruments:	-	(952)
a) Financial assets at fair value through other comprehensive income	-	*(952)*
2. From cash flow hedges	129	(10)
3. Tax effect	(32)	3
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR (A+B+C)	**112,627**	**97,942**
a) Attributed to the parent company	110,614	95,703
b) Attributed to non-controlling interests	2,013	2,239

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Comprehensive Income for financial year 2018.

DAMM GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN THOUSANDS OF EUROS)

	NOTE	Share capital	Share premium	Parent company reserves	Consolidation reserves	Treasury shares and equity interests	Equity - valuation adjustments	Income for the financial year	Interim dividend paid during the financial year	Equity attributed to parent company	Non-controlling interests	Net equity
Balance at 31 December 2016		**50,017**	**32,312**	**508,191**	**188,191**	**(142,453)**	**21,924**	**101,265**	**(22,057)**	**741,807**	**8,743**	**750,550**
- Supplmentary dividend Previous year income									(17,650)	**(17,650)**		**(17,650)**
- Allocation of Profit or Loss:	26											
to Reserves				22,450				(22,450)		**-**		**-**
to Dividends								(52,629)	39,707	**(12,922)**		**(12,922)**
- Allocation of Profit or Loss to Consolidation Reserves					26,186			(26,186)		**-**		**-**
- Other Adjustments in Equity										**-**		**-**
- Total recognised income and expense for the year							(16,764)	112,467		**95,703**	2,239	**97,942**
- Interim dividend	12.6								(27,793)	**(27,793)**		**(27,793)**
- Changes within the Scope of Consolidation										**-**	342	**342**
- Distribution of Dividends External Members and other adjustments										**-**	(744)	**(744)**
- Transactions with treasury shares (net)				5,969		41,923				**47,882**		**47,882**
- Other changes			275	628	(911)					**(8)**		**(8)**
Balance at 31 December 2017		**54,017**	**32,587**	**537,645**	**213,466**	**(100,530)**	**5,160**	**112,467**	**(27,793)**	**827,019**	**10,580**	**837,599**
- Supplmentary dividend Previous year income									(17,781)	**(17,781)**		**(17,781)**
- Allocation of Profit or Loss:	26											
to Reserves				3,265				(3,625)		**-**		**-**
to Dividends								(60,627)	45,574	**(15,053)**		**(15,053)**
- Allocation of Profit or Loss to Consolidation Reserves					48,215			(48,215)		**-**		**-**
- Other Adjustments in Equity				(101)	(2,152)					**(2,253)**		**(2,253)**
- Total recognised income and expense for the year							(2,225)	112,839		**110,614**	2,013	**112,627**
- Interim dividend	12.6								(38,105)	**(38,105)**		**(38,105)**
- Changes within the Scope of Consolidation					(939)					**(939)**	2,136	**1,197**
- Distribution of Dividends External Members and other adjustments										**-**	(736)	**(736)**
- Treasury shares transactions (net)	12.4			1,917		8,925				**10,869**		**10,869**
- Other changes										**-**		**-**
Balance at 31 December 2018		**54,017**	**32,587**	**543,086**	**258,59**	**-91,578**	**2,935**	**112,839**	**-38,105**	**874,371**	**13,993**	**888,364**

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Changes in Equity for financial year 2018.

DAMM GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

(EXPRESSED IN THOUSANDS OF EUROS)

	Year 2018	Year 2017
1.- CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial year before taxes for continuing operations	**137,326**	**165,987**
Adjustments for:	**62,989**	**56,882**
Depreciation and amortization	75,298	69,648
Profit/(loss) from equity method	(17,279)	(25,033)
Net gain/(loss) for impairment and disposal of non-current assets	609	2,761
Income from investments	(6)	(7)
Financial income	(2,371)	(4,576)
Change in provisions	(1,832)	4,671
Finance expenses	9,194	10,160
Allocation of grants	(341)	(360)
Exchange rate differences	(274)	887
Net gain/(loss) from disposal of financial instruments	(9)	(1,269)
Changes in working capital	**(53,653)**	**4,604**
Inventories	(8,201)	(8,773)
Trade and other receivables	(51,022)	(36,600)
Other current assets	(1,776)	793
Other financial current assets	(491)	14,874
Trade and other payables	9,619	24,406
Other current liabilities	(1,782)	9,904
Cash generated from operations	***146,662***	***227,473***
Income tax payment	**(19,423)**	**(34,561)**
Net cash flows from operating activities(I)	**127,239**	**192,912**
2.- CASH FLOWS FROM INVESTING ACTIVITIES		
Financial income and dividends received	**12,642**	**11,664**
Payments for investments	**(181,316)**	**(231,676)**
Investment in assets	(161,725)	(156,022)
Financial investments	(5,369)	(59,050)
Investments in group companies, joint venture and associates	(14,222)	(11,945)
Payments for other debts	-	(4,659)
Receipt from divestments	**9,093**	**128,193**
Financial investments	508	123,408
Investments in group companies, joint venture and discontinuing associates	6,590	4,593
Investment in assets	477	192
Receipt from other debts	1,518	-
Net cash flows from investing activities (II)	**(159,581)**	**(91,819)**
3.- CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt and payments from equity instruments	**10,876**	**47,883**
Acquisition of equity instruments	(380)	(453)
Disposal of equity instruments	11,256	48,336
Finance expenses and dividends paid	**(93,882)**	**(63,675)**
Receipt and payments for financial liabilities instruments	**16,440**	**(29,908)**
Issue of debt with financial institutions	210,000	25,000
Issue of bonds and similar debt	-	-
Repayment and amortization of debt with financial institutions	193,560	(54,908)
Net cash flows from financing activities (III)	**(66,566)**	**(45,700)**
NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)	**(98,908)**	**55,393**
Cash at the beginning of the financial year	291,121	221,028
Cash or cash equivalents at the beginning of the financial year	300	15,000
Cash at the end of the financial year	192,513	291,121
Cash or cash equivalents at the end of the financial year	-	300

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Cash Flows for financial year 2018.

DAMM GROUP
Notes to the financial statements for financial year ended 31 December 2018

1. Activity of the Group

The Parent Company S.A. DAMM, hereinafter the Parent Company, is incorporated in Spain under the Companies Act (*Ley de Sociedades Anónimas*), and its object is brewing and selling beer and its residues and derivatives. The registered address is located in c/ Rosselló nº 515, Barcelona.

In addition to the operations carried out directly by S.A. DAMM, it is also the parent company of a Group of subsidiaries engaged in different activities which form, together with the Company, Damm Group (hereinafter, the Group). Therefore, S.A. DAMM prepares, in addition to its own financial statements, the consolidated financial statements of the Group, which also include the interests in joint arrangements and investments in associated. Changes to the Board of Directors of the Parent Company during financial year 2018 have resulted in the main shareholder of the Company - Disa Corporación Petrolífera, S.A. - having the capacity to exercise effective control. Therefore, starting in this financial year S.A. Damm is fully consolidated in the consolidated annual accounts of such shareholder.

The type of the operations of the Group and its main activities are listed in Note 34 hereof.

All the companies that are part of the Group, pursuant to article 42 of the Code of Commerce, have been included in these consolidated financial statements for financial year 2018, according to the relevant consolidation method applicable in each case.

2. Basis of preparation of the consolidated financial statements, basis of consolidation and financial risk management

2.1. Basis of preparation

The consolidated financial statements of Damm Group for financial year 2018 have been prepared:

- By the Directors, in the meeting of the Board of Directors held on the 25 March 2019.
- Pursuant to the International Financial Reporting Standards or IFRS, as adopted by the European Union, pursuant to Regulation (EC) n. 1606/2002 of the European Parliament and the Council.
- Taking into account all the accounting principles and standards and the mandatory measurement basis that have a significant effect on the consolidated financial statements.
- Pursuant to the Code of Commerce and the rest of the companies laws, as well as to the mandatory rules issued by the *Instituto de Contabilidad y Auditoría de Cuentas* implementing the General Accounting Plan.
- In compliance to the rest of the Spanish applicable accounting rules and regulations.
- So that they give a true and fair view of the consolidated equity and financial position of the Group as of 31 December 2018, and of its operating results, of the consolidated changes in equity and cash flows in the Group in the financial year ended in such date.

- Have been prepared from the accounting records held by the Parent Company and by the rest of the entities of the Group, (Note 34 lists the companies of which the financial statements have been audited by the Parent Company's auditor or by other auditors).

That notwithstanding, and since the accounting principles and measurement basis applied to prepare the consolidated financial statements of the Group for financial year 2018 (IAS / IFRS) are different from those used in the Group (local rules and regulations pursuant to the General Accounting Plan), the required adjustments and reclassifications have been performed during the consolidation process in order to align such principles and basis and to adapt them to the International Financial Reporting Standards adopted in Europe.

The consolidated financial statements of the Group for financial year 2017 were approved by S.A. DAMM Members' General Meeting held on the 27th day of June, 2018.

Change in accounting policies and information disclosure effective in 2018

During 2018 new accounting standards have become effective and therefore been taken into account in the preparation of the consolidated financial statements enclosed. The following standards have been applied in these consolidated financial statements with the following impact:

New standards, amendments and interpretations		**Mandatory application in Years starting:**
Endorsed by the European Union:		
New standards:		
IFRS 15 Revenue from contracts with clients (published in May 2014) and its clarifications (published in April 2016)	New standard on recognition of revenue, replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.	1 January 2018
IFRS 9 Financial instruments (published July 2014)	Replaces the requirements for classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment of IAS 39.	1 January 2018
Amendments and/or interpretations		
Improvements to IFRS 2014-2016 cycle (published in December 2016)	Minor amendments to a series of standards	1 January 2018

IFRS 15 – "Revenue from contracts with clients"

IFRS 15 sets a new model to recognise revenue arising from a contract with a customer, in which income must be recognised according to the performance obligations met. Revenue depicts the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group management has assessed IFRS 15 requirements together with the Group's internal revenue recognition policy from an analysis of the different types of contracts with which it works in the 3 divisions of the Group: beer sales, distribution, F&B.

Based upon this work, management has considered that the time for the recognition of the revenue from each obligation identified is consistent with the current practice of the Group and therefore no impact has existed in the financial situation and in the entity's performance due to the application of IFRS 15.

IFRS 9 – "Financial instruments"

IFRS 9 establish principles for the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new model for impairment in financial assets.
The Group decided not to early adopt the new standard, and chose not to reformulate the comparative information for year 2017, and recognise, if applicable, the adjustment to the book value of financial assets and financial liabilities in reserves at 1 January 2018. However, in order to provide comparison for the amounts of years 2018 and 2017, Note 8 classifies financial assets under new categories.

Impact from initial application of IFRS 9 is:

a) Classification of financial assets Investments in debt within a business model the objective of which is obtaining contractual cash flow consisting solely in the payment of principal and interests shall in general be measured at amortised cost. When such debt instruments are kept within a business model the objective of which is achieved by obtaining contractual cash flows from principal and interests and from the sale of financial assets, shall in general be measured at its fair value through other comprehensive income. All other investments in debt and equity shall be measured at its fair value through profit and loss. However, companies may make an irrevocable election to present in other consolidated comprehensive income subsequent changes in the fair value of an investment in an equity instrument and, in general, in this case only dividends shall be subsequently recognised in profit or loss. With regard to investments in equity instruments held by the Group at 1 January 2018 classified under IAS 39 as financial asset held for sale of which the changes in fair value wer recognised in equity and allocated in profit or loss when transferred or impairment was recognised, when initially applying IFRS 9 the Group elected for such investments the option allowed by the standard to irrevocably classify in the new category in equity instruments recorded at fair value through other comprehensive income. Increases and declines in the fair value of such assets shall be recorded in other comprehensive income, no impairment losses shall be recognised, and no gains or losses shall be transferred to the consolidated Statement of Profit or Loss at the time of their sale. On the other hand, with regard to financial assets that are debt financial instruments and that are not derivatives, the Group still measures them at amortised cost starting on 1 January 2018.

b) Financial assets impairment: The Group applies the general model of expected loss for financial assets, excepting "Trade and Other Receivables", to which the Group applies the simplified estimated model of expected loss. In this context, the Group has considered the information available on past events (such as the customers' payment history) and current conditions that can affect its debtors' credit risk.

c) Contractual modifications: Contractual modifications of financial liabilities that do not lead to their derecognition from the statement of financial position must be accounted for as a change in accounting estimates of the liability cash flow, maintaining the original effective interest rate and adjusting the book value in the date of the modification, recording the difference through profit and loss.

Hedge accounting: IFRS 9 provides larger flexibility with regard to transactions classes appropriate to the application of hedge accounting, specifically by expanding the classes of instruments that qualify as hedging instruments, and with regard to the classes of risk components in non-financial items qualifying for hedge accounting.

In general, there has been no significant impact with regard to the classification and measurement of these instruments in the statement of financial position, debt and net equity.

Accounting policies issued in force as of 2019

As of the date of preparation of these consolidated annual accounts, the following standards and interpretations issued by the International Accounting Standard Board (IASB) but not yet effective, either because their date of effects is later than the date of the consolidated annual accounts or because they have not yet been adopted by the European Union (IFRS-EU), are the following:

New standards, amendments and interpretations		Mandatory application in Years starting:
Endorsed by the European Union:		
New standards:		
IFRS 16 Leases (published in January 2016)	Supersedes IAS 17 and the related interpretation. Main change is a single lessee model that will include all the leases in the balancesheet (with certain limited exceptions) with an impact similar to the current financial leases (there will be depreciation of the assets by the right of use and a financial expense for the depreciated liability).	1 January 2019
Amendments and/or interpretations		
Amendment to IFRS 9. Prepayment Features with Negative Compensation (published in October 2017)	This modification shall allow measuring at amortised cost certain financial instruments that can be early cancelled for an amount lower than the outstanding principal amount and any interests over such principal.	1 January 2019
Not endorsed by the European Union		
New standards:		
IFRS 17. Insurance Contracts (Published in May 2017)	Replaces IFRS 4. Establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant and reliable information to assess the effect that insurance contracts have on the entity's financial statements.	1 January 2021
Amendments and/or interpretations		
Amendment to IAS 28. Long-term interests in associates and joint	Clarifies that IFRS 9 applies to long-term interests in an associate	1 January 2019

ventures (published in October 2017).	or joint venture if the equity method is not applied.	
Improvements to IFRS 2015-2017 cycle (published in December 2017)	Minor amendments to a series of standards	1 January 2019
Amendment to IAS 19 regarding plan amendments, curtailments, and settlements (published in February 2018)	Clarifies how to calculate the service cost for the current period and the remaining net interest for the period when a defined benefit plan is amended, curtailed or settled.	1 January 2019
Amendment to IFRS 3. Definition of a business (published in October 2018)	Clarifications to the definition of a business.	1 January 2020
Amendment to IAS 1 and IAS 8. Definition of "material" (published in October 2018)	Amendment to IAS 1 and IAS 8 to align the definition of "material" used in the Conceptual Framework and the standards.	1 January 2020
IFRIC 23, "Uncertainty over Income Tax Treatments"	Clarifies IAS 12 recording and valuation in situation of uncertainty on whether tax authority will accept the tax treatment used by the entity.	1 January 2019

None of these standards and amendments has been early adopted.

The Directors of the Company are assessing the possible impact of the application of these standards, amendments and interpretations on the Group's financial statements.

Responsibility of the information and estimates made

The Directors of the Parent Company of the Group are responsible for the information contained in these consolidated financial statements.

Eventually some estimates made by the Senior Management of the Group and its consolidated entities have been used for the consolidated financial statements of the Group for year 2018 – subsequently ratified by their Directors – to quantify some of the assets, liabilities, income, expenses and commitments stated. Essentially, these estimates refer to:

- Valuation and recoverability of the consolidation goodwill (Note 3.1),
- Impairment losses of certain assets (Notes 3.4, 3.8 and 2.2c),
- Assumptions used in the actuarial calculation of the liabilities and commitments for post-employment benefits (Note 3.14),
- Useful life of tangible and intangible assets (Notes 3.2 and 3.3),
- Provisions (Note 3.15),

- Estimate of fair value: IFRS 13 on financial instruments sets forth that for the amounts measured at fair value in the statement of financial position, the measurements of the fair value must be disaggregated by levels, pursuant to the following classification:

– Level 1: Measurements based in quoted prices for identical instruments in active markets. Fair value is based in quoted prices at the statement of financial position date.
– Level 2: Measurements based in inputs observable for the asset or the liability. The fair value of the financial assets included in this category is determined using measurement techniques. Measurement techniques maximize the use of observable market data available and are based as little as possible in specific estimates made by the group. If all the significant data required to calculate the fair value are observable, the instrument is included in Level 2. If one or more significant data are not based in observable market data, the instrument is included in Level 3.
– Level 3: Measurements based in inputs not based in observable market data.

The following table shows the Group's assets and liabilities measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Equity instruments (Note 8)	**25,707**	129	-	25,836
Total Assets	**25,707**	**129**	**-**	**25,836**
Liabilities:				
Derivative financial instruments (Note 15)	-	4,031	-	4,031
Total Liabilities	**-**	**4,031**	**-**	**4,031**

Net value of "Trade and Other Receivables", "Other financial current assets", "Other current assets", "Trade and other payables" and "Other current liabilities" is aligned with their fair value.

The Group uses mid-market prices as observable inputs from external information sources reputed in financial markets.

No transfers between level 1 and level 2 have occurred during the period.

Even though such measurements were made according to the best information available at 31 December 2018 on the events being assessed, it is possible that future events require their amend (upwards or downwards) in the coming periods, which would be done pursuant to IAS 8, prospectively recognizing the effects to the change in the estimate in the relevant consolidated Statements of Profit or Loss.

Comparison of information

Financial information has been prepared according to IFRSs adopted by the European Union consistently with the same applied in year 2017.

The application of accounting criteria in years 2018 and 2017 has been uniform and therefore there are no operations or transactions recorded following accounting different accounting principles that could cause discrepancies in the interpretation of the comparative amounts for both periods.

Functional currency

These financial statements are presented in thousands of euros.

2.2. Consolidation principles

a) Subsidiaries:

"Subsidiaries" are the entities over which the Group has the capacity to exercise effective control; capacity that is reflected, in general, but not always, by the ownership of more 50% of the voting rights of the subsidiary entities, or, even if such interest is less than that or none, if there are, for instance, agreements with other shareholders of such entities that enable the control by the Group. Pursuant to IAS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are consolidated with those of the Parent Company by applying full consolidation. Therefore, all the significant balances and effects of the transactions performed between the consolidated companies have been eliminated during consolidation process.

If required, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Group.

All the transactions, balances, income and expenses between companies of the Group are eliminated as part of the consolidation process.

At the time of acquisition of a subsidiary, the assets and liabilities of a subsidiary are calculated at their fair value at the date of acquisition. Any excess in the cost of acquisition of any identifiable net assets acquired is known as goodwill. Any deficiency in the cost of acquisition below the fair value of any identifiable asset acquired, i.e. discount on acquisition, is recognised in the income statement at the date of acquisition

Additionally, the interest of third parties in:

- Its subsidiaries equity is presented under "Non-controlling interests" of the consolidated statement of financial position, within the Group Equity section (see Note 12.7).

- Results for the financial year are presented under "Non-controlling interests" of the consolidated Statement of Profit or Loss, in the comprehensive statement of results and statement of changes in equity (see Note 12.7).

Income generated by the companies acquired in the period are consolidated by taking into account only the income for the period going from the date of acquisition and the end of such period. At the same time, results generated by the company disposed of within one period are consolidated by taking into account only the income for the period going from the beginning of the period and the date of disposal.

b) Joint arrangements:

"Joint arrangements" are those which, not being subsidiaries, are under joint control of two or more entities that are not related.

"Joint arrangement" is an arrangement in which two or more entities ("parties") participate in entities (jointly controlled) or carry out transactions or hold assets so that any strategy decision, financial or operational, affecting them requires the unanimous consent of all the parties.

The financial statements of the jointly controlled entities are consolidated with those of the Group by applying the equity method pursuant to IFRS 11; under such method the investment is initially accounted for at cost, and the book value is increased or decreased to recognize the share of the investor in the income for the financial year of the jointly controlled entity after the date of acquisition. The Group recognizes in its income for the financial year the share of the income of the joint arrangement to which it is entitled. Distributions received from the controlled entity will decrease the book value of the investment.

Assets and liabilities assigned to joint operations and assets jointly controlled with other parties are presented in the consolidated statement of financial position under “Equity accounted investments”. Likewise, income attributable to the Group with origin in joint arrangements is presented in the consolidated Statement of Profit or Loss under “Share in the profit for the financial year of investments accounted by the equity method”.

c) Associates:

Associates are entities in which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions without having control or joint control of the associate. It is considered that the Group has significant influence if its (direct or indirect) interest has 20% or more of the voting rights of the associate.

That notwithstanding, the following entities in which the interest is below 20% of the voting rights are considered associates of the Group:

Entity	% Voting Rights
Serhs Distribució i Logística, S.L.	6.34%
Comergrup, S.L.	14.62%
Ebro Foods, S.A.	11.69%
Euroestrellas Badalona S.L.	10.00%

Serhs Distribució i Logística S.L., Comergrup, S.L and Euroestrellas Badalona S.L.

These companies are considered as associates because there exists a dependency relationship as the amount of the transactions carried out with companies of the group is relevant for these three companies.

Ebro Foods Group

Although Damm Group has less than 20% of the share capital and voting rights of Ebro Foods, S.A., the Group has significant influence, evidenced by the following aspects:

- It keeps its significant interest, and has increased it during 2018 up to 11.69%.
- The Group appoints two of the members of the Board of Directors of Ebro Foods Group.
- The Group takes part in the policy determination process because one of its representatives in the Board of Directors of Ebro Foods Group is a member of the Executive Committee, the Strategy and Investments Committee and the Hiring and Remuneration Committee.

Investment in associates is accounted for by the equity method, except when the investment is classified as held for sale, in which case IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” is applied. At 31 December 2018 and 2017, there are no investments classified as such. According to the equity method, investment in an associate will be initially accounted for at cost, and subsequently the book value will be increased or decreased to recognize the share of the investor in the income for the financial year of the jointly controlled entity after the date of acquisition.

Any excess between the cost of the investment and the share of the investor in the net fair value of the identifiable assets and liabilities of the associate at the date acquisition will be recognized as goodwill and will be included together with the book value of the investment. Likewise, any excess in the investment interest in the net fair value of the identifiable assets and liabilities of the associate over the cost of the investment will be recognized in the Statement of Profit or Loss.

As for transactions with an associate, the relevant gains or losses that are not realised are eliminated according to the percentage of the interest of the Group in its share capital

If as a result of the losses in which an associated has incurred its accounting equity is negative, it will appear in the statement of financial position of the Group as nil, unless the Group is under the obligation to give financial support.

Part of these shares (5.5% of Ebro Foods, S.A) are pledged as a guarantee of the issue of bonds convertible in Ebro Foods, S.A. shares made through the subsidiary Corporación Económica Delta, S.A. with maturity date at the end of December 2023 for the amount of 200 million euros (see Note 14).

d) Changes in the scope of consolidation:

1. Subsidiaries

During 2018, as in 2017, the Group has incorporated and acquired several companies in order to continue the international development and in order to operate assets and businesses of f&b and of beverages and other food distribution.

The companies incorporated and/or included for the first time in financial year 2018 are: Balear de Cervezas S.L., Damm Canarias S.L., Estrella Damm Guinea Ecuatorial S.L., Dayroveli S.L., Comercial Plomer Distribucions S.L., Nabrisa Distribuciones S.L., Expansión DDI Valenciana S.L., Expansión DDI del Levante S.L., Expansión DDI Garraf S.L., Pijuan Fuertes Distribucions S.L., Pijuan Logística S.L., The Wine List S.L., Rodilla US LLC, Hamburguesa Nostra S.L., Nostra Restauración S.L.U., Hamburguesa Nostra Franquicia S.L., El Obrador de Hamburguesa Nostra S.L.

Likewise, in 2018 the Group has increased its stake in the companies Cerbeleva S.L. up to 80% (was 70% in 2017), Cervezas Calatrava S.L. up to 100% (60% in 2017) and Comercial Distribuidora de Cervezas del Noreste S.L up to 100% (85% in 2017).

The companies included in financial year 2017 are: Comercial Mallorquina de Begudes S.L., Envasadora de Begudes Mallorquina S.L., Derivats Lactis Mallorquins S.L., Comercial Distribuidora de Cervezas del Noreste S.L., Expansión DDI Alimentación 2 S.L., Expansión DDI Alimentación Cantábrica S.L., Goethe S.L., Sociedad Anónima Distribuidora de Gaseosas, Estrella Damm Trading (Shanghai) Co. Ltd., Estrella Damm Chile Spa., Damm Services Corp. and Cervezas Damm Internacional S.L.

Net assets included to the Group during financial years 2018 and 2017 are, in thousands of euros:

	2018	2017
Inventories	2,074	6,281
Trade receivables	8,873	3,971
Trade creditors	12,508	3,520
Goodwill	15,594	28,236
Trademarks	98	11,407
Other intangible assets	650	18
Property, plant and equipment	4,290	5,626

At the end of financial year 2018 the Group sold the companies Agora Europe, S.A, Agora Americas S.R.L. de C.V. and Agora Latam S.R.L. de C.V., the stake in which was 100%.

2. Associates:

During 2018, a partial spin-off from the company Dehesa de Santa María Franquicias S.L. created the company Cortsfood S.L.. Subsequently the Group sold its 50% holding in the company Dehesa de Santa María Franquicias S.L. (Note 7 and 25.2).
During financial year 2018 the Group has increased its interests in Ebro Foods, S.A up to 11.69% (See Note 2.2 c) (11.51% in 2017).

3. Joint arrangements:

There have been no changes to the joint arrangements included in the scope in financial year 2018 or financial year 2017.

2.3. Financial risks exposure

a) Categories of financial instruments

	Thousand euros	
	31/12/18	**31/12/17**
Financial assets:		
Loans and receivables measured at amortised cost	335,495	272,427
Cash and cash equivalents	192,513	291,421
Financial assets at fair value through other comprehensive income (Note 8)	25,836	30,475
Financial liabilities:		
Obligations and other negotiable assets (Note 14)	193,195	191,881
Financial debt measured at amortised cost	285,014	262,838
Financial Derivatives (Note 15)	4,031	4,274
Other debts	288,924	279,433

b) Financial risks management policy

Capital management

The Group manages its capital to ensure that the companies of the Group will be able to continue as profitable business and at the same time it maximizes the shareholders' return by the optimum balance between debt and equity.

The strategy of all the Group keeps making emphasis in the sales growth by implementing the investment plan and the production and logistic reorganization plan, in the penetration of the beer business in geographical areas with current presence that continues being developed in the internationalisation of the activity, in the vertical integration of business, and in the diversification in ancillary sectors.

The capital structure of the Group includes debt consisting in the loans and obligations listed in Notes 14 and 15, cash, liquid assets and equity, which includes share capital and reserves from undistributed earnings as described in Note 12.

Capital structure

The Financial Department, in charge of the financial risk management, regularly checks the capital structure as well as the level of debt of the Group.

The evolution of the share capital in the two last years is as follows:

	Thousand euros	
	2018	2017
Long term loans and credits	(246,172)	(230,549)
Long term finance lease debts	(1,287)	(766)
Total long term debt with financial institutions	**(247,459)**	**(231,315)**
Short term loans and credits	(36,834)	(30,996)
Short term finance lease debts	(721)	(397)
Hedging instruments debts	-	(130)
Total short term debt with financial institutions	**(37,555)**	**(31,523)**
Total debt with financial institutions	**(285,014)**	**(262,838)**
Obligations and other negotiable assets	(193,195)	(191,881)
Financial derivatives	(4,031)	(4,274)
Other financial liabilities (*under "Other non-current liabilities" and "Other current liabilities"*)	(25,106)	(27,446)
Cash and cash equivalent	192,513	291,421
Other financial current assets	3,861	653
Treasury shares and equity investments	91,578	100,530
Net financial debt	**(219,394)**	**(93,835)**
Equity (without treasury shares)	**979,942**	**938,129**

Financial risk management

The exposure of the Group to financial risks is mainly due to:

Exchange rate risk

The exchange rate risk is not significant as the Group does not have relevant investments nor makes significant transactions outside of the euro zone, and its financing is denominated in euro.

Besides, a large part of the sales takes place in Spain and the purchases made abroad are not very significant.

Credit risk

The Group's main financial assets are cash balances and cash, trade and other receivables and other current financial assets, which are the Group's main exposure to the credit risk with regard to the financial assets.

The Group's credit risk is mainly due to its trade debts. The Group does not have a significant credit risk concentration, and the exposure is distributed among a large number of counterparts and clients. The amounts are recorded in the statement of financial position net of provisions for insolvency, estimated by the Management of the Group according to the experience from previous financial years and their measurement in the current financial background. The credit risk in this area is partially covered by several insurance policies contracted by the companies of the Group.

Credit risk arising from financial investments held by the Group as a result of the treasury management is minimal because such investments are performed with short term maturity through well renowned national and international financial institutions and always with a high credit rating.

At 31 December 2018 and 2017, the financial assets in the consolidated statement of financial position that could default are the following, in thousands of euro:

	2018	2017
Non-current financial assets (Note 8)	128,958	116,272
Trade and other receivables (Note 10)	228,512	185,977

The age of the customers' balances at 31 December 2018 and 2017, which is virtually the entire balance under "Trade and other receivables" of the consolidated statement of financial position at 31 December 2018 and 2017, is specified in Note 10.1. As of 31 December 2018 and 2017 there were no Trade and Other Receivables balances in arrear and not impaired for a significant amount.

With regard to "Non-current financial assets" disaggregated in Note 8, it is worth mentioning that at the end of the financial year there are no assets in arrears that have not been impaired.

Liquidity risk

The financial structure of the Group shows low liquidity risk given the appropriate level of financial leverage and the high operating cash flow generated each year.

Additionally, it is worth pointing out that, as stated in Note 15, the Group keeps in financial year 2018 corporate credit facilities for an amount of 606 million euros. Besides, given the solid financial position of the Group, it largely complies with the requirements of certain financial ratios (covenants) set forth in such financing contracts.

In that sense, at 31 December 2018 the Group companies had undrawn credit facilities in the amount of EUR 321 million, which is enough to cover any necessity of the Group according to the existing long term commitments.

Interest rate risk

Changes in interest rate alter the fair value of the assets and liabilities that accrue a fixed rate interest as well as the future flows of assets and liabilities referenced to a variable interest rate. As of the 31 December 2018 the Group has no derivative financial instruments aimed at hedging the interest rate risk.

Variable interest rate is referenced to EURIBOR. That notwithstanding, about half of the financial debt is referenced to fixed rates and therefore the interest rate risk is limited.

Taking into account the contractual conditions of the financing existing as of 31 December 2018 and the current and foreseeable market situation, a 50 basis points increase in the interest rate curve would have a negative impact amounting to EUR 531 thousand in the profit after taxes for financial year 2018, without taking into account any positive impact in the assets market value. Conversely, a 50 basis points decrease in the interest rate curve would have a positive impact amounting to EUR 531 thousand in the profit after taxes for financial year 2018.

Price risk

As mentioned in Note 8, the Group has investments in listed companies.

Arising from the very own nature of such investments, risks associated to the market evolution could become evident, and therefore impact in an uneven way to the evolution of the market value of such investments and thus affect several items in the Consolidated Statement of financial position and Consolidated Statement of Profit or Loss.

The following sensitivity analysis has been determined by the exposure of the Group to price risk as of 31 December 2018.

If the share quote of such investments had been 5% more/less:

- The profit for financial year 2018 would not have been affected, nor would the profit for financial year 2017, as a result of the changes in the fair value of such investments.

- The Group equity would have increased/decreased in EUR 1,021 thousand (EUR 1,475 thousand in 2017) as a result of a 5% increase in the share quote and would have decreased in EUR 1,021 thousand (EUR 1,524 thousand in 2017) as a result of a 5% decrease in the share quote as a result in the changes in the fair value of such investments.

3. Measurement Standards

The main measurement standards used in the preparation of the consolidated financial statements of the Group, pursuant to the International Financial Reporting Standards (IFRS) adopted by the European Union, are the following:

3.1. Goodwill

Goodwill generated in the consolidation represents the excess in the cost of acquisition over the interest of the Group in the fair value of identifiable assets and liabilities of a subsidiary or a jointly controlled entity at the date of acquisition.

Positive differences between the cost of the interest in the share capital of the consolidated entity as compared to the relevant theoretical-accounting values acquired, adjusted in the date of the first consolidation, are allocated as follows:

If they can be assigned to specific equity items of the acquired companies, increasing the value of the assets (or reducing the value of the liabilities) with a market value over(below) their net book value of the statement of financial position and their accounting treatment is similar to the same assets (liabilities) of the Group: amortization, accruing, etc.

1. If they are assignable to any specific intangible assets, by explicitly recognising them in the consolidated statement of financial position whenever their fair value at the date of acquisition can be reliably determined.

2. The remaining differences are stated as goodwill, assigned to one or several specific cash-generating units.

Goodwill elements are only recorded when they have been acquired for good and valuable consideration and represent, therefore, advanced payment made by the acquirer of any future financial profit arising from the assets of the acquiree that cannot be individually and separately identified and recognised.

At the end of each reporting period goodwill elements are reviewed for impairment that makes recoverable value less than their net carrying cost, and if so, the relevant write off is performed, being "Net profit/(loss) on Non-Current Assets Impairment or Disposal" of the consolidated Statement of Profit or Loss, the balancing entry, as, pursuant to IFRS 3, goodwill is not subject to amortization (see Note 4).

At the end of each period or whenever there are indications of a loss of value, the Group makes an impairment test to estimate any possible loss of value that decrease the recoverable value of such assets below the book value.

The recoverable amount is determined as the higher of the fair value less costs to sell and value in use.

The procedure implemented by the Group for such test is as follows:

- Recoverable values are calculated for each cash-generating unit. Cash-generating unit (CGU) are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other group of assets and are not larger than an operating segment pursuant to IFRS 8 Operating Segments.

- Annually the Group prepares its projections for each cash-generating unit, that usually cover four periods. The main elements of such projection are:

    - Projections of results
    - Projections of investments and working capital
    - Analysis of sensitivity based on the several variables that affect the recoverable value.

Other variables affecting the calculation of the recoverable value are:

    - Discount rate to be used, which refers to the estimation of the rates before taxes reflecting the current market assessments for, on the one hand, time value of money and, on the other hand, the CGU specific risks for which the estimates of the future cash inflows have not been adjusted.
    - Growth rate of the cash flows used for extrapolating the cash flow projections beyond the period covered by budget or forecasts.

Projections are prepared on the basis of previous experience and according to the best estimates available, these being consistent with the external information. Cash flow projections are based in the business plans approved by the Directors.

If an impairment loss from a cash-generating unit to which all or part of a Goodwill has been assigned must be recognised, first the book value of Goodwill for this unit is reduced. If the impairment exceeds such amount, the rest of the assets of the cash-generating unit assets are reduced, pro rata to their book value, until the limit of the higher of its fair value less the costs to sell, its value in use and cero.

Impairment losses related to goodwill are not reverted.

At the time of the disposal of a subsidiary or a jointly controlled entity, the attributable amount of the goodwill is included in the determination of the profits or losses resulting from the disposal
Negative differences between the cost of the interest in the share capital of the consolidated entities and associates with regard to the relevant theoretical-accounting values acquired, adjusted to the date of first consolidation, are called negative goodwill and are allocated as follows:

1. If they can be assigned to specific equity items of the acquired companies, increasing the value of the assets (or reducing the value of the liabilities) with a market value over(below) their net book

value of the statement of financial position and their accounting treatment is similar to the same assets (liabilities) of the Group: amortization, accruing, etc.

2. The remaining amounts are stated under "Other operating income" of the Statement of Profit or Loss for the financial year in which the share capital of the consolidated entity or the associate is acquired.

3.2. Other intangible assets

Identifiable, non-monetary assets, without physical substance, that arise from legal transactions or have been developed by the consolidated entities. They are recognised only when the cost can be reliably measured and of which the consolidated entities expect probable economic benefits.

Intangible assets are initially recognised by their cost of acquisition or production and, subsequently, they are valued at their cost less, as applicable, the relevant accumulated amortization and the impairment losses suffered.

They can be of "indefinite useful life" – whenever, based on the analysis of all the relevant factors, it is determined that there is not a foreseeable limit for the period during the which it is expected they will generate cash inflows for the consolidated entities – or "definite useful life", in all other cases.

Intangible assets with an indefinite useful life are not amortised, albeit, at each end of year, the consolidated entities review their respective remaining useful lives in order to ensure that they are still indefinite or, else, proceed accordingly.

Intangible assets with a definite useful life are amortised accordingly, by the application of basis similar to those adopted for the amortisation of tangible assets, which basically are the following amortisation percentages (determined according to the years of the estimated useful life, as average, of the several elements)

	Annual Percentage
Concessions	3%
Computer applications	33%
Transfer rights	3%
Licenses	3%

In both cases the consolidated entities recognise in books any loss in the accounting value of such assets due to impairment, using as counterparty the item "Net gain/(loss) for Non-Current Assets Impairment and Disposal" of the consolidated Statement of Profit or Loss. The basis for the recognition of the impairment losses of such assets, and, if applicable, of the recovery of previous years' impairment losses are similar to those applicable to tangible assets.

Administrative concessions

Concessions are only included in the assets when they have been acquired for value if transferable concessions, or for the amount of the expenses incurred to obtain them directly from the Government or the relevant Public Entity.

Amortisation is performed, generally, during the term of the concession. When such pattern cannot be reliably estimated, a straight-line basis is used in this period.

If the conditions were not met and the rights arising from a concession were lost, the book value thereof is entirely written off in order to void its book value.

Industrial property

Trademarks are recorded at the cost of acquisition less accumulated amortisation and any accumulated loss due to the impairment of their value.

Expenses arising from the development of an industrial property without financial viability must be fully allocated to the profit and loss for the financial year in which this fact is stated.

Computer applications

Acquisition and development costs incurred with regard to the computer systems that are basic for the Group management are stated under “Other intangible assets” of the Consolidated Statement of financial position.

IT systems maintenance costs are charged to the Consolidated Statement of Profit or Loss for the financial year in which they are incurred.

Computer applications can be contained in a tangible asset or have physical substance, having therefore tangible and intangible elements. These assets will be recognised as a tangible asset if they are an integral part of the relevant tangible asset and are essential for their operation.

Computer applications are amortised on a straight-line basis over their estimated useful lives.

Transfer rights

Transfer Rights are stated at cost of acquisition, impairment losses are recognised and transfer rights are amortised on a straight-line basis over their estimated useful lives.

Franchises

Franchises mainly refer to the amounts paid at the acquisition of several companies of the Group as franchise stores.

3.3. Property, plant and equipment

For PPE that need more than one year to be in operating conditions, capitalised costs include finance expenses accrued before it is ready for start-up invoiced by the supplier or related to loans or other external, specific or generic, financing directly attributable to their acquisition or manufacturing.

Pursuant to IAS 16, PPE are carried to the consolidated statement of financial position at cost of acquisition or cost of production less accumulated depreciation and impairment losses.

Entire elements replacement or renewal increasing the useful life of the element, or its financial capacity, are accounted for as the highest amount of the property, plant and equipment, with the relevant write off of the replaced or renewed elements.

Regular maintenance, upkeep and repair costs are charged to the Statement of Profit or Loss, on an accrual basis, as cost for the financial year in which they are incurred.

Depreciation of such assets, as for other real estate assets, starts when the assets are ready for their intended use.

Depreciation is at cost of acquisition of the assets less their residual value, under the understanding that the land where assets are has an indefinite useful life and therefore is not depreciated.

Annual depreciation of tangible assets has a counterparty in the consolidated Statement of Profit or Loss and, essentially is the following depreciation percentages, determined according to the average estimated useful life of each element:

	Annual Percentage
Buildings	3%
Technical facilities	10%
Machinery	12%
Furniture	10%
IT equipment	25%
Other	15%

The Group Companies depreciate their property, plant and equipment following the straight-line method or, for certain elements, the declining method, distributing the cost of the assets over the years of the estimated useful life above.

Tangible assets acquired under finance lease are stated in the asset category of the leased property, and depreciated over their expected useful life following the same method as own assets or, when shorter, over the relevant lease term. As of 31 December 2018, the heading Property, Plant and Equipment of the Consolidated Statement of financial position includes EUR 2,374 thousand by way of assets under finance lease (EUR 2,143 thousand in 2017) (see Note 6).

The Directors of the Parent Company consider that the accounting value of the assets does not exceed their recoverable value.

The gain or loss on disposal or write off is calculated as the difference between the amount of the sale and the carrying amount and is recognised as profit or loss.

Investment made by the companies in leased premises, that cannot be separated from the leased asset, are depreciated according to their useful life, with is the lesser between the term of the lease contract, including renewal if evidence shows it will occur, and the financial life of the asset.

Article 9 of Act 16/2012, dated 27 December 2012, on the adoption of several tax measures aimed to consolidate public finances and to foster financial activity, sets forth the possibility of carrying out a statement of financial position update. During 2013 several companies of the Group decided to perform such statement of financial position update.

The Group companies that made use of such provision were: S.A. Damm, Compañía Cervecera Damm S.L.U., Estrella de Levante Fábrica de Cerveza S.A., Font Salem S.L., Maltería La Moravia S.L.U., Aguas de San Martín de Veri S.A., Gestión Fuente Liviana S.L.U., Compañía de Explotaciones Energéticas S.L.U. and Cafés Garriga 1850 S.L.U..

3.4. Tangible and intangible assets impairment excluding goodwill

As of each statement of financial position date, the Group reviews the book value of its tangible and intangible assets to determine whether there are indicators of impairment. If there is any indicator, the recoverable amount of the asset is calculated in order to determine the impairment loss (if any). If the asset does not generate cash flows by itself that are independent from other assets, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs. If there are intangible assets with an indefinite useful life, they are tested for impairment once a year.

The recoverable amount is the higher of fair value less costs to sell and value in use. When evaluating value in use, estimated future cash flows are discounted from the current value by using a pre-tax discount rate that reflects present market values with regard to time value of money and the asset specific risks for which the estimated future cash flows have not been adjusted.

If it is estimated that the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as expense.

When an impairment loss is subsequently reverted, the carrying value of the asset (cash-generating unit) is increased in the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss was recognised for the asset (cash-generating unit) in previous years. A reversal of impairment loss is immediately recognised as income.

3.5. Interest in associates and joint arrangements

The value in the Consolidated Statement of financial position of such interests includes, if applicable, the goodwill resulting from the acquisition thereof.

3.6. Finance leases

Leases are classified as finance leases whenever their terms transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. All other leases are classified as operating leases.

Therefore, the transactions in which substantially all the risks and rewards incidental to the asset are transferred to the lessee are considered finance leases.

The entities of the Group do no act as lessors under finance leases.

When the consolidated entities act as lessees, they account for the cost of the leased assets in the consolidated statement of financial position, according to the nature of the asset that is the subject matter of the contract, and, at the same time, a liability for the same amount (which will be the lower of (i) the fair value of the leased asset or (ii) the aggregate of the present value of lease payments plus, if applicable, the price of the exercise of the purchase option). The depreciation basis is similar to the basis applied to tangible assets for own use.

Finance expenses with origin in these agreements are charged to consolidated Statement of Profit or Loss so as return is constant over the lease term.

3.7. Operating leases

In operating leases, the ownership of the asset and substantially all the risks and rewards incidental to the asset remain with the lessor.

When the consolidated entities act as lessors, they account for the cost of acquisition of the assets under Property, plant and equipment. These assets are depreciated according to the policies followed for similar tangible assets for own use, and income from the lease contracts is accounted for in the Statement of Profit or Loss on a straight-line basis.

When consolidated entities act as lessees, lease expenses, excluding incentives granted by the lessor, if any, are charged on a straight-line basis to their Statements of Profit or Loss.

3.8. Inventories

Inventories are measured at the lower of cost of acquisition or net realisable value. Cost includes the cost of direct materials and, if applicable, direct labour costs and general manufacturing costs.

In periods with low level of production or idle plant the amount of general production expenses allocated to each unit of production is not increased as a result of such circumstance. In periods with abnormally high level of production, the amount of general production expenses allocated to each production will be reduced so inventories are not measured over their real cost.

Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

Cost price is calculated using a weighted average basis for raw and ancillary materials, and the production cost for the finished product or product in process of production. Net realisable value represents the estimate of the sale price less all the estimated finishing costs and costs incurred in marketing, sale and distribution.

The Group assesses the net realisable value of the inventories at the end of the financial year and charges the relevant loss when inventories are overvalued. When circumstances that previously caused such reduction no longer exist or there is a clear indication of an increase in the net realisable value due to a change in the financial situation, the amount of the provision is reverted.

Emission Rights and Sector-Specific Regulation

The Group's policy is to record CO_2 emission rights as a inventories. Rights received free of charge pursuant to the relevant national allocation plans are valued at the lower of: (i) the market value in force at the reception of such rights and market value at the end of the financial year, and (ii) carry a deferred asset for such amount.

During financial year 2018, the Group has received free of charge emission rights amounting to 18,487 tons pursuant to the approved national allocation plans. Such plans also set forth the free of charge allocation of the emission rights for 2019 (pursuant to the notices sent by the Environment Ministry - Secretariat-General for the Prevention of Pollution and Climate Change) for an amount equal to 15,508 tons. The consumption of emission rights during financial year 2018 amounts to 60,569 tons (57,326 tons in 2017).

Regulated activities of the subsidiary Compañía de Explotaciones Energéticas, S.L., part of the Group, fall within the National Energy Strategy, which includes increasing the contribution of self-generation entities to the generation of electricity and, particularly, the generation from renewable sources among its energy policy politics.

Electricity exportation carried out by such subsidiary is mainly regulated in the Electricity Act 54/1997, dated 27 November, which states that electric production will be carried out under a regime of free competition based in a system of electrical power offered by producers and a system of demand by consumers qualified by the distributors and dealers as well as by Royal Decreed 661/2007, dated 25 May, which superseded Royal Decree 434/2004, dated 12 March, and regulates the production of electricity under a special regime.

3.9. Non-current assets classified as held for sale

Non-current assets (and Disposal Groups) classified as held for sale are measured at the lower of carrying value and fair value less cost to sell.

Non-current assets and Disposal Groups are classified as held for sale if their carrying value is recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset (or Disposal Group) is available for immediate sale as it is. The sale should be completed within one year from classification date.

At the closing of financial year 2018 there are no such assets.

3.10. Profit and loss from discontinued operations

A discontinued operation or activity is a business line that either has been abandoned, disposed of or has ceased due to the termination of non-renewed agreements, and its assets, liabilities and gains and losses can be separated physically, operationally and for the purposes of financial information.
Assets, liabilities and expenses of discontinued operations and non-current assets are disclosed separately in the Consolidated Statement of financial position and Consolidated Statement of Profit or Loss.

3.11. Financial assets

The Group classifies its financial assets according to their measurement category determined upon the business model and the characteristics of the contractual data flows, and only reclassifies the financial assets when its changes its objectives and how it manages such financial assets.

Acquisitions and disposals of investments are recognised when the Group undertakes the commitment of acquiring or selling the asset, and they are classified at acquisition in the following categories:

a) Financial assets at amortised cost

These are financial assets, non-derivative, held for the collection of contractual cash flows when such cash flows represent only payments of principal and interest. They are included in current assets, with the exception of maturities of more than twelve years after the date of the statement of financial position, which are classified as non-current assets.
They are initially accounted for at their fair value and subsequently at their amortised cost, using the effective interest method. Income from the interest of such financial assets is included in financial income; any gain or loss arising when they are derecognised is directly recognised in the consolidated income, and any impairment losses are presented as a separate heading in the consolidated Statement of Profit or Loss of the year.

b) Financial assets at fair value through profit or loss

There are assets acquired with the purpose of selling them in the short term. Derivatives are considered to be included in such category under designated as hedging instruments. These financial assets are measured, both initially and subsequently, at their fair value, and any changes in such value are allocated to the consolidated Statement of Profit or Loss for the year.

As for equity instruments classified in this category, they are recognised at their fair value and any gain or loss arising from changes in their fair value, or the product of the sale, are included in the consolidated Statement of Profit or Loss.

Fair values of quoted investments are based in quoted value (Level 1). In the event of holdings in non-quoted companies, the fair value is set using measurement techniques that include the use of recent transactions between duly informed interested parties, references to other substantially alike instruments and the analysis of discounted future cash flows (Level 2 and 3). If the recent information available is not enough to determine the fair value or if there still exist a series of possible measurements of the fair value, and the cost represents the best estimate within such series, the investments are accounted for at their acquisition cost less the impairment loss, if applicable.

c) Equity instruments at fair value through other comprehensive income

These are the equity instruments for which the Group has made an irrevocable election at their initial recognition to be accounted in this category. They are recognised at their fair value and any increases or declines arising from changes in their fair value are accounted for in other comprehensive income, with the exception of the dividends of such investments that shall be recognised in profit or loss. Therefore no impairment losses are recognised in profit or loss and upon their sale gains/losses are not reclassified in the consolidated Statement of Profit or Loss.

Measurements at fair value made in these consolidated annual accounts are classified using a fair value hierarchy that reflects the relevance of the inputs used for such measurements. This hierarchy consists of three levels:

– Level 1: Measurements based in quoted prices for identical instruments in active markets. Fair value is based in quoted prices at the statement of financial position date.
– Level 2: Measurements based in inputs observable for the asset or the liability. The fair value of the financial assets included in this category is determined using measurement techniques. Measurement techniques maximize the use of observable market data available and are based as little as possible in specific estimates made by the group. If all the significant data required to calculate the fair value are observable, the instrument is included in Level 2. If one or more significant data are not based in observable market data, the instrument is included in Level 3.
– Level 3: Measurements based in inputs not based in observable market data.

Financial assets are derecognised when the contractual rights over the cash flow have expired or have been sold, but the risks and benefits inherent to ownership must have been substantially transferred. Financial assets are not derecognised, a liability is recognised in the amount of the consideration received in the assignment of assets of which the risks and benefits have been retained.

Receivables assignment contracts are considered non-recourse factoring whenever they imply a transfer of the risks and benefits inherent to the ownership of the assets assigned.

The impairment of the value of the financial assets is based in an expected loss model. The Group records the expected loss as well as any changes to it, in each filing date, to reflect the changes in the credit risk since the initial recognition date, without waiting to an impairment event.

The Group applies the general model of expected loss for financial assets, excepting "Trade and Other Receivables" without a significant financial component, to which the Group applies the simplified estimated model of expected loss.

Classification of financial assets between current and non-current

In the consolidated statement of financial position attached, financial assets are classified according to maturity, i.e. current are those due in twelve months or less and non-current are those due after such period.

3.12. Equity and financial liabilities

Financial liabilities and equity instruments are classified according to the contents of the contractual agreements and taking into account the financial substance. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Main financial liabilities held by the Group companies are classified as:

a) Financial liabilities at amortised cost

Financial debts are initially recognised at their fair value, net of transactions costs incurred. Any difference between the amount received and the repayment value is recognised in the consolidated Statement of Profit or Loss during the repayment period of the financial debt, using the effective interest rate method, and financial liabilities are classified as measured subsequently at amortised cost.

In the event of contractual modifications of a financial liability at amortised cost that do not lead to its derecognition in the statement of financial position, contractual flows from the refinanced debt must accounted for maintaining the original effective interest rate and the difference shall be accounted for through profit and loss at the date of the modification.

Financial debts are classified as current liabilities unless their maturity occurs more than twelve months after the statement of financial position date, or they include tacit renewal clauses for the Group.

Financial liabilities are derecognised when the obligations that created them terminate.

Likewise, when an exchange of debt instruments take place between the Group and a third party, provided they have essentially different conditions, the Group derecognises the original liability and recognises the new liability. In that sense, the Group considers that the conditions of the financial liabilities are not substantially different whenever the current value of the cash flows discounted under the new conditions, including any commission paid net of any commission received, and using for the discount the original effective net interest rate, is different by least 10% of the current value discounted of the cash flow remaining from the original financial liability.

Contractual modifications of financial liabilities that do not lead to their derecognition from the statement of financial position must be accounted for as a change in accounting estimates of the liability cash flow, maintaining the original effective interest rate and adjusting the book value in the date of the modification, recording the difference through consolidated profit and loss

Additionally, current trade and other payables are short term liabilities measured initially at fair value and do not explicitly accrue interests and are stated at their nominal value. Non-current debts are debts with maturity after twelve months.

b) Financial liabilities at fair value through profit or loss

These are liabilities acquired with the purpose of selling them in the short term. Derivatives are considered to be included in such category under designated as hedging instruments. These Financial liabilities are measured, both initially and subsequently, at their fair value, and any changes in such value are allocated to the consolidated Statement of Profit or Loss for the year.

– ***Equity instruments***

Capital and other equity instruments issued by the Group are accounted for the amount received in the equity, net of direct costs of issue.

When the Group acquires or sells treasury shares, the amount paid or received is directly recognised in equity. Income arising from the purchase, sale, issue or amortisation or equity instruments is directly recognised in equity, and no incomes stated in the Statement of Profit or Loss.

Treasury shares are measured at average acquisition price.

– ***Financial liabilities***

Derivative financial instruments and hedge accounting

The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss.
Derivative financial instruments are accounted for, initially, at acquisition cost that matches the fair value, and subsequently at their fair value.

Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets or liabilities at fair value through profit or loss. Derivative financial instruments that qualify for cash flows hedge accounting are treated as such and therefore the resulting profit or loss not realised arising from them is accounted for according to the type of element covered. On the other hand, the effective part of the profit or loss realised on the derivative financial instrument is initially accounted for in the consolidated statement of comprehensive income and subsequently recognised in profit or loss in the year or years in which the transaction that is hedged affects profit or loss.

The Group takes into account the requirements of the new standard (IFRS 9) to determine whether the hedging relationship qualifies as hedge accounting. In that sense, it takes into account whether the following criteria are met:

a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items.
b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

c) the hedging relationship meets all of the following hedge effectiveness requirements:
i) there is an economic relationship between the hedged item and the hedging instrument ;
ii) the effect of credit risk does not dominate the value changes that result from that economic relationship;

iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

At the inception of the hedging the Group formally designs and document the hedging relationships as well as the objective and strategy undertaken with regard to them.

The Group prospectively discontinues hedge accounting if the hedging instrument expires or is sold or if the hedging ceases to meet the qualifying criteria. In such cases the amount accumulated in equity is recognised in profit or loss.
The Group only performs cash flow hedging.

Classification of debts as current or non-current

In the consolidated statement of financial position attached, debts are classified according to maturity, i.e. current debts are those due before twelve months and non-current debts are those due after twelve months, and among these are the deposits and guarantees received during the commercial operations of the Group.

3.13. Trade and other payables

Trade payables do not explicitly accrue interests and are stated at their nominal value.

3.14. Retirement benefit obligations or similar obligations

3.14.1 Annuities granted to the Parent Company Directors

The Parent Company recognises certain provisions arising from annuities to its Directors (see Note 29.2).

This liability has been estimated using actuarial calculations based on the following assumptions:

Actuarial assumptions:	
Technical interest rate	1.68%
Survival tables	PERMF 2000 NP
Increase in the allowance provided for by	0%

3.14.2 Retirement benefit obligations

Under the collective labour agreements of S.A. Damm, Compañía Cervecera Damm, S.L.U., Estrella de Levante Fábrica de Cerveza, S.A.U., and Maltería La Moravia, S.L.U., such companies are under obligations with their employees arising from several kinds of benefits granted to them, supplementary to the compulsory benefits of the Social Security General Regime, by way of retirement, disability and bereavement allowance. In addition, these and other companies of the Group have several benefits rewarding the years of service and reaching retirement.

Pursuant to the laws in force, and in order to adapt to Act 30/1995 with regard to outsourcing its personnel benefits obligations, the aforesaid Companies contracted a defined benefit group insurance that implemented the pension commitments these companies have against the insured collective (see Note 18).

Such contract is subject to the regime provided for in the First Additional Disposition of the Act 8/1997, dated 8 June, and in the relevant Regulations approved by Royal Decree 1588/1999, dated 15 October, on the implementation of the company's pension commitments with employees and beneficiaries.

Likewise, S.A. Damm has certain commitments with certain senior managers of the Company by way of retirement, disability and death benefits, outsourced pursuant to the law in force through a defined contribution insurance policy. The accounting basis of the Group for such commitments is to account for the premium payments expense on an accrual basis.

3.15. Provisions

As of the preparation of the financial statements of the consolidated entities, the respective Directors differentiate between:

- Provisions: credit balances covering obligations existing as of the statement of financial position date arising from past events with respect to which it is probable that financial losses can arise for the entities, specific as regards to their nature but uncertain as to their cancellation amount and/or timing, and

- Contingent liabilities: possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the consolidated entity.

The consolidated financial statements of the Group include all the significant provisions with regard to which it is estimated that it is more likely than not that they will have to be fulfilled. Unless they are considered as remote, contingent liabilities are included in the financial statements, or information is given on them in the notes to the financial statements pursuant to the risk assessment made IAS 37 (see Notes 24 and 32).

Provisions, estimated taking into account the best information available on the outcome of the past event from which they arise and re-estimated at each year end, are used to settle the specific obligations for which they were originally recognised, and are reverted in whole or in part when such obligations disappear or decrease.

3.16. Deferred Income

Government Grants

Government grants related to property, plant and equipment are considered deferred income and carried to income over the expected useful lives of the relevant assets (see Note 13).

Emission Rights

As mentioned in Note 3.8, the companies Compañía de Explotaciones Energéticas, S.L., Estrella de Levante S.A.U. Font Salem, S.L. and Font Salem Portugal S.A. have received greenhouse effect gas emission rights under the National Allocation Plan pursuant to Act 1/2005.

Such emission rights received free of charge are initially stated as an inventories and a deferred asset for the fair value at the time in which such rights are received, and are carried to the Statement of Profit or Loss under ”Other operating income” to the extent the allocation to expenses for the emissions associated to the rights received free of charge is made (see Note 13).

3.17. Recognition of revenue

Revenue is recognised in the sale of goods or services at the fair value of the consideration received o to be received for them. Revenue is presented net from value added tax and any other taxes related to amounts received from third parties. Likewise early payment, volume or other discounts which are considered likely at the time of recognition of the revenue are accounted for as a reduction of the revenue. At the end of the financial year the Group has a provision for business discounts recorded by decreasing the item "Trade and other Receivables".

Before recognising revenue, the Group:
· identifies the contracts with customers
· identifies the separate performance obligation
· determines the price of the transaction of the contract
· assigns the price of the transaction between the separate performance obligations, and
· recognises the income when each performance obligation is satisfied.

Revenue associated to services provision is also recognised taking into account the degree of completion of the service as of the statement of financial position date, provided always the outcome from the transaction can be reliably estimated.

Interest revenue accrues on a temporary financial basis, according to the outstanding principal and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash collections over the expected life of the financial asset from the net carrying value of such asset.

Revenue from investment dividends is recognised when the shareholders' rights to such payment have been determined.

3.18. Recognition of expenses

Expenses are recognised in the Statement of Profit or Loss when there is a decrease in the future profits related to a decrease in the value of an asset or an increase in the amount of a liability, that can be reliably measured. This implies that he carrying of an expense occurs at the same time as the carrying of the increase in the liability or the decrease in the asset.

An expense is immediately recognised when a disbursement does not generate future financial profits or when it does not comply with the requirements to be carried as an asset.

In addition, an expense is recognised when a liability is incurred into and no asset is stated, as occurs in a liability due to a guarantee.

3.19. Offsetting

Only payables and receivables originated in transactions that, contractually or by law, allow offsetting and the entity has the intention to settle them for their net amount or realise the asset and pay the liability at the same time are offset- and therefore are disclosed in the consolidated statement of financial position by their net amount.

3.20. Income tax; deferred tax assets and liabilities

Income tax expense comprises current income tax expense and deferred tax assets and liabilities.

Income tax expense for the financial year is the addition of the current tax resulting from applying the tax rate over the tax base for the financial year and after the application of any allowed deductions, plus the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities comprise the temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, as well as the carryforwards of unused tax losses and tax credits. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences unless the temporary difference arises from the initial recognition of goodwill or the initial recognition (other than a combination of business) of other assets and liabilities in a transaction that does not affect the taxable profit/(tax loss) or the accounting profit.

As for deferred tax assets, identified by temporary differences that are only recognised if it is considered probable that the consolidated entities will have enough taxable profits in the future to make them effective and do not arise from initial recognition (other than in a combination of business) of other assets and liabilities in a transaction that does not affect the taxable profit/(tax loss) or the accounting result. Other deferred tax assets (the carryforwards of unused tax losses and tax credits) are only recognised to the extent that it is considered probable that the consolidated entities will have sufficient taxable profits in the future against which it will be possible to recover them.

At the end of each reporting period, the deferred taxes recognised (both assets and liabilities) are revised in order to verify they are still valid and the relevant adjustments are made according to the outcome of the analysis.

Since 2009 the Group pays its taxes under the regime of tax consolidation (Tax Group 548/08) under a resolution passed by the respective Shareholders' General Meetings of all the companies comprised in the Tax Group (see Note 24).

3.21. Earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to the Parent Entity by the weighted average number of ordinary shares outstanding during the period (see Note 27).

Diluted earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders adjusted by the effect attributable to dilutive potential ordinary shared and the weighted average number of ordinary outstanding shares during the period adjusted by the weighted average number of the ordinary shares that would be issued if all the potential ordinary shares were converted into ordinary shares. Conversion is considered to take place for such purposes at the beginning of the period or when the potential ordinary shares are issued, it they had been issued during the period

As there are no dilutive equity instruments, basic earnings per share coincide with diluted earnings per share.

3.22. Foreign currency transactions

The Group's foreign currency is the euro. Therefore, transactions in currency other than euro are considered to be "foreign currency transactions" and recognised by applying the exchange rates prevailing at the transaction date.

Assets and liabilities denominated in currencies other than euro in the statement of financial position are considered denominated in "foreign currency" and at each year-end are measured in euros at the exchange rates prevailing at the end of the financial year and the resulting gains or losses are recognised in the consolidated Statement of Profit or Loss.

3.23. Consolidated statement of cash flows

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

<u>Cash flows</u> are inflows and outflows of cash and cash equivalents, these being short term highly liquid investments and subject to an insignificant risk in changes in value.

<u>Operating activities</u> are the main revenue-producing activities of the entity and other activities that are not investing or financing activities.

<u>Investing activities</u> are the acquisition and disposal of long term assets and other investments not included in cash and cash equivalents.

<u>Financing activities</u> are activities that cause changes to the size and composition of the equity and the liabilities not included in operating activities.

4. Goodwill

The details and changes in this item of the consolidated statement of financial position in 2018 and 2017, as well as the allocation to the different cash-generating units, are the following:

	Thousand Euros				
	01.01.18	Change in scope (Note 2.2d)	Additions/Write offs	Impairment	31.12.18
Water	18,684	-	-	-	18,684
Beer and other Beverages	8,232	-	2,433	-	10,665
Distribution and F&B	53,579	15,594	13,223	(150)	82,246
Total	**80,495**	**15,594**	**15,656**	**(150)**	**111,595**

	Thousand Euros				
	01.01.17	Change in scope (Note 2.2d)	Additions/ Write offs	Impairment	31.12.17
Water	18,684	-	-	-	18,684
Beer and other Beverages	8,232	-	-	-	8,232
Distribution and F&B	22,034	28,236	3,600	(291)	53,579
Total	**48,950**	**28,236**	**3,600**	**(291)**	**80,495**

Impairment losses

The Group regularly tests the recoverability of the goodwill above by taking into account the following cash-generating units: Water, Beer and Other Beverages, and Distribution and F&B.

The recoverable amount of the cash-generating units has been obtained from the determination of their value in use. Such amount has been calculated through projections of cash flows based in the projections approved by the Directors, covering a 4 years period (cash flows for the projection periods no included in such 4 years have been obtained by extrapolating previous years' data using as base data a 1% constant growth rate, without exceeding the average long term growth rate of the market in which they operate), and updated by a 6.8% and 6.39% discount rate for years 2018 and 2017 respectively. Specifically, variables used when calculating the recoverable amount for each CGU are the following:

Key assumption	Water		Beer and other beverages		Distribution and F&B	
	2018	2017	2018	2017	2018	2017
Projection period (years)	4		4		4	
Key variables	Sales Gross margin Capex		Sales Gross margin Capex		Sales Gross margin	
Discount rate	6.8%	6.39%	6.8%	6.39%	6.8%	6.39%
Growth rate "g"	1%	1%	1%	1%	1%	1%

Neither the discount rates nor the growth rates change significantly between CGUs as they are carried out in the same geographic market and consist of assets that carry out the same activities in different stages of the same business.

Finally, it is worth pointing out that no significant changes to the key assumptions in which the determination of the recoverable amount of such CGUs are based are expected as they have been adapted to the current situation and represent a cautious view due to the current market situation, and that a 5% decrease in sales would not change the conclusions on the recoverable amount of CGUs not impaired. Nonetheless, following the Group policies, regular assessment will be carried out and the evolution for financial year 2019 will convey a new analysis in which the new circumstances will define the recoverable amount of such CGUs and the potential accounting of the relevant impairment.

Pursuant to the estimates and projections available to the Directors of the Group, cash flow forecast attributable to the CGUs to which each goodwill is attributed should allow the recovery of the value of every goodwill recognised as of 31 December 2018.

5. Other Intangible Assets

Changes in this heading of the consolidated statement of financial position in years 2018 and 2017 have been the following, in thousands of euros:

Cost	
Balance at 1 January 2017	**55,286**
(Net) additions / disposals for change in scope	11,425
(Net) additions / disposals	3,210
Transfers and other	328
Balance at 31 December 2017	**70,249**
(Net) additions / disposals for change in scope	1,130
(Net) additions / disposals	4,825
Transfers and other	-
Balance at 31 December 2018	**76,204**

Accumulated amortisation	
Balance at 1 January 2017	**37,054**
(Net) additions / disposals for change in scope	-
Disposals and transfers	(149)
Provisions	4,596
Balance at 31 December 2017	**41,501**
(Net) additions / disposals for change in scope	408
Disposals and transfers	-
Provisions	4,233
Balance at 31 December 2018	**46,142**
INTANGIBLE ASSETS – NET VALUE:	**Thousand Euros**
Balance at 31 December 2017	**28,748**
Balance at 31 December 2018	**30,062**

5.1. Assets by nature

The breakdown of the items of this heading of the statement of financial position disclosed according to their nature at 31 December 2018 and 2017 is, in thousands of euros:

COMPUTER SOFTWARE

Cost	
Balance at 1 January 2017	**21,184**
(Net) additions / disposals for change in scope	18
(Net) additions / disposals	2,927
Transfers and other	328
Balance at 31 December 2017	**24,457**
(Net) additions / disposals for change in scope	373
(Net) additions / disposals	4,340
Transfers and other	-
Balance at 31 December 2018	**29,170**
Accumulated amortisation	
Balance at 1 January 2017	**19,932**
(Net) additions / disposals for change in scope	-
Disposals and transfers	(10)
Provisions	1,363
Balance at 31 December 2017	**21,285**
(Net) additions / disposals for change in scope	150
Disposals and transfers	(25)
Provisions	2,643
Balance at 31 December 2018	**24,053**
SOFTWARE – NET VALUE	**Thousand Euros**
Balance at 31 December 2017	**3,172**
Balance at 31 December 2018	**5,117**

TRADEMARKS

Cost	
Balance at 1 January 2017	**2,710**
(Net) additions / disposals for change in scope (Note 2.2 d)	11,407
(Net) additions / disposals	108
Transfers and other	-
Balance at 31 December 2017	**14,225**
(Net) additions / disposals for change in scope (Note 2.2 d)	143
(Net) additions / disposals	94
Transfers and other	-
Balance at 31 December 2018	**14,462**
Accumulated amortisation	
Balance at 1 January 2017	**1,143**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-
Provisions	1,015
Balance at 31 December 2017	**2,158**
(Net) additions / disposals for change in scope	45
Disposals and transfers	-
Provisions	384
Balance at 31 December 2018	**2,587**
TRADEMARKS – NET VALUE	**Thousand Euros**
Balance at 31 December 2017	**12,067**
Balance at 31 December 2018	**11,875**

FRANCHISES

Cost	
Balance at 1 January 2017	**26,219**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	-
Transfers and other	-
Balance at 31 December 2017	**26,219**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	-
Transfers and other	-
Balance at 31 December 2018	**26,219**
Accumulated amortisation	
Balance at 1 January 2017	**12,786**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-
Provisions	1,000
Balance at 31 December 2017	**13,786**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-
Provisions	1,000
Balance at 31 December 2018	**14,786**

FRANCHISES – NET VALUE	Thousand Euros
Balance at 31 December 2017	**12,433**
Balance at 31 December 2018	**11,433**

CONCESSION RIGHTS AND OTHER INTANGIBLE ASSETS

Cost	
Balance at 1 January 2017	**5,173**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	175
Transfers and other	-
Balance at 31 December 2017	**5,348**
(Net) additions / disposals for change in scope	614
(Net) additions / disposals	391
Transfers and other	-
Balance at 31 December 2018	**6,353**
Accumulated amortisation	
Balance at 1 January 2017	**3,193**
(Net) additions / disposals for change in scope	-
Disposals and transfers	(139)
Provisions	1,218
Balance at 31 December 2017	**4,272**
(Net) additions / disposals for change in scope	213
Disposals and transfers	25
Provisions	206
Balance at 31 December 2018	**4,716**
OTHER INTANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2017	**1,076**
Balance at 31 December 2018	**1,637**

As of the 31 December 2018 there are intangible fixed assets for a cost of EUR 44,294 thousand fully amortized (EUR 43,566 thousand at 31 December 2017).

6. Property, plant and equipment

Changes in this heading of the consolidated statement of financial position in years 2018 and 2017 have been the following, in thousands of euros:

Cost	
Balance at 1 January 2017	**1,419,054**
(Net) additions / disposals for change in scope	5,626
(Net) additions / disposals	92,264
Transfers and other	(424)
Balance at 31 December 2017	**1,516,520**
(Net) additions / disposals for change in scope	6,028
(Net) additions / disposals	133,539
Transfers and other	578
Balance at 31 December 2018	**1,655,509**

Accumulated amortisation	
Balance at 1 January 2017	**972,569**
(Net) additions / disposals for change in scope	1,018
Disposals and transfers	(7,830)
Provisions	65,052
Balance at 31 December 2017	**1,030,809**
(Net) additions / disposals for change in scope	1,851
Disposals and transfers	(4,649)
Provisions	71,065
Balance at 31 December 2018	**1,099,076**
TANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2017	**485,711**
Balance at 31 December 2018	**556,433**

The Group has several insurance policies to cover any possible risks to the property, plant and equipment.

<u>6.1. Tangible assets by nature</u>

The breakdown of the items of this heading of the statement of financial position disclosed according to their nature at 31 December 2018 and 2017 is, in thousands of euros:

LAND AND BUILDINGS

Cost	
Balance at 1 January 2017	**290,044**
(Net) additions / disposals for change in scope	101
(Net) additions / disposals	9,160
Transfers and other	1,271
Balance at 31 December 2017	**300,576**
(Net) additions / disposals for change in scope	2,473
(Net) additions / disposals	8,807
Transfers and other	9,237
Balance at 31 December 2018	**321,093**
Accumulated amortisation	
Balance at 1 January 2017	**85,099**
(Net) additions / disposals for change in scope	24
Disposals and transfers	(10)
Provisions	6,426
Balance at 31 December 2017	**91,539**
(Net) additions / disposals for change in scope	542
Disposals and transfers	(87)
Provisions	6,656
Balance at 31 December 2018	**98,650**
TANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2017	**209,037**
Balance at 31 December 2018	**222,443**

PLANT AND MACHINERY

Cost	
Balance at 1 January 2017	**716,347**
(Net) additions / disposals for change in scope	1,140
(Net) additions / disposals	5,130
Transfers and other	5,962
Balance at 31 December 2017	**728,579**
(Net) additions / disposals for change in scope	1,595
(Net) additions / disposals	18,116
Transfers and other	45,280
Balance at 31 December 2018	**793,570**

Accumulated amortisation	
Balance at 1 January 2017	**572,004**
(Net) additions / disposals for change in scope	87
Disposals and transfers	(110)
Provisions	31,677
Balance at 31 December 2017	**603,658**
(Net) additions / disposals for change in scope	517
Disposals and transfers	(381)
Provisions	32,444
Balance at 31 December 2018	**636,238**
TANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2017	**124,921**
Balance at 31 December 2018	**157,332**

Investments under "Plant and machinery" include the investment in new filling tanks and machinery to produce new formats and labelling in the Group plants.

Transfers for financial year 2018 and 2017 refer mainly to the completion of improvements and investments in progress at the end of the previous financial year in the Group main production plants.

OTHER FACILITIES, EQUIPMENT, FURNITURE AND CONTAINERS

Cost	
Balance at 1 January 2017	**381,356**
(Net) additions / disposals for change in scope	3,935
(Net) additions / disposals	25,582
Transfers and other	33
Balance at 31 December 2017	**410,906**
(Net) additions / disposals for change in scope	1,960
(Net) additions / disposals	48,183
Transfers and other	198
Balance at 31 December 2018	**461,247**
Accumulated amortisation	
Balance at 1 January 2017	**315,466**
(Net) additions / disposals for change in scope	907

Disposals and transfers	(7,710)
Provisions	26,949
Balance at 31 December 2017	**335,612**
(Net) additions / disposals for change in scope	792
Disposals and transfers	(4,181)
Provisions	31,965
Balance at 31 December 2018	**364,188**
TANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2017	**75,294**
Balance at 31 December 2018	**97,059**

"Other facilities, equipment, furniture and containers" includes mainly the investments made by the Group by way of product dispensing facilities and returnable containers as well as transport elements.

ADVANCED PAYMENTS AND PPE IN PROGRESS

Cost	
Balance at 1 January 2017	**31,307**
(Net) additions / disposals for change in scope	450
(Net) additions / disposals	52,392
Transfers and other	(7,690)
Balance at 31 December 2017	**76,459**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	58,433
Transfers and other	(55,293)
Balance at 31 December 2018	**79,599**
ADVANCED PAYMENTS AND PPE IN PROGRESS- NET VALUE	**Thousand Euros**
Balance at 31 December 2017	**76,459**
Balance at 31 December 2018	**79,599**

Likewise, as of 31 December 2018 there are several projects in progress consisting in the new refit of some of the filling lines and the improvement of the production facilities.

As of 31 December 2018 there were property, plant and equipment elements acquired under finance lease for the amount of EUR 13.6 million as cost and EUR 11.2 million as accumulated repayment (EUR 12.4 million as cost and EUR 10.3 million as accumulated repayment at 31 December 2017).

As of the 31 December 2018 there are intangible fixed assets for a cost of EUR 826,366 thousand fully amortized (EUR 717,531 thousand at 31 December 2017).

As of 31 December 2018 there were no property, plant and equipment elements mortgaged as guarantee of loans from credit institutions.

There were no significant disposals during the financial year.

During financial year 2018 the Group has capitalized finance expenses from property, plant and equipment for the amount of EUR 52 thousand (EUR 72 thousand in 2017).

The Group has property, plant and equipment in foreign currencies for the amount of EUR 222 thousand (EUR 12 thousand in 2017).

7. Equity accounted investments

The detail and changes in subsidiaries of the Group accounted for using the equity method for years 2018 and 2017 are:

	Balance at 01.01.18	Income under equity method	Transfer to Profit or Loss (Note 25)	Other changes	Dividends	Investments	Other changes in Equity (Note 12.5)	Balance at 31.12.18
BEVERAGES SUBSET	7,420	(850)	-	-	-	-	-	6,570
DISTRIBUTION SUBSET	6,534	497	-	-	(181)	750	-	7,600
FOOD AND BEVERAGE SUBSET	2,725	109	9	(2,011)	(445)	-	-	387
EBRO FOODS, S.A.	333,952	17,523	-	-	(10,092)	4,558	3,860	349,801
Total	**350,631**	**17,279**	**9**	**(2,011)**	**(10,718)**		**3,860**	**364,358**

	Balance at 01.01.17	Income under equity method	Transfer to Profit or Loss	Other changes	Dividends (Note 29,1)	Investments	Other changes in Equity (Note 12.5)	Balance at 31.12.17
BEVERAGES SUBSET	5.723	1.697	-	-	-	-	-	7.420
DISTRIBUTION SUBSET	6.181	623	-	-	(270)	-	-	6.534
FOOD AND BEVERAGE SUBSET	4.624	(1.863)	(36)	-	-	-	-	2.725
EBRO FOODS, S.A.	332.345	24.576	-		(10.092)	1.842	(14.719)	333.952
Total	**348.873**	**25.033**	**(36)**	**0**	**(10.362)**	**1.842**	**(14.719)**	**350.631**

Financial information

Main financial data at 31 December 2018 and 2017 for the companies accounted for using the equity method are listed in Note 34.

None of the associates is a listed company with the exception of Ebro Foods, S.A. listed in Madrid Stock Market. The percentage of listed shares is 100% of its share capital, of which the Group holds 17,980,610 shares, i.e. 11.69%.

Profit and loss accounted for using the equity method

Profit and loss accounted for using the equity method for financial year 2018 comprises, essentially, the profit and loss attributable to the Group of the companies Ebro Foods S.A., Grupo Cacaolat S.L., Trade Eurofradis S.L., Serhs Distribució i Logística S.L., Cortsfood, S.L., Bizkaiko Edari Komertzialak, S.L., United States Beverages, LLC and Quality Corn, S.A.

Other changes in net equity and investments

Changes in financial year 2018 and 2017 mainly refer to the conversion differences of the interest in Ebro Foods S.A. and the increase of the increase in Ebro Foods, S.A.

Other changes

Changes in financial year 2018 refer mainly to the sale of Dehesa Santa Maria, S.L.

8. Non-current financial assets

The detail of the non-current financial assets at 31 December 2018 and 2017, classified by nature and category, is as follows in thousand euros.

As of 31 December 2018	**FV through Other Comprehensive Income**	**FV through profit or loss Amortised cost**	**Total**
Credits and other receivables	-	78,014	**78,014**
Financial assets held for sale	25,836	-	**25,836**
Credits to associates and joint arrangements	-	21,432	**21,432**
Long term guarantees and deposits	-	3,517	**3,517**
Other financial investments	-	159	**159**
Total	**25,836**	**103,122**	**128,958**

As of 31 December 2017	FV through Other Comprehensive Income	FV through profit or loss Amortised cost	Total
Credits and other receivables	-	63,095	**63,095**
Financial assets held for sale	30,475	-	**30,475**
Credits to associates and joint arrangements	-	20,042	**20,042**
Long term guarantees and deposits	-	2,539	**2,539**
Other financial investments	-	121	**121**
Total	**30,475**	**85,797**	**116,272**

The classification of non-current financial assets at 31 December 2018 and 2017, accounted for at fair value is as follows in thousand euros:

	31 December 2018			
Non-current financial assets	**Level 1 (quoted price in active markets)**	**Level 2 (observable inputs)**	**Level 3 (non-observable inputs)**	**Total**
FV through Other Comprehensive Income	25,707	129	-	25,836
FV through profit or loss Amortised cost	-	-	103,122	103,122
Total	**25,707**	**129**	**103,122**	**128,958**

	31 December 2017			
Non-current financial assets	**Level 1 (quoted price in active markets)**	**Level 2 (observable inputs)**	**Level 3 (non-observable inputs)**	**Total**
FV through Other Comprehensive Income	30,391	84	-	30,475
FV through profit or loss Amortised cost	-	-	85,797	85,797
Total	**30,391**	**84**	**85,797**	**116,272**

Equity instruments

The balance of equity instruments mainly consists of shares of listed companies in which the stake is less than 3% and several investment funds.

Credits to associates and joint arrangements

Balance at 31 December 2018 refers to a shareholder loan to Grupo Cacaolat S.L. for the amount of EUR 19,200 thousand, and to two finance leases granted to two associates accruing a market interest rate for an aggregate amount of 2,232 thousands of euros (see Note 29.1).

9. Inventories

In financial years 2018 and 2017 this item consisted of:

	Thousand Euros	
	2018	**2017**
Raw materials	37,729	35,808
Emission Rights	50	80
Products in process	13,405	14,841
Finished products	47,802	40,911
Total	**98,986**	**91,640**

The charge for value adjustment recognised as expense in the Statement of Profit or Loss for financial year 2018 amounts to EUR 253 thousand (EUR 187 thousand in 2017). Due to the nature of the inventories and their usual level of rotation, they usually do not become obsolete, so the amount of provision for obsolescence is not significant.

10. Trade and Other Receivables and Other Current Financial Assets

10.1 Trade and other receivables

	Thousand Euros	
	2018	**2017**
Trade receivables for sales and services	203,894	163,567
Sundry debtors	3,271	3,436
Public administrations (Note 24.3)	21,347	18,974
Total	**228,512**	**185,977**

This item includes a provision for doubtful receivables for the amount of EUR 8.9 million created mainly in previous years. The Directors are of the opinion that such provision is in line with the risks associated to the activity according to historical experience and combined with additional hedging (Insurance Policy) mentioned in Note 2.3 “Risk Policy”.

Customers' balances age at 31 December 2018 is as follows:

	2018
Current and less than 6 months	194,130
Between 6 and 12 months	7,275
Between 12 and 18 months	2,425
More than 18 months	64
Total	**203,894**

The Directors are of the opinion that the carrying value of trade and other receivables is approximate to their fair value.

10.2. Other current financial assets

Amount included at 31 December 2018 and 2017 refers mainly to the amount of the Group deposits at the end of the financial year with maturity between three months and one year that, due to their features, have not been classified as other cash equivalents, as well as other short-term financial assets.

1. Cash and cash equivalents

This item consists of:

	Thousand Euros	
	2018	**2017**
Cash	192,513	291,421
Total	**192,513**	**291,421**

12. Equity

12.1. Share Capital

As of 31 December 2018 and 2017 the share capital of the company was EUR 54,016,654.40 and was divided in 270,083,272 shares of EUR 0.20 each, all of them ranking pari passu. As of the date of the preparation of these Consolidated Financial Statements all the shares issued are fully paid.

Shareholders, being a corporation, with an interest in excess of 10% in S.A. DAMM share capital as of 31 December 2018 were the companies DISA CORPORACION PETROLIFERA, S.A., MUSROM GMBH and SEEGRUND, B.V. which held 33.04% (33.04% in 2017), 25.02% (25.02% in 2017) and 14.49% (13.95% in 2017) respectively.

12.2. Share premium

The balance under “Share premium” was created due to the share capital increases made in 1954, 2003, 2005, once the transaction costs were deducted.

In addition, share capital increases charged to share premium in years 2009, 2010 and 2011 approved by the relevant Shareholders’ General Meetings reduced the share premium by EUR 3,055 thousand.

The Compiled Text of the Companies Act expressly allows using the share premium balance to increase the share capital and does not impose any restriction on the availability of such balance.

12.3. Reserves

Legal reserve

Pursuant to the Compiled Text of the Companies Act, an amount equal to 10% of the profit for the financial year must be allocated to legal reserve until the same reaches, at least, 20% of the share capital.

Legal reserve can be used to increase the share capital in the part in excess of 10% of the share capital already increased. Other than for such purpose, and as long as it does not exceed 20%, this reserve can only be used to offset losses and provided always there are no other reserves available.

The Parent Company of the Group has reached the compulsory level in the amount of EUR 10,803 thousand under “Other reserves of the parent company” of the consolidated statement of financial position attached.

Other reserves of the parent company

Article 25 of the Act 27/2014 on Companies Tax introduced the capitalisation reserve consisting in an unavailable reserve that lowers the tax base by 10% of the amount by which they increase equity with a limit of 10% of the tax base prior to the compensation of tax losses carryforwards, provided such increase is kept for 5 years since the closing of the relevant tax period, unless the Company incurs in accounting loss.

The parent company capitalisation reserve amounts at 31 December 2018 to EUR 9,398 thousand (EUR 6,278 thousand at 31 December 2017).

12.4. Treasury shares and equity interests

Changes in this item in year 2018 and 2017 are as follows in thousands of euros:

	Thousand euros
Balance at 1 January 2017	**142,453**
Acquisition of own shares	453
Disposal of treasury shares	(42,376)
Balance at 31 December 2017	**100,530**
Acquisition of own shares	379
Disposal of treasury shares	(9,331)
Balance at 31 December 2018	**91,578**

During financial year 2018 the Parent Company acquired 58,101 shares at a cost of 379 thousands of euros, which represent 0.02% of the share capital.

Likewise, during financial year 2018, the Parent Company has disposed of treasury shares with a net profit of EUR 1,917 thousand (EUR 5,959 thousand in 2017) directly credited to “Other reserves of the parent company” of the equity in the consolidated statement of financial position at 31 December 2018 and 2017.

After the transactions with treasury shares above, at 31 December 2018 the balance under “Treasury shares and equity interests” consists of 16,047,012 shares, representing 5.94% of the share capital, with a carrying value of EUR 91,578 thousand.

12.5 Valuation adjustments in equity

Changes in this item in financial years 2018 and 2017 are as follows (net of tax effect):

	Thousand Euros				
	2017	**Capital gains/losses on valuation**	**Amount transferred to income**	**Transfers and others (Note 7)**	**2018**
Financial assets at fair value through other comprehensive income (Note 8)	**(1,989)**	(6,540)	-	-	**(8,529)**
From cash flow hedges	**(48)**	(49)	97		**-**
Due to difference adjustments	**(64)**	15	-	-	**(49)**
Due to actuarial gains and losses (Note 18)	**3,212**	392	-	-	**3,604**
Consolidated entities accounted for using the equity method (Note 7)	**4,049**	-	-	3,860	**7,909**
VALUATION ADJUSTMENTS IN EQUITY	**5,160**	**(6,182)**	**97**	**3,860**	**2,935**

	Thousand Euros				
	2016	**Capital gains/losses on valuation**	**Amount transferred to income**	**Transfers and others (Note 7)**	**2017**
Financial assets at fair value through other comprehensive income (Note 8)	**268**	(1,305)	(952)	-	**(1,989)**
From cash flow hedges	**62**	(103)	(7)	-	**(48)**
Due to difference adjustments	**(21)**	(43)	-	-	**(64)**
Due to actuarial gains and losses (Note 18)	**2,847**	365	-	-	**3,212**
Consolidated entities accounted for using the equity method (Note 7)	**18,768**	-	-	(14,719)	**4,049**
VALUATION ADJUSTMENTS IN EQUITY	**21,924**	**(1,086)**	**(959)**	**(14,719)**	**5,160**

In financial years 2018 and 2017, the item “Transfers and others” in Consolidated entities accounted for using the equity method discloses the interest of the Group in the equity increase, due mainly to Valuation adjustments and Difference adjustments accounted for in Equity of the financial statements of such associates.

12.6 Interim dividend

During financial year 2018 the Board of Directors of the parent company resolved the distribution of two interim dividends for an aggregate amount of EUR 38,105 thousand that are presented as decreasing the Group’s equity. Provisional financial statements prepared by the parent company of the Group, S.A. Damm, showed enough resources for the distribution of such interim dividend (see Note 26. Application of Results).

12.7 Non-controlling interests

Detail by companies of “Non-controlling interests” in the consolidated statement of financial position at 31 December 2018 and 2017 and the profit and loss of the external members in these years follows:

	Thousand Euros			
	2018		**2017**	
Entity	**Non-controlling interests**	**Result attributed to Non-controlling party**	**Non-controlling interests**	**Result attributed to Non-controlling party**
Aguas San Martín de Veri, S.A.	61	6	54	6
Alfil Logistics, S.A.	5,426	1,365	4,181	1,327
Carbóniques Becdamm	249	144	171	132
Cerbeleva, S.L.	1,333	29	628	44
Cervezas Calatrava S.L.	-	(38)	537	(57)
Comercial Distribuidora de Cervezas del Noreste S.L.	-	(29)	326	(16)
Dayroveli S.L.	1,476	(124)	-	-
Dismenorca S.L.	2,290	221	2,195	212
Distrialmo, S.L.	85	15	71	4

Distribuciones Movi S.L.	(87)	(3)	(84)	25
Distridam, S.L. and Barnadis Logística 2000 S.L.	2,684	596	2,489	672
Gasteiz Banaketa Integrala S.L.	254	(2)	-	-
Hamburguesa Nostra S.L.	209	(171)	-	-
Other	13	4	12	(110)
TOTAL	**13,993**	**2,013**	**10,580**	**2,239**

13. Deferred Income

Detail of this item in financial years 2018 and 2017 is as follows:

	Thousand Euros	
	2018	**2017**
Capital Grants	2,265	839
Emission Rights	38	37
Closing balance	**2,303**	**876**

14. Bonds and other securities

As of 31 December 2018 and 2017 the Group has bonds in issue for the amount of non-current EUR 200 million from the issue dated 01/12/16 by Corporación Económica Delta, S.A, of bonds convertible to Ebro Foods, S.A shares. Such amount is stated in the consolidated statement of financial position net of execution expenses and of ancillary financial instruments (see Note 15.b).

This issue accrues a 1% fixed annual nominal interest rate, was issued at par and a 7 years final maturity (01/12/2023) (see also Notes 3.12 and 15).

The conversion price of the bonds is EUR 23.71 per Ebro Foods, S.A. share. The bonds are listed in Freiverkehr Frankfurt's Exchange open Market.

15. Debt with credit institutions and derivative financial instruments

a) Debt with credit institutions

Loans

Debt with credit institutions at 31 December 2018 and 2017, as well as maturity expected by way of repayment are as follows:

	Thousand Euros							
	Debts at 31 December 2018							
	Balance at	Short term	Long term					Long term
	31.12.2018	2019	2020	2021	2022	2023	Later	Total
Loans	**279,523**	33,793	41,429	41,792	39,518	17,488	105,503	**245,730**
Other loans	**1,871**	1,429	442	-	-	-	-	**442**
Finance leases (Note 16)	**2,008**	721	554	396	277	60	-	**1,287**
Interests payable	**182**	182	-	-	-	-	-	**-**
Other debts	**1,430**	1,430	-	-	-	-	-	**-**
Total financial debt	**285,014**	**37,555**	**42,425**	**42,188**	**39,795**	**17,548**	**105,503**	**247,459**

	Thousand Euros							
	Debts at 31 December 2017							
	Balance at	Short term	Long term					Long term
	31.12.2017	2018	2019	2020	2021	2022	Later	Total
Loans	**260,167**	30,500	35,806	42,951	133,001	17,909	-	**229,667**
Other loans	**1,245**	363	440	442	-	-	-	**882**
Finance leases (Note 16)	**1,163**	397	393	242	121	10	-	**766**
Interests payable	**133**	133	-	-	-	-	-	**-**
Other debts	**130**	130	-	-	-	-	-	**-**
Total financial debt	**262,838**	**31,523**	**36,639**	**43,635**	**133,122**	**17,919**	**-**	**231,315**

Loans and other credits

Loans and other credits refers to bilateral loans entered into in 2018 as a result of the refinancing of syndicated debt, and other bilateral contracts during years 2016 and 2017.

Subsidiaries Estrella de Levante S.A, Font Salem S.L., and Compañía Cervecera Damm S.L.U. acted as guarantors of such financing transactions.

At 31 December 2018 the Group companies had undrawn credit facilities in the amount of EUR 321 million (EUR 241 million at 31 December 2017), which is enough to cover any necessity of the Group according to the existing short term commitments.

The Group debts with credit institutions, as well as credit lines and other bank financing, are in part indexed to EURIBOR, to which a market margin is applied, and the rest to fixed rate.

b) Derivative financial instruments

	Thousand Euros	
	2018	2017
Options issue convertible bonds (implicit derivatives) - Note 14 -	4,031	4,274
Total derivative financial instruments	**4,031**	**4,274**

With regard to the issue of bonds convertible in Ebro Foods, S.A. shares for the amount of EUR 200 million (see Note 14), the existence of implicit derivative in the aforesaid issue must be taken into account.

Fair value of all the derivative instruments related to the issue of Ebro Foods, S.A. convertible bonds amounts at 31 December 2018 to EUR 4,031 thousands, included under the heading “Derivative financial instruments” of the Consolidated Statement of financial position.

The effect in the Statement of Profit or Loss of the evolution of the value of such derivatives has been a credit for the amount of EUR 243 thousand under the heading “Other interest and similar income” of the consolidated Statement of Profit or Loss enclosed.

Valuation technique of financial derivatives

Adoption of IFRS 13 requires an adjustment in valuation techniques used by the Group to obtain the fair value of its derivatives. The Group implements a credit risk adjustment in order to reflect both the own risk and the counterparty’s in the fair value of the derivatives.

Specifically, for the determination of the credit risk adjustment, a technique based in the calculation through models of the expected total exposure (which includes both the current and potential exposures) has been applied adjusted by the probability of default over the time and by the severity (or potential loss) assigned to the Group and each of the counterparties.

More specifically, credit risk adjustment has been obtained from the following formula:
EAD * PD * LGD where:

- EAD (Exposure at default): Exposure at default at a given time. Exposure at the time of default (EAD) is calculated using simulation scenarios with market price curves (Ex.: Monte Carlo).
- PD (Probability of default): Probability that one of the counterparties defaults at a given time.
- LGD (Loss given default): Severity = 1- (recovery rate): Percentage of the loss that finally occurs when one of the counterparties defaults.

Expected total exposure of derivatives is obtained by using observable market inputs, such as interest rate, exchange rate and market situation volatilities at measurement date curves. Market information is obtained from external sources renowned in financial markets.

Inputs applied to obtain the own credit risk and counterparty’s (determination of the probability of default) are mainly based in the application of the own or similar companies’ credit spreads currently negotiated in the market (CDS curves, IRR debt issuances). For counterparties having credit rating available, credit spreads used are obtained from the (Credit Default Swaps) listed in the market.

In addition, a 40% standard recovery rate (severity 60%) has been applied to determine both the own risk and the credit risk of the banking counterparty.

16. Finance lease obligations

	Thousand Euros	
	2018	**2017**
Amounts payable under finance leases:	**2,008**	**1,163**
Less than a year	721	397
Between two and five years	1,287	766
More than five years	-	-

The Group policy is to finance the acquisition of part of its facilities and equipment under finance leases. Average term of such finance leases is less than five years.

17. Information on the average payment to suppliers period

Trade and other payables mainly includes the amounts outstanding for trade purchases and related costs.

With regard to the information required by the Third Additional Provision of Act 15/2010, dated 5 July subsequent to the Act entering into force, and with regard to the subsequent resolution dated 29 January 2016 of the *Instituto de Contabilidad y Auditoría de Cuentas* (Accounting and Auditing Institute), the table below shows the volumes and payment ratios for years 2018 and 2017.

The table refers to the suppliers that are by nature trade creditors related to debts with goods and services suppliers, and therefore it includes the details related to “Trade and other payables” of the current liabilities of the consolidated statement of financial position at 31 December 2018 and 2017 for subsidiaries of the Group located in Spain.

	Year 2018 Days	Year 2017 Days
Average payment to suppliers time	58	60
Paid transaction ratio	60	62
Outstanding transactions ratio	51	49
	Amount (thousand euros)	Amount (thousand euros)
Total payments made	934,672	828,018
Total outstanding payments	130,418	114,157

The payment term applicable to the companies of the Group in years 2018 and 2017 pursuant to the Act 11/2013, dated 26 July, is 30 days, unless a longer term is agreed in contract, which cannot exceed in any case 60 days.

18. Retirement schemes (Post – Employment)

18.1 Defined benefit post-employment schemes

Certain companies of the Group have the commitment of supplementing the Social Security public benefit schemes of certain employees and dependants, in the event of retirement, permanent disability, bereavement and loss of parents.

The defined benefit scheme consists of retirement annuities reversible, with a fixed amount not related to salary or social security parameters. The annuities guaranteed by the scheme are increased under real CPI.

At 31 December 2018 and 2017, the balance for defined benefit obligations and the fair value of the scheme assets were:

	Thousand Euros	
	2018	**2017**
Present value of the obligations	54,905	60,534
Fair value of the scheme assets	55,314	60,875

The table below shows the conciliation between opening and closing balance of the current value of the defined benefits obligation:

	Thousand Euros	
	2018	**2017**
Present value of the obligations at the beginning of the financial year	**60,534**	**63,717**
Current service cost	-	64
Interests costs	781	778
Actuarial gains/(losses):	(2,289)	424
Actuarial gains/(losses) for changes on financial assumptions	-	-
Experience actuarial gains/(losses)	(2,289)	424
Benefits paid	(4,121)	(4,449)
Present value of the obligations at 31 December	**54,905**	**60,534**

Changes in fair value of the scheme assets in financial years 2018 and 2017 are as follows:

	Thousand Euros	
	2018	**2017**
Fair value of scheme assets at beginning of the financial year	**60,875**	**64,079**
Interest revenue from scheme assets	785	793
Return on scheme assets (excluding the lesser net interest expense)	(1,766)	912
Employer contributions/(Redemptions)	(459)	(460)
Benefits paid	(4,121)	(4,449)
Fair value of scheme assets at 31 December	**55,314**	**60,875**

“Scheme assets” are those which will be used to settle directly the obligations, and comply with the following conditions:

- They are not held by the consolidated entities, but by a third party legally separate from the Group and is not a related party.
- Are available to be used only to pay or fund employee benefits, are not available to the Group’s own creditors (even in bankruptcy), and cannot be returned to the consolidated entities, unless either: the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or the assets are returned to the reporting entity to reimburse it for employee benefits already paid.
- Assets held by a long-term employee benefits entity (or fund) are not-transferable financial instruments issued by the entity.

At 31 December 2018 and 2017, fair value of the scheme assets allocated to cover post-employment benefits is breakdown as follows:

Nature of the scheme assets allocated to cover commitments	Thousand Euros	
	2018	**2017**
Collective insurance policies (VIDACAIXA)	**55,314**	**60,875**

Therefore, 100% of the Scheme assets are classified as qualifying insurance policies.

There are no other assets that can be classified as “reimbursement rights”.

As all the commitments are financed through insurance contracts, neither is the entity exposed to unusual market risks nor is it necessary to apply assets-liabilities correlation techniques or longevity swaps. There are not either transferable financial instrument held as scheme assets or scheme assets that are properties occupied by the entity.

The entity has not responsibility on the scheme governance beyond the participation of the negotiation of the Collective Labour Agreements determining the benefits to pay and the payment of the required contributions. The management of the scheme is carried out by the insurer.

The following table shows the reconciliation between the present value of the defined benefits obligation and the fair value of the scheme assets in the statement of financial position:

	Thousand Euros	
	2018	**2017**
Present value of the obligations at 31 December	54,905	60,534
Fair value of scheme assets at 31 December	55,314	60,875
Deficit / (Excess) of the Plan	**(409)**	**(341)**
Limit to the asset	-	-
Net Asset/(Liability) at 31 December	**(409)**	**(341)**

There are no other amounts not recognised in the statement of financial position.

Amounts accounted for in results for post-employment benefits are as follows:

Components of the headings recognised in profit and loss	Thousand Euros	
	2018	**2017**
Current service cost	-	64
Net interest	(4)	(15)
Past service cost	-	-
Total expense/(revenue) recognised in Statement of Profit or Loss	**(4)**	**49**

- Current service cost – the increase in the fair value of the obligations arising from the services provided during the year by the employees, in the items “Personnel expenses”.
- Interest cost and expected return of the assets replaced in the new rule by a net amount for interests, calculated by applying the discount rate to the liability (or asset) for the commitment at the beginning of the financial year.
- Gain or loss resulting from any curtailment or settlement of the Scheme is charged to income for the financial year in which the right of the beneficiary to such curtailment or

settlement arises, this being the difference between the present value of the defined benefit obligations being settled, as of the settlement date, and the settlement price, including the scheme assets transferred and the payments made directly by the entity within the settlement.

- Past service cost arises from the reduction of the benefits to be paid to a significant number of employees that leave the scheme.
- "Actuarial gains and losses" are those arising from changes in actuarial assumptions used to quantify the obligations, the difference between assumptions and experience, as well as the income from the assets in excess of net interest. The Group accounts for the Gains and Losses in the equity in the period in which they are incurred and subsequently reclassifies them to "Valuation Adjustments in Equity".

The amounts recognised in equity for post-employment benefits are as follows:

Components of the items recognised in equity	**Thousand Euros**	
	2018	**2017**
Return on scheme assets (excluding the lesser net interest expense)	1,766	(912)
Actuarial gains/(losses):	(2,289)	424
Actuarial gains/(losses) for changes in demographical assumptions	-	-
Actuarial gains/(losses) for changes on financial assumptions	-	-
Experience actuarial gains/(losses)	(2,289)	424
Total amount accounted for in equity during the year	**(523)**	**(488)**

The amount of the commitments has been calculated on the following basis:

- Calculation method: "Projected Unit Credit Method", sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.
- Actuarial assumptions used: unbiased and compatible. Specifically, most significant actuarial assumptions are:

Actuarial assumptions:	**Year 2018**	**Year 2017**
Discount rate	1.46%	1.29%
Mortality tables	Perm/f-2000P	Perm/f-2000P
Disability tables	Inv. Tot (OM77)	Inv. Tot (OM77)
Wage growth	n/a	0% - 2.5%
Annual accumulative CPI	2.0%	2.0%

- Estimated retirement age for each employee is the first age in which he/she is entitled to retirement.
- Discount rate has been determined with reference to the rates at 31 December 2018, for securities with a term similar to the benefit payments expected, specifically the index iBoxx € Corporates AA+ 10.

The effect on definite benefit obligations at the end of the financial year, of the changes in the following assumptions, keeping the rest of the assumptions constant, is as follows:

Actuarial assumptions:	Year 2018
Discount rate (+1%)	50,015
Discount rate (-1%)	60,718
Annual accumulative CPI (+1%)	60,010
Annual accumulative CPI (-1%)	50,505

In order to determine the fair value of the insurance contracts related to pensions and the fair value of the scheme assets, the value of future payments has been considered discounted at the discount rate, since the payment flows expected guaranteed by the insurance company of the relevant policy are matched to the obligations expected future flows. For that reason, potential fair changes at the end of the period in the discount rate assumption would have the same effect in the fair value of the insurance contracts related to pensions and the fair value of the scheme assets.

Weighted average duration of the defined benefit obligations at the end of the financial year is around twelve years.

Pursuant to the law in force, all the supplementary benefits commitments undertaken by the companies of the Group are outsourced. Given their defined benefit nature and pursuant to the contracts clauses, the Group pays annually to the insurer the amounts required to ensure that the assets allocated to cover such commitments, managed by the insurer, are enough.

18.2 Defined contribution post-employment schemes

As of 31 December 2018, the Group has implemented benefits in order to supplement the benefits of the public Social Security system of certain employees and their beneficiaries, in the event of retirement, permanent disability, bereavement and loss of parent. These benefits are implemented in the so called "Pension Scheme of S.A. Damm employees". No contribution has been made in years 2018 and 2017.

Further to Note 3.14, S.A. Damm has certain commitments with certain senior managers of the Company by way of retirement, disability and death benefits, outsourced in previous years pursuant to the law in force through a defined contribution insurance policy. The charge to the Consolidated Statement of Profit or Loss for financial year 2018 amounted approximately to EUR 74 million.

19. Other current liabilities

The amount of this heading at the end of financial year 2018 and 2017 is as follows:

	Thousand Euros	
	2018	2017
Public administrations (Note 24.3)	38,383	40,901
Personnel accruals	20,763	19,804
Dividends (Note 26)	66	15,223
Other debts	11,342	12,428
Closing balance	**70,554**	**88,356**

20. Revenue

Net turnover includes the sales of finished product of beer, water, soft drinks, coffee and sandwich, as well as the sale of energy surplus from the cogeneration activity to third parties. Such amount is disclosed net of the Beer Special Tax expense accrued, which amounts in financial year 2018 to EUR 81.5 million (EUR 78.2 million in 2017).

The heading "Other operating income" essentially includes the Group revenues from the cost recovery from the operating and ordinary course of business, such as "Revenue from Sales of Advertising Material".

21. Expense

The main expenses of the Group by nature are as follows:

	Thousand Euros	
	2018	**2017**
Raw materials and consumables used	479,583	430,879
Employee costs	180,438	160,963
Other operating expenses	407,349	361,714

21.1. Raw materials and consumables used

This item breakdown is as follows:

	Thousand Euros	
	2018	**2017**
Purchases	477,692	437,245
Inventory change (Note 9)	1,891	(6,366)
Total	**479,583**	**430,879**

21.2. Personnel expense

	Thousand Euros	
	2018	**2017**
Wages Salaries	135,574	120,036
Social Security	36,850	32,666
Other personnel expense	8,014	8,261
Total	**180,438**	**160,963**

The number of employees of the Group as of 31 December 2018 and 2017, by professional category, is as follows:

	Number of Persons	
	2018	2017
Senior Management	11	11
Technical, Sales and Administration Personnel	2,469	2,195
Production Personnel	2,094	1,806
Total	**4,574**	**4,012**

As of 31 December 2018 and 2017, the distribution of personnel and members of the Board of Directors by category and sex is as follows:

	2018		2017	
	Men	**Women**	**Men**	**Women**
Senior Management	9	2	9	2
Technical, Sales and Administration Personnel	1,567	902	1,422	773
Production Personnel	1,471	623	1,242	564
Total	**3,047**	**1,527**	**2,673**	**1,339**
Board of Directors	7	1	8	1

The number of disabled personnel hired by the Group is 32 persons in 2018 and 24 persons in 2017, within the category "Technical, Sales and Administration Personnel".

Share based payments

Neither the Group nor its subsidiaries have implemented a remuneration scheme related to the evolution of the stock value of the shares of the parent company depending on the achievement of certain objectives.

Amendment or termination of contracts

During financial years 2018 and 2017 no transaction alien to ordinary activities of the Group implying an amendment or early termination of any contract between the Group of any of its Shareholders, Directors or person acting on their behalf has occurred.

21.3. Operating leases

The Group as a Lessee

	Thousand Euros	
	2018	**2017**
Operating lease quotas recognised in income for the financial year	29,734	25,516

Operating lease quotas essentially represent rents to be paid by the Group for some of its warehouses, offices, machinery, vehicles and pallets. Leases are negotiated for an average term of 3 to 5 years, and rents are set for 3 years in average.

At the end of financial years 2018 and 2017 the following minimum lease quotas are contracted with the lessors, pursuant to the present contracts in force and without taking into account common expenses passed on, future CPI increases or future contractually agreed rent updates:

Operating Leases Minimum Quotas	Thousand Euros				Thousand Euros			
	2018				2017			
	Vehicles	Pallets	Premises	Warehouses	Vehicles	Pallets	Premises	Warehouses
Less than a year	2,652	5,270	10,709	8,025	2,324	4,822	9,426	5,656
Between 1 and 5 years	6,629	13,176	26,773	20,062	5,811	12,056	23,564	14,139
Total	9,281	18,446	37,482	28,087	8,135	16,879	32,990	19,795

The Group as Lessor

Lease contracts in which the Group is the lessor are mainly some warehouse leases to distributors. Such leases are considered operating leases
Revenue from real estate lease during the year amounts to EUR 1,655 thousand (EUR 1,227 thousand in 2017), and is accounted for under “Other operating income” of the consolidated Statement of Profit or Loss.

The term for all the Group’s lease agreements is one year, with tacit renewal, and there are no reasonable indicators of non-renewal.

21.4. Other Information

Auditor fees for the companies of Damm Group and subsidiaries paid to the main auditor and related entities during financial year 2018, amount to EUR 359 thousand (EUR 352 thousand in 2017), of which EUR 152 thousand (EUR 152 thousand in 2017) refer to services provided to Sociedad Anónima Damm. In addition, auditor fees paid to other auditors in the audit of several companies of the Group amounted to EUR 95 thousand (EUR 73 thousand in 2017).

On the other hand, fees related to other professional services provided to the companies by the main auditor of the Group and related entities amount in 2018 to EUR 151 thousand (EUR 73 thousand in 2017). Additionally, EUR 13 thousand (2017: EUR 13 thousand) are included as other verification services.

22. Investment income

The detail of the items of this heading in the consolidated Statement of Profit or Loss by origin is:

	Thousand Euros	
	2018	2017
Investment income	6	7
Other interest and financial income	2,371	4,576
	2,377	**4,583**

The amounts under "Other interest and financial income" mainly refers to the remeasurement as of 31 December 2018 and 2017 of the implicit derivates of the bonds issued by the Group in 2016 (see Notes 14 and 15b) and to the interests accrued from finance credits to associates and joint arrangements, with other current financial assets and cash and cash equivalent in year 2018 (See Notes 8, 10.2 and 11).

23. Finance expenses

The detail of the items of this heading in the consolidated Statement of Profit or Loss by origin is:

	Thousand Euros	
	2018	2017
Finance expenses and similar expenses	3,397	5,097
Loan interests	5,797	5,063
Total Finance expenses	**9,194**	**10,160**
Exchange differences (revenue)	**(274)**	**887**

The heading "Finance expenses and similar expenses" includes the interest expense accrued in the issue of convertible bonds (Note 14) for an amount of EUR 3,314 thousand in 2018 (EUR 3,295 million in 2017) and the financial expense related to tax assessments in agreement (Note 24.2) for the amount of EUR 39 (was EUR 1,764 thousand in 2017).

24. Taxation

24.1 Consolidated Tax Group

Since financial year 2009, and pursuant to the resolutions of the relevant Shareholders' General Meetings of all the companies that would be part of the tax group, the Group started to pay taxes under the regime of consolidated taxation within Tax Group 548/08.

Companies included in this group in year 2018 are the following:

Companies in the Tax Group
S.A.Damm
Agama Manacor 249, S.L.
Aguas de San Martín de Veri, S.A.
Alada 1850, S.L.
Artesanía de la Alimentación S.L.
Balear de Cervezas, S.L.
Cafés Garriga 1850, S.L.
Cafeteros desde 1933, S.L.
Cervezas Damm Internacional, S.L.
Cervezas Victoria 1928, S.L.
Cervezas Victoria Málaga, S.L.

Compañía Cervecera Damm, S.L.
Compañía Damm de Aguas, S.L.
Compañía de Explotaciones Energéticas, S.L.
Corporación Económica Delta, S.A.
Damm Atlántica, S.A.
Damm Canarias, S.L.
Damm Distribución Integral, S.L.
Damm Innovación, S.L.
Damm Restauración, S.L.
Damm Cuba, S.L.
Distrialmo, S.L.
Envasadora Mallorquina de Begudes, S.L.U.
Estrella de Levante Fábrica de Cerveza, S.A.
Estrella del Sur Distribuciones Cerveceras S.L.
Expansión DDI del Garraf, S.L.
Expansión DDI del Levante, S.L.
Expansión DDI Valenciana, S.L.
Comercial Distribuidora de Bebidas del Noreste, S.L.
Comercial Mallorquina de Begudes, S.L.U.
Font Salem Holding, S.L.
Font Salem, S.L.
Friosevinatural, S.L.
Gestión Fuente Liviana, S.L.
Goethe, S.L.
Holding Cervecero Damm, S.L.
Licavisa, S.L.
Maltería La Moravia, S.L.
Minerva Global Services, S.L.
Neverseen Media, S.L.
Osiris Tecnologia y Suministros Hosteleros, S.L.
Pallex Iberia, S.L.
Plataforma Continental, S.L.
Pumba Logística, S.L.
Representaciones Reunidas Ulbe, S.L.
Rodilla Sánchez, S.L.
Setpoint Events, S.A.
S.A. Distribuidora de Gaseosas, S.L.

24.2 Periods subject to tax audit

As of the 31 December 2018, 5 years for Corporate Tax and 4 years within the time limit for VAT, Individuals Income Tax and Special Tax are open for tax audit.

That notwithstanding, formal enquires were raised for the following years:

a) <u>partial formal enquiries in years 2006-2011</u>

Contested tax assessments - dated 11 May 2012 and 26 November 2013 - were signed, without penalties, for the amount of EUR 6,539 thousand and EUR 8,130 thousand (tax liability plus interests in arrears) for years 2006 to 2008 and years 2009 to 2011 respectively. The tax liability assessed is related in full to the deduction for extraordinary interest events. Appeal was lodged against such assessments before the Central Economic Administrative Court (Tribunal Económico Administrativo Central), which dismissed such appeals. S.A. Damm, as parent company of Tax Group 548/08, appealed such decisions before the National Court (*Audiencia Nacional*). At the end of 2017 the National Court dismissed such appeals, a decision that has been appealed for cassation before the Supreme Court, and such appealed is still to be accepted for proceeding.

b) <u>Partial formal enquiries in years 2011-2013</u>

On the 22 October 2015 formal inquiries have been raised for the Corporate Tax, Value Added Tax and Withholding and Payments on Account for the period 2011-2013 of the companies Compañía Cervecera Damm S.L., Corporación Económica Delta S.A., Estrella de Levante Fábrica de Cerveza S.A.U, Font Salem S.L., Maltería La Moravia S.L. and Plataforma Continental S.L.. As they are part of Tax Group 548/08, tax audit actions were also carried with the company S.A. Damm as parent of the Tax Group.

With regard to these formal enquiries for the Corporate Tax, in the 7th of July, 2017, the Company signed Tax Assessments in agreement with regard to all the companies under audit (in its capacity of parent company of Tax Group 548/08), without penalties being imposed, for the amount of EUR 7,893 thousand euros (tax liability plus interests in arrears). In the same date and also in agreement and without penalties, Tax Assessments were subscribed with regard to the Personal Income Tax (Withholding and Payments on Account) and Value Added Tax for the amount of EUR 874 thousand and EUR 1,170 thousand respectively (tax liability plus interests in arrears) and Contested tax assessments related to the deductibility of interests, in the amount of EUR 263 thousands, which have been appealed before the TEAC (Central Economic Administrative Court).

As a result of the completion of such tax audit process, the Companies recorded an expense under "Companies Tax" in the Statement of Profit or Loss for 2017 such Assessments in agreement as well as the impact of the supplementary tax returns for years 2014-2016. Likewise, the related interest expenses amounting to EUR 1,764 thousand were recorded under "Finance expenses" in the Statement of Profit or Loss enclosed herewith (Note 23) of 2017.

c) Partial formal enquiries in years 2015 and 2016

On the 21 June 2018, partial formal inquiries have been raised for the Corporate Tax, for the period 2015 and 2016.

As a result of such inquiries, S.A.Damm signed Tax assessments in Agreement, without penalty, for the amount of EUR 761 thousand (tax liability plus interests in arrears) and Contested tax assessments, also without penalty, for the amount of EUR 1,425 thousands (tax liability plus interests in arrears). With regard to the Contested Tax Assessments, S.A.Damm is still pending to file the relevant claim before the TEAC as the assessment has not yet been notified.

Due to possible different interpretations of the tax laws, the result of the tax audits in progress and those carried out in the future for the years subject to assessment may give rise to tax liabilities. That notwithstanding, in the opinion of the tax advisors and the Directors, the possibility of the confirmation of significant additional liabilities to those accounted for in these Consolidated Financial Statements is remote.

24.3 Balances held with the Tax Authorities

Debtor and creditor balances with the Tax Authorities as of 31 December 2018 and 2017 were:

	Thousand Euros	
	2018	**2017**
Debtor balance		
Income tax	6,644	10,682
Value Added Tax	14,049	7,847
Other	654	445
Total	**21,347**	**18,974**

	Thousand Euros	
	2018	**2017**
Creditor balance		
Income tax	318	3,998
Value Added Tax	6,665	6,051
Special Taxes on Beer, Individuals Income Tax and	31,400	30,852
Total	**38,383**	**40,901**

Debtor balances are included under "Trade and Other Receivables" of the assets of the consolidated statement of financial position.

Debtor balances are included under "Trade and Other Receivables" of the assets of the consolidated statement of financial position.

24.4 Reconciliation of accounting and tax income

The reconciliation between the taxable income for the financial year and the accounting income for 2018 and 2017 in thousands of euros follow:

Year 2018	Increase	Decrease	**Amount**
Accounting income for the financial year (after taxes)			**114,852**
Income tax on Continuing Activities	24,597	(2,123)	**22,474**
Income tax on Continuing Activities	-	-	**-**
Total Income tax			**22,474**
Individual Adjustments:			
Permanent Differences	16,800	(14,331)	**2,469**
Temporary Differences	10,206	(6,511)	**3,695**
Tax Consolidation Adjustments:			
Permanent Differences	-	(759)	**(759)**
Temporary Differences	-	-	**-**
Consolidation Adjustments:			
Temporary Differences	-	-	**-**
Interest in companies accounted for using the equity method	-	(17,279)	**(17,279)**
Tax Losses Offset		(5,820)	**(5,820)**
TAXABLE PROFIT			**119,632**

Year 2017	Increase	Decrease	**Amount**
Accounting income for the financial year (after taxes)			**114,706**
Income tax on Continuing Activities	54,900	(3,619)	**51,281**
Income tax on Continuing Activities	-	-	**-**
Total Income tax			**51,281**
Individual Adjustments:			

Permanent Differences	22,034	(5,291)	**16,743**
Temporary Differences	7,941	(11,066)	**(3,125)**
Tax Consolidation Adjustments:			
Permanent Differences	-	(892)	**(892)**
Temporary Differences	-	(21)	**(21)**
Consolidation Adjustments:			
Temporary Differences	-	(358)	**(358)**
Interest in companies accounted for using the equity method	-	(25,033)	**(25,033)**
Tax Losses Offset		(5,319)	**(5,319)**
TAXABLE PROFIT			**147,982**

The Company files consolidated tax returns within the Tax Group 548/08, the Parent Company of which is Sociedad Anónima Damm. The companies of the aforesaid tax group jointly determine the taxable income therefor which is distributed among them pursuant to the basis set forth by the *Instituto de Contabilidad y Auditoría de Cuentas* as regards the accounting and determination of the individual tax burden.

Permanents Differences essentially relate to impairment reversal for interests in other entities that were deducted in years previous to 2013, to adjustment for donations and the application of the capitalization reserve.

Likewise, temporary differences relate to adjustments for free depreciation, limitations to the deduction of the depreciation of goodwill and intangible, the amortization of the balance updates and the recovery of the limit to the amortization of PPE applied in years 2013 and 2014.

The Parent Company has recorded the Capitalisation Reserve (art. 25 LIS), which allows the reduction of the taxable base for the amount of 10% of the increase of net equity (that will usually tally with the profits obtained by the company and not distributed). The limit for this adjustment is 10% of the taxable base before the tax losses offset, provided this increase is maintained for 5 years and a reserve is allocated for the amount of this negative adjustment, that must appear separately in the statement of financial position and will not be available during these 5 years.

24.5 Corporate tax recognised in Statement of Profit or Loss

The reconciliation between the income tax expense resulting from applying the general tax rate in force in Spain and the expense for such tax in years 2018 and 2017 follows:

	2018	**%**	**2017**	**%**
PRE-TAX PROFIT/(LOSS)	**137,326**		**165,987**	
Income tax theoretical expense	(34,332)	(25%)	(41,497)	(25%)
Portfolio depreciation taxation	(2,620)	(2%)	(2,196)	(1%)
Tax adjustments	1,856	1%	(1,635)	(1%)
Equity method total net profit effect	4,320	3%	6,258	3%
Tax losses carryforwards applied in the year and/or activated	1,455	1%	1,330	1%
Tax deduction and other	8,469	6%	1,952	1%
Other provisions	(1,622)	(1%)	(15,493)	(9%)

Income tax	(22,474)	(17%)	(51,281)	(31%)

	Thousand Euros	
	2018	**2017**
Current income tax and other	(23,509)	(49,615)
Deferred income tax advancing (expense and income)	1,035	(1,666)
	(22,474)	**(51,281)**

Current income tax is calculated by applying 25% to the estimated taxable base for the financial year.

24.6 Tax recognised in equity

Regardless of the income tax recognised in the consolidated Statement of Profit or Loss, in financial years 2018 and 2017 the Group has passed on its consolidated equity the following accumulated taxes under the following headings:

	Thousand Euros	
	2018	**2017**
Cash flow hedging	(17)	37
Due to actuarial gains and losses and other adjustments	(131)	(122)
TOTAL Taxes recognised in equity	**(148)**	**(85)**

24.7 Deferred tax

Under the law in force, in financial years 2018 and 2017 certain temporary differences have arisen that must be taken into account when calculating the relevant income tax expense.

The difference between 2018 and previous years' burden tax, and the burden tax already paid or to be paid for these years, included under Deferred Tax Assets and Deferred Tax Liabilities has arisen as a result of temporary differences with origin in several financial years.

Main deferred tax assets and liabilities recognised by the Group and changes during the year follow:

	Thousand Euros	
	Balance at 31 December 2017	Balance at 31 December 2018
Deferred tax assets:		
Pension liability	-	-
Goodwill impairment losses and intangible tax adjustments	1,305	2,041
Credits and deductions	9,498	8,670
Other provisions	(133)	(139)
Capitalisation reserve	14	13
Financial assets at fair value through other comprehensive income	49	38
Amortisation limit	5,490	4,699
Balance update	5,919	5,424

Other	2,956	4,812
Total	25,098	25,558

	Thousand Euros	
	Balance at 31 December 2017	Balance at 31 December 2018
Deferred tax liabilities :		
Financial assets at fair value through other comprehensive income	-	-
Liberty of depreciation	(4,514)	(6,613)
Other non-current liabilities	(769)	(620)
Harmonisation adjustments	183	229
Allocation of capital gains	(5,166)	(1,929)
Other	(288)	(1,195)
Total Deferred Tax Assets	(10,554)	(10,128)

Temporary differences arising from interest in associates and joint arrangements are irrelevant.

25. Net profit and loss on impairment and disposal of assets and financial instruments

25.1 Net profit and loss on impairment and disposal of non-current assets

Disaggregation of “Net profit and loss on impairment and disposal of non-current assets” for financial years 2018 and 2017 is as follows:

	Thousand Euros	
	2018	**2017**
Impairment and disposal of property, plant and equipment	(3,334)	(2,470)
Profit / (Loss) on disposal of holdings (Note 2.2 d)	2,875	-
Goodwill impairment (Note 4)	(150)	(291)
Net profit and loss on impairment and disposal of non-current assets	**(609)**	**(2,761)**

“Impairment and Disposal of property, plant and equipment” discloses the difference between recoverable value and accounting value of several assets identified during the refit, improvement and modernization of several plants, logistic centres as well as in points of sale of the Food and Beverages business.

25.2 Net gain/(loss) from disposal of financial instruments

In 2017 this heading recorded the profit or loss from the disposal of several assets (Note 8).

26. Appropriation of results

Profit for the financial year of the Parent Company of the Group, S.A.Damm has been EUR 75,692 thousand. The proposal for the distribution of results for financial year 2018 the Board of Directors will submit to the approval of the Shareholders’ General Meeting is the following:

	Thousand Euros
Dividends:	
Interim (*)	38,105
Supplementary	22,865
Active Dividends(**)	**60,970**
Voluntary Reserves	**14,722**
Net Profit of the Parent Company for financial year 2018	**75,692**

(*) Accounted for under “Interim dividend paid during the financial year” of equity.
(**) Refer to 0.24 € gross -partially paid as interim- for any of the shares issued (other than treasury shares) existing at the time of the distribution. The amount of the supplementary dividend is calculated taking into account the issued shares existing at the time of the preparation of these financial statements. The amount could change depending of the number of issued shares existing at the time of the payment.

Provisional financial statements prepared by the parent company of the Group, S.A.Damm, pursuant to legal requirements, showed enough resources for the distribution of interim dividends for financial year 2018, as follows:

	1st Divid.	2nd Divid.
Payment Date	15/10/18	20/12/18

	Million Euros	
Interim Dividend	**15.2**	**22.9**
Treasury liquidity	117.0	88.2
Undrawn credit liquidity	319.0	319.0
Total liquidity	**436.0**	**407.2**
	Euros	
Gross dividend per share:	0.06	0.09

In addition, previsions for the results in each date allowed their distribution. The proposed supplementary dividend is subject to the approval of the shareholders in their Annual General Meeting and is not included as a liability in these financial statements.

27. Earnings per share

Basic earnings per share / Diluted earnings per share

Basic earnings per share is determined by dividing the net result attributed to the Group in one year by the weighted average number of the outstanding shares during this year, and excluding the average number of treasury shares held over the year.

Diluted earnings per share shall be calculated by dividing the net result attributable to ordinary equity holders adjusted by the effect attributable to dilutive potential ordinary shared and the weighted average number of ordinary outstanding shares during the period adjusted by the weighted average number of the ordinary shares that would be issued if all the potential ordinary shares were converted into ordinary shares. Conversion is considered to take place for such purposes at the beginning of the period or when the potential ordinary shares are issued, it they had been issued during the period

As there are no dilutive equity instruments, basic earnings per share coincide with diluted earnings per share, and have been determined as follows

	2018	2017	Change in
Net profit for the financial year (million euros)	112.84	112.47	0.37
Weighted average number of outstanding shares (million shares)	270.08	270.08	-
Less: Treasury shares (million shares)	16.85	18.09	(1.24)
Average number of outstanding shares (million shares)	253.23	251.99	1.24
Adjusted average number of shares for the calculation of diluted earnings per share (million shares)	253.23	251.99	1.24
Basic / diluted earnings per share (euros)	0.45	0.45	0.00

28. Events after the statement of financial position date

There are no significant events after the statement of financial position date.

29. Transactions with related parties

29.1. Balances and transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties, are part of the ordinary course of business of the company and have been eliminated in the consolidation process, and therefore not disclosed in this Note.

a) Shareholders

During financial year 2018 there have been no relevant transactions between the Parent Company and its shareholders, other than the transaction disclosed in Note 12.4 regarding treasury shares transactions.

b) Associates, joint arrangements and other related parties

Transactions with associates, joint arrangements and other related parties mainly refer to sales and purchases of products made under the Group usual tariffs less the relevant rebates. Such transactions are as follows:

	Thousand Euros						
	2018						
	Purchases	Sales	Services received	Services provided	Financial income	Dividend received	Credits (Note 8)
Group Trade Eurofradis	-	19,947	1,039	-	-	175	-
Serhs Distribució i Logística, S.L.	-	58,686	516	74	-	-	-
Euroestrellas Badalona S.L.	-	7,603	18	7	-	6	-
Comergrup S.L.	3,388	-	205	171	-	-	-
Dehesa de Santa María, S.L.	-	-	-	-	-	445	-
Grupo Cacaolat S.L.	2,305	4	32	616	536	-	19,200
Quality Corn S.A.	5,674	-	-	-	-	-	-
United States Beverages L.L.C.	-	1,767	180	-	17	-	882
Cortsfood, S.L.	-	-	-	-	-	-	-
Bizkaiko Edari Komertzialak, S.L.		4,088	17	42	24	-	1,350
Ebro Foods, S.A.	5,189	-	-	91	-	10,092	-

	Thousand Euros						
	2017						
	Purchases	**Sales**	**Services received**	**Services provided**	**Financial income**	**Dividend received**	**Credits (Note 8)**
Group Trade Eurofradis	-	20,146	1,081	-	-	200	-
Serhs Distribució i Logística, S.L.	-	63,431	542	74	-	63	-
Euroestrellas Badalona S.L.	-	7,044	24	5	-	6	-
Dehesa de Santa María, S.L.	-	52	-	-	-	-	-
Comergrup S.L.	3,653	-	171	165	-	-	-
Grupo Cacaolat S.L.	2,423	3	30	750	413	-	19,200
Quality Corn S.A.	5,418	-	6	-	-	-	-
United States Beverages L.L.C.	-	1,729	2,255	-	26	-	842
Ebro Foods, S.A.	5,152	-	-	14	-	10,092	-

c) Directors and Senior Management

The members of the Board of Directors and Senior Managers, as well as the shareholders represented in the Board of Directors, have not taken part in any unusual and/or relevant transaction of the Group during financial years 2018 and 2017.

29.2. Remunerations of the Board of Directors

Article 28 of the Articles of Association of the Parent Company sets forth that the members of its Board of Directors will receive as a share of the profit for the financial year of the company an amount set according to such profit.

Therefore, the members of the Board of Directors of the Parent Company received during 2018 the following gross amounts:

	Thousand euros	
	2018	**2017**
Fixed remuneration	1,250	1,100
Variable remuneration	-	-
Payments as per the Articles of	8,000	8,000
Allowances	1,008	1,053
	10,258	**10,153**

In addition, the members of the Board of Directors of the Parent Company have received EUR 300 thousand by way of payment as per the Articles of Association and EUR 844 thousand by way of allowances under their membership of other boards of directors of companies of the Group.

As of 31 December 2018 and 2017 the Parent Company had not entered into pension plans or life insurance policies obligations for former or current members of the Board of Directors. That notwithstanding, and for the members of the Board that resigned from their office under certain conditions, the Parent Company recognises certain provisions arising from annuities to its Directors (see Note 3.14).

The amount paid in financial year 2018 by way of professional liability insurance for the Directors has been EUR 45 thousand (was EUR 45 million in 2017).

29.3. Senior Management remuneration

Total remuneration for years 2018 and 2017 amounted to EUR 4,439 thousand and EUR 4,251 thousand respectively.

In addition, several Senior Managers are included in the outsourced policy mentioned in Notes 3.14 and 18.2. The amount of post-employment benefits paid during financial years 2018 and 2017 for certain Senior Managers amounted to EUR 74 thousand and EUR 72 thousand respectively.

30. Information regarding conflicts of interests of the Directors

At the end of financial year 2018 neither the Directors nor any related parties thereof as defined in the Companies Act had disclosed to the rest of the members of the Board of Directors any direct or indirect conflict situation they could had with the interests of the Parent Company.

31. Guarantees provided to third parties

As of 31 December 2018 the Group had suretyships arising from its activities and arrangements for the amount of EUR 38.3 million (was EUR 35.4 million in 2017).

The Directors of the Group consider that there will not be no other significant additional liabilities than those accounted for in the consolidated statement of financial position under the transactions mentioned in this note.

32. Contingent liabilities and contingent assets

Contingent liabilities:

> There is no significant outstanding litigation, trade related or other, from which relevant contingent liabilities could arise for any of the companies of the Group.

Contingent assets:

> There is no significant outstanding litigation, trade related or other, from which relevant contingent assets could arise for any of the companies of the Group.

33. Environmental information

The Group has in its plant, property, and equipment several elements for the protection and improvement of the environment with an aggregate investment of EUR 44.7 million (was EUR 43.3 million in 2017).

In addition, during financial year 2018, the Group incurred in several expenses in order to protect and improve the environment. Expenses for regular maintenance activities and other amount to an aggregate of EUR 5.7 million (was EUR 4.5 million in 2017).

On the other hand, the Group has contracted an external service for the regular collection of inert waste, and the collection of the rest of residues is contracted with waste management agreed firms.

As of 31 December 2018 the Company does not have any provision for potential environment risks accounted for as there are no significant contingencies related to potential litigation, compensation or other. In addition, the Company has insurance policies as well as safety plans that reasonably ensure the coverage of any possible contingency arising from its environmental activity.

In addition, the Group prepares an environmental report explaining all the aspects and activities carried in this area.

34. Subsidiaries, Join Arrangements and Associates

The detail of Damm Group subsidiaries, joint arrangements and associates as of 31 December 2018 follows: (see table)

DAMM GROUP SUBSIDIARIES

Company	Registered Address	Activity	Accounting method used	Effective Interest		Thousand Euros				
						Investee Details				
				Holder	%	Assets	Liabilities	Equity	Profit / (Loss)	Revenue
Agama Manacor 249, S.L.U. (*)	Calle Manacor 249 PALMA	Exploitation of all kind of dairy business and manufacturing and selling all kind of food and beverages	Full Consolidation	S.A.Damm	100%	13.081	14.182	(1.101)	(771)	8.389
Aguas de San Martín de Veri, S.A. (*)	Ctra. A Pont de Suert s/n BISAURRI (Huesca)	Water bottling and selling	Full Consolidation	Compañía Damm de Aguas, S.L.	99,59%	18.187	3.599	14.588	1.617	12.463
Alada 1850 S.L. (*)	Ronda de Santa Maria nº16 08210 Barberà del vallés (Barcelona)	Own premises management, management of the trademark "Jamaica Coffee Shop" rights on franchisees and management of securities and real estate	Full Consolidation	Rodilla Sanchez S.L.	100,00%	1.888	481	1.407	548	4.937
Alfil Logistics, S.A. (*)	Ríos Rosas, 44 MADRID	Logistic activities operation and sale	Full Consolidation	S.A.Damm	60,00%	36.103	22.539	13.564	3.412	108.792
Artesania de la Alimentación S,L. (*)	C/ Secoya nº 19 , Madrid	Manufacture and sale of food products for Rodilla stores chain	Full Consolidation	Rodilla Sanchez S.L.	100,00%	5.633	1.378	4.255	1.572	8.978
Balear de Cervezas S.L.	c/Dels Reis 168 PALMA	Manufacture, sale, distribution, export, of any kind of beverages and food	Full Consolidation	S.A. Damm	100,00%	5	-	5	-	-
Barnadís Logística 2000, S.L.	La Máquina nº 23, GAVA (BARCELONA)	Wholesale of any kind of beverages and food	Full Consolidation	Distridam, S.L.	100,00%	331	103	228	18	909
Cafés Garriga 1850 S.L (*)	Ronda Santa María ,16 BARBERÁ DEL VALLES (Barcelona)	Coffee, tea and subsitutes preparation and sale	Full Consolidation	Damm Restauración S.L	100,00%	4.621	3.378	1.243	76	3.098
Cafeteros desde 1933 S.L. (*)	Poligono Industrial Fuente del Rey. Carretera de la Isla Menor km 0,5 nave 1D, Dos Hermanas (Sevilla)	Restaurants, bars and cafeterias operation or lease. Management of the brand "Café de Indias" rights and managment of securities and real estate	Full Consolidation	Rodilla Sanchez S.L.	100,00%	3.006	3.466	(460)	(113)	1.929
Carbóniques Becdamm, S.L.(**)	Avda. Enclar 142, Santa Coloma Parròquia de Andorra la Vella	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	50,50%	2.059	1.556	503	291	5.790
Damm Canarias S.L.	Rosselló, 515 BARCELONA	Wholesale and retail, deposit, handling and transport of any kind of beverages and food	Full Consolidation	S.A.Damm	100,00%	1.555	1.547	8	3	1.653
Dayroveli S.L. (**)	Rosselló, 515 BARCELONA	Wholesale and retail, deposit, handling and transport of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	60,00%	7.753	4.063	3.690	(310)	3.228
Estrella del Sur Distribuciones Cerveceras, S.L. (**	C/Merlina 30, Pol.Ind. Cra. de La Isla, Dos Hermanas, SEVILLA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	1.996	1.560	436	106	6.016
Cerbeleva, S.L. (**)	Mayor, 171 ESPINARDO (Murcia)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	70,00%	11.963	5.300	6.663	142	27.632
Cervezas Calatrava S.L. (**)	Carlos Morales s/n POBLETE (CIUDAD REAL)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	60,00%	2.707	1.505	1.202	(142)	1.954
Cervezas Damm Internacional, S.L.	Rossellón, 515 BARCELONA	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	S.A.Damm	100,00%	151	-	151	(1)	-
Cervezas Victoria Málaga, S.L. (**)	Leopoldo Lugones 28 (P.I.Guadalorce) MÁLAGA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	1.924	2.004	(80)	(19)	4.131
Cervezas Victoria 1928, S.L.	Veracruz 62 (Edificio Paris - P.I. San Luis) MÁLAGA	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100,00%	8.821	9.514	(693)	(105)	971
Comercial Distribuidora de Cervezas del Noroeste, S.L. (**)	Rossellón, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	85,00%	3.799	1.850	1.949	(223)	3.154
Comercial Mallorquina de Begudes, S.L. (*)	Rossellón, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	33.934	32.943	991	(249)	55.454
Comercial Plomer Distribucions S.L. (*)	Rosellón, 515 Barcelona	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100,00%	1.296	608	688	(25)	1.920

(*) Companies audited by the auditor of the Parent Company.
(**)Companies audited by other auditor

DAMM GROUP SUBSIDIARIES

Compañía Cervecera Damm, S.L. (*)	Rosellón, 515 Barcelona	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100,00%	265.671	56.948	208.723	11.123	214.789
Compañía Damm de Aguas, S.L.	Rosselló, 515 BARCELONA	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	S.A.Damm	100,00%	27.916	4.053	23.863	(467)	-
Compañía de Explotaciones Energéticas, S.L. (*)	Rosselló, 515 BARCELONA	Electricity cogeneration	Full Consolidation	S.A.Damm	100,00%	24.740	3.697	21.043 86.490	2.201 1.344	8.407 10.692
Corporación Económica Delta, S.A. (*)	Rosselló, 515 BARCELONA	Lease, use and operation of real estate and holding of securities and financial assets	Full Consolidation	S.A.Damm	99,99%	396.754	310.264	86.490	1.344	10.692
Crouchback Investments, LTD	3rd. Floor, 20-23 Greville Street LONDON (UK)	Securities and financial assets holding	Full Consolidation	Corporación Económica Damm, S.A.	100,00%	2.425	4	2.421	593	705
Damm Atlántica S.A. (*)	Rosselló, 515 BARCELONA	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	2.484	1.978	506	7	14.001
Damm Brewery UK, L.T.D	166 Piccadilly, LONDON	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	797	583	214	260	727
Damm Brewery Sweden AB	Regeringsgatan 30, 111 53 Stockholm, Sweden	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	73	26	47	23	129
Damm Brewery (Australia) PTL LTD	Level 27, AMP Center, 50 Bridge Street, SYDNEY	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	169	80	89	76	523
Damm Cuba S.L.	Rosselló, 515 BARCELONA	Wholesale and retail of any kind of beverages and food	Full Consolidation	S.A.Damm	100,00%	574	9	565	(95)	-
Damm Distribución Integral, S.L.	Rosselló, 515 BARCELONA	Securities and financial assets holding	Full Consolidation	S.A. Damm Corporación Económica Damm, S.A.	99,10% 0,89%	112.516	101.895	10.621	(80)	2.264
Damm Innovación, S.L.	Rosselló, 515 BARCELONA	Securities holding	Full Consolidation	S.A.Damm	100,00%	10.633	201	10.432	2.680	329
Damm Portugal Unipersonal L.D.A	Quinta da Mafarra, SANTAREM (Portugal)	Wholesale of any kind of beverages and food and exploitation of mineral water sources	Full Consolidation	S.A.Damm	100,00%	4.934	5.629	(695)	106	4.568
Damm Restauración, S.L.	Rosselló, 515 BARCELONA	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	S.A.Damm	100,00%	45.003	5.400	39.603	5.831	445
Damm Services Corporation	160 Mine Lake Court, Suite 200 Raleigh Wake County North Carolina 27615	Inspection and repair of wood pallets	Full Consolidation	S.A.Damm	100,00%	462	112	350	(766)	1.307
Dismenorca S.L. (**)	Calle Sabaters 16, 07760 Ciutadella de Menorca (Balears)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	51,00%	5.395	723	4.672	452	5.319
Distridam, S.L. (**)	La Máquina nº 23, GAVA (BARCELONA)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	68,40%	17.341	9.075	8.266	1.866	46.119
Distrialmo, S.L. (**)	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	90,00%	2.504	1.653	851	146	5.890
Distriduidora de Begudes Movi, S.L. (**)	Calle Fenosa s/n, naves 1-2 Pol. Ind. Can Roca (Martorelles)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	55.06%	1.186	1.380	(194)	(6)	3.438
Envasadora Mallorquina de Begudes, S.L. (*)	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Compañía Damm de Aguas, S.L.	100,00%	1.351	1.936	(585)	(445)	4.157

(*) Companies audited by the auditor of the Parent Company.
(**)Companies audited by other auditor

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Estrella Damm Chile SpA	Isidora Goyenechea nº347, Santiago (Chile)	Wholesale of any kind of beverages and food	Full Consolidation	Cervezas Damm Internacional, S.L.	100,00%	31	6	25	3	21
Estrella Damm Guinea Ecuatorial, S.L.	Bouygues Batiment Internatio nal, Malabo II, Bioko Norte EQUATORIAL GUINEA	Corporate services provision	Full Consolidation	Cervezas Damm Internacional, S.L.	100,00%	-	-	-	-	-
Estrella Damm Consulting (Shanghai) Co. Ltd.	Room 730, 7th floor nº 3, Lane 1473 Zhenguang Road Putuo District Shanghai (China)	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	26	21	5	(151)	-
Estrella Damm Services Canada, Inc.	666 Burrard Street VANCOUVER (Canada)	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	67	17	50	14	151
Estrella Damm Trading Co, Ltd	Wuding Road Number 969, Building 6 Room 601, Shanghai (China)	Wholesale of any kind of beverages and food	Full Consolidation	S.A.Damm	100,00%	1.325	1.845	(520)	(538)	2.169
Estrella Damm US Corporation	1500 San Remo Avenue, Suite 125 Coral Gables FL 33146 Florida	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	280	120	160	125	1.134
Estrella de Levante Fábrica de Cerveza, S.A.U. (*)	Mayor, 171 ESPINARDO (Murcia)	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100,00%	44.405	27.264	17.141	3.318	65.679
Expansión DDI Del Levante S.L.	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food and exploitation of mineral water sources	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	11.721	1.721	10.000	-	-
Expansión DDI Garraf, S.L.	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food and exploitation of mineral water sources	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	5	-	5	-	-
Expansión DDI Valenciana, S.L.	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food and exploitation of mineral water sources	Full Consolidation	Damm Distribución Integral, S.L.		5	-	5	-	-
Font Salem, S.L. (*)	Partida Frontó, s/n SALEM (Valencia)	Production, bottling and sale of soft drinks and beer	Full Consolidation	S.A.Damm	96,30%	171.700	51.297	120.403	23.191	248.056
				Crouchback Investments, LTD	3,70%					
Font Salem Holding, S.L.	Partida Frontó, s/n Polígono 2 SALEM (Valencia)	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	Font Salem, S.L.	100,00%	44.786	28.816	15.970	(244)	-
Font Salem Investimentos SGPS Unipessoal LDA	Quinta da Mafarra, SANTAREM (Portugal)	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	Font Salem Holding, S.L.	100,00%	54.603	44.932	9.671	2.616	2.618
Font Salem Portugal, S.A. (**)	Quinta da Mafarra, SANTAREM (Portugal)	Brewery and sale of beer and derivatives	Full Consolidation	Font Salem Investimentos SGPS Unipessoal LDA	100,00%	81.175	26.818	54.357	2.618	110.059
Friosevinatural, S.L.	P.I. Fuente del Rey Nave 1-D Ctra. Isla Menor, Km 0,5. 41.700 Dos Hermanas (Sevilla)	Product distribution for own stores and franchisees	Full Consolidation	Cafeteros desde 1933, S.L.	100,00%	528	406	122	(21)	-
Fundación Damm	Rosellón, 515 Barcelona	Foundation	Full Consolidation	S.A.Damm	100,00%	4.115	952	3.163	(6)	4.769
Gasteiz Banaketa Integrala S.L. (**)	Rosellón, 515 Barcelona	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	5.436	2.899	2.537	(19)	1.827
Gestión Fuente Liviana, S.L. (*)	Ctra. de Cañete, s/n HUERTA DEL MARQUESADO (Cuenca)	Mineral water and spirits marketing	Full Consolidation	Compañía Damm de Aguas, S.L.	100,00%	14.617	2.906	11.711	1.683	12.108
Goethe, S.L. (**)	Ctra. De Sa Pobla a Muro km.1, Pobla (Illes Balears)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	2.962	472	2.490	(33)	3.717
Hamburguesa Nostra S.L.	Calle Alsasua 14 Pl Baja Puerta Derecha Madrid	Wholesale and retail and restaurants of burguers and any other foods, operation of licenses and licensing and franchising with such activities	Full Consolidation	Damm Restauración, S.L.	100,00%	4.842	4.013	829	(3.483)	374

(*) Companies audited by the auditor of the Parent Company. (**)Companies audited by other auditor

DAMM GROUP SUBSIDIARIES

Hamburguesa Nostr Franquicia S.L.	Calle Alsasua 14 Pl Baja Puerta Derecha Madrid	Wholesale and retail and restaurants of burguers and any other foods, operation of licenses and licensing and franchising with such activities	Full Consolidation	Hamburguesa Nostra S.L.	100,00%	23	19	4	(96)	159
Holding Cervecero Damm, S.L. (*)	Rosellón, 515 Barcelona	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	S.A.Damm	100,00%	272.640	1	272.639	19.487	16.170
Licavisa, S.L. (**)	Polígono industrial Aimair Parcela C-3-D, San Martin de la Vega (Madrid)	Beverages retail of any kind	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	7.250	3.264	3.986	360	17.124
Maltería la Moravia, S.L. (*)	Rosellón, 515 Barcelona	Preparation and sale of malt and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100,00%	19.367	4.390	14.977	397	27.410
Minerva Global Services, SL.L.	Rosellón, 515 Barcelona	Creation and operation of an Internet Viertual Market	Full Consolidation	Osirus Tecnlogía y Suministros Hoteleros, S.L.	100,00%	310	2.321	(2.011)	36	1.016
Nabrisa Distribuciones S.L. (**)	Camí de Capellans s/n Vilano va i la Geltrú BARCELONA	Wholesale and retail of any beverages and food and catering, home and commerce consumables	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	1.732	601	1.131	-	4.016
Neverseen Media S.L.	Río Bullaque 2 MADRID	Contents production, edition, design, acquisition and operation	Full Consolidation	S.A. Damm	100,00%	69	952	(883)	181	102
Nostra Restauración, S.L.U	Calle Alsasua 14 Pl Baja Puerta Derecha Madrid	Wholesale and retail and restaurants of burguers and any other foods, operation of licenses and licensing and franchising with such activities	Full Consolidation	Hamburguesa Nostra S.L.	100,00%	6.498	4.375	2.123	(618)	12.151
Osiris Tecnología y Suministros Hosteleros, S.L.	Rosselló, 515 BARCELONA	Creation and operation of a virtual market in catering industry and advice, consulting and brokerage services therefor	Full Consolidation	S.A.Damm Damm Innovacion , S.L.	37,20% 62,80%	1.500	1.756	(256)	(71)	-
Pallex Iberia, S.L. (*)	Rosellón, 515 Barcelona	Administrative, accounting and business management support services, and logistic and transport ancillary services	Full Consolidation	S.A.Damm	100,00%	3.429	2.641	788	259	19.260
Pijuan Fuertes Distribucions, S.L.	De la técnica, sn SANT JUST DESVERN	Wholesale and retail of any beverages and food and catering, home and commerce consumables	Full Consolidation	Damm Distribución Integral, S.L.		3.032	2.069	963	204	21.278
Pijuan Logística, S.L.	De la técnica, sn SANT JUST DESVERN	Wholesale and retail of any beverages and food and catering, home and commerce consumables	Full Consolidation	Damm Distribución Integral, S.L.		613	72	541	135	1.253
Plataforma Continental, S.L.	Samaniego, s/n MADRID	Manufacturing and sale of beer, residues and derivatives	Full Consolidation	S.A.Damm	100,00%	9.638	15.318	(5.680)	(351)	14
Pumba Logistica S.L.	Rio Bullaque 2, MADRID	Transport activities operation and management	Full Consolidation	Corporación Económica Damm, S.A. Compañía de Explotaciones Energéticas, S.L.	99,90% 0,10%	25.752	9.361	16.391	(1)	2.888
Representaciones Reunidas Ulbe, S.L.	La Máquina nº 23, GAVA (BARCELONA)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	472	223	249	26	1.266
Rodilla Sanchez, S.L. (*)	Preciados, 25 MADRID	Sandwiches catering and sale / Catering	Full Consolidation	Damm Restauración S.L	100,00%	38.032	6.434	31.598	6.127	41.159
Rodilla US LLC	8950 SW 74TH CT., SUITE 1901, MIAMI, FL, 33156	Sandwiches catering and sale / Catering	Full Consolidation	Rodilla Sanchez, S.L.	100,00%	-	-	-	-	-

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DAMM GROUP SUBSIDIARIES

Setpoint Events S.A.	Rosselló, 515 BARCELONA	Organization of tournaments and sport or cultural events of any kind. Creation and marketing of artistic and cultural contents of any kind	Full Consolidation	Neverseen Media S.L.	100,00%	2.258	10.045	(7.787)	(1.376)	7.626
Sociedad Anónima Distribuidora de Gaseosas, S.A.	Cra SA Pobla a Muro km 0.5 PALMA	Wholesale of any kind of beverages and food	Full Consolidation	S.A. Damm	100,00%	201	136	65	(45)	(687)
The Wine List	C/ Zorrilla 21 MARID	Marketingo of wine and derivates or ancilllary or related products	Full Consolidation	Damm Restauración S.L	100,00%	616	1.981	(1.365)	(214)	265

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DAMM GROUP ASSOCIATES AND JOINT ARRANGEMENTS

Company	Registered address	Activity Subset	Accounting method used	Effective Interest		Thousand euros				
				Holder	%	Investee Details				
						Assets	Liabilities	Equity	Profit/ (Loss)	Reenue
Bizkai Izarra Zerbituak, S.A . (**)	Pol Ind. Granada, manzana D-D2 ORTUELLA (B izkaia)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Euro fradis, S.L.	50,00%	1.588	(7.536)	9.124	135	1.230
Bizkaiko Edari Komertzialak S.L. (**)	Rosselló , 515 BARCELONA	Wholesale of any kind of beverages and food	Equity Method	Damm Distribució n Integral, S.L. Trade Euro fradis, S.L.	32,50% 11,67%	5.096	2.666	2.430	122	7.973
Carbòniques Castellví, S.L.	C/ de l'A gricultura, 3-4, Vilafranca del P enèdes (B arcelo na)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribució n Integral, S.L.	1,00%	1.609	895	714	92	6.489
Comergrup, S.L. (**)	Narcis Monturiol, Nº24 Sant Quirze del Vallés	Marketing and distribution of any kind of food and beverages, market research and advice / Distribution.	Equity Method	Damm Distribució n Integral, S.L. Dist. De B egudes M ovi, S.L.	10,15% 8,12%	4.412	3.800	612	1	14.957
Cortsfood S.L.	Av L'alcalde Barnils 64-68, Edificio B P.1 08174 - (Sant Cugat Del Valles) - B arcelo na	Operation of all kinds of catering establishments. Manufacture and elaboration of all kind of food.	Equity Method	Damm Restauració n S.L	50,00%	517	408	109	257	2.391
Ebro Foods, S.A . (***)	Paseo de la Castellana, 20 MADRID	"Manufacture, preparation, marketing, investigation, import, export of all kind of food and dietary products / Food	Equity Method	Co rpo ració n Eco nó mica Delta S.A .	11,69%	3.832.425	1.642.223	2.190.202	149.311	2.646.523
Estrella del Sol Services, S.A . (**)	Aptado de Correos Nº 195 FUENGIROLA (Málaga)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Euro fradis, S.L.	50,00%	1.620	781	839	465	8.276
Estrella Disagrup, S.L. (**)	Polígono Industrial I+Dos C/ Jornalers, 77 - ALBERIC (Valencia)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Euro fradis, S.L.	50,00%	1.544	1.163	381	26	4.425
Estrella Huelva Services, S.A . (**)	Polígono Tartesos nave 25-26, calle C HUELVA	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Euro fradis, S.L.	50,00%	601	680	(79)	57	1.721
Estrella Iruña Services , S.A . (**)	Políg. Ind. Talluntxe I, calle 4 34, NOAIN (Navarra)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Euro fradis, S.L.	50,00%	2.825	1.897	928	12	2.445
Estrella Vega Baja Services, S.L. (**)	Tauro, 20 - Pol. Ind. Llano Espartal Travesia nº2 ALICANTE	Wholesale of any kind of beverages and food / Distribution	Equity Method	Jap A lacant Serveis, S.A .	100,00%	1.508	976	532	-	-
Estrella Indal Services, S.A . (**)	San Rafael 13, Políg. Ind. San Rafael, HUERCAL DE ALMERÍA (Almería)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Euro fradis, S.L.	50,00%	2.201	1.468	733	237	5.978
Estrella Madrid Services, S.A . (**)	Uranio 16, Políg. Ind. Aimayr, SAN MARTIN DE LA VEGA (Madrid)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Euro fradis, S.L.	50,00%	4.864	3.152	1.712	170	9.040
Estrella Moncayo Services, S.A . (**)	Benjamin Franklin 14, Políg. Cogullada ZARAGOZA	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Euro fradis, S.L.	50,00%	2.050	794	1.256	170	4.123
Euro estrellas Badalo na, S.L. (**)	C/ Luxemburgo s/n BADALONA (Barcelona)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribución Integral, S.L.	10,00%	2.826	1.378	1.448	142	11.127
Grupo Cacaolat, S.L. (**)	Avda. Països Catalans 32 ESPLUGUES DE LLOBREGAT (Barcelona)	Milkshakes and dairy manufacture and sale / Beverages	Equity Method	S.A .Damm	50,00%	136.579	101.268	35.311	(1.830)	61.820

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(***) Data from Interim Financial Information for the Second Quarter of 2018.

DAMM GROUP ASSOCIATES AND JOINT ARRANGEMENTS

Jap Alacant Serveis, S.A . (**)	Tauro, 20 - Pol. Ind. Llano Espartal Travesia nº2 ALICANTE	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50,00%	5.167	3.763	1.404	367	7.067
Logístika Banaketa Integrala, S.L.	Pol Ind Bitxur, EL GOIBAR	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribución Integral, S.L.	4,00%	2.256	1.624	632	11	4.206
Logística y Bebidas del Bajo Aragón, S.L.	Polígono La Estación, Nave 15-16, Alcañiz (Teruel)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribución Integral, S.L.	5,00%	1.207	1.177	30	(30)	1.547
Plataforma Logistica Madrid S.L.	San Martín de la Vega (Madrid), calle Uranio, numero 16	Distribution of all kind of beverages and all kind of food, bricolage and drugstore products	Equity Method	Licavisa, S.L. Estrella M adrid Services, S.A .	50,00% 50,00%	42	21	21	-	-
Quality Corn, S.A . (**)	Polígono Industrial Aimayr		Equity Method	S.A .Damm	20,10%	9.572	7.379	2.193	331	13.797
Sein Izarra Zerbituak, S.L. (**)	Finca Ariéstolas s/n ALMUNIA DE SAN JUAN (Huesca)	Cereal and derivatives preparation and sale / Beverages	Equity Method	Trade Euro fradis, S.L.	49,10%	6.797	4.564	2.233	447	14.966
Serhs Distribució i Logística, S.L. (**)	Lanbarren Poligonoa, S/N Bajo Pabellón A-4, OIARTZAUN (Guipuzkoa)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribución Integral, S.L.	6,34%	83.021	62.164	20.857	95	159.111
Trade Eurofradis, S.L. (**)	C/ Garbí, 88-90 08397 Pineda de Mar. Barcelona	Distribution of all kind of beverages and all kind of food, bricolage and drugstore products	Equity Method	Damm Distribución Integral, S.L.	50,00%	2.220	139	2.081	334	527
United States Beverages LLC (**)	Edison, 1 MANRESA (Barcelona)	Administrative management services / Distribution	Equity Method	S.A .Damm	40,83%	5.014	7.510	(2.496)	368	20.703
Vidal Sabaté, S.L.	700 Canal Street, STAMFORD	Beer and other spirits distribution / Distribution	Equity Method	Damm Distribución Integral, S.L.	10,00%	1.518	1.018	500	53	6.903

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DAMM GROUP DIRECTORS' REPORT

1. Business evolution and position of the Group

Consolidated revenue for financial year 2018 reached EUR 1,264 million, 8.7% more than 2017, in an economic growth background that started to show a certain tendency to slowdown. However the deceleration is still soft and arises mainly from the moderation of household expending, slowdown in export and lower growth in tourism. Additionally, it is worth pointing out that revenue have been highly influenced by adverse weather at the beginning of the summer, a period that represents about 40% of the Group's activity.

That notwithstanding, in terms of sales and activity, the behaviour of Damm Group in the aggregate in year 2018 has been positive with sales increases in all its channels and markets, expanding the activities in its bench markets by the acquisition of several distribution and food and beverage businesses.

The outcome of the internationalization process of the Group also contributes significantly to this growth. Currently the Group's brands and activities are present in more than 100 countries, with significant increases in volume and notoriety year after year, boosted by the establishment of own sales teams in United Kingdom, United States of America, Canada, China, Sweden, Chili and Australia, that currently have, in the aggregate, more than 250 employees engaged solely in international activities.

As for production costs, they have increased accordingly to the increase in revenue, as a result of larger costs of materials (raw materials as barley and packaging materials). As for the increase in the price of energy, it has been partially offset by the improvement in the energy efficiency ratios of certain plants of the Group. The increase of the aforesaid cost of materials affects mainly raw materials, with an increase in the cost of external barley and malt, and in packaging materials, arising from a higher consumption of cans, bottles and packaging as a result of the increase in the mix of non-returnable formats. Likewise, logistics costs have increased due to more scattered and international destinations, increase in fuel price and storage costs arising from higher production.

On the other hand, operating overhead is above last year's, the increase being more significant in the number of dispensers per product, marketing cost due to the increase in the number of marketing staff and marketing, trade-marketing and media relevant events sponsoring activities, that strengthen the firm commitment of the Group with the development of its brands both in Spain and abroad, as well as with the sponsoring of sportive, cultural and social events developed from the Group and from Fundació Damm.

The Group personnel, all businesses included, is at the end of financial year 2018 4,574 persons, was 4,012 at the end of financial year 2017.

Finally, the Group has increased its interest in Ebro Foods, S.A. up to 11.69% (was 11.51% in 2017).

2. Profit for financial year 2018

The combination of all the above factors place Operating Profit (EBIT) close to EUR 126.6 million, 13.4% less than the previous year, and the Result Attributed to the Parent Company of the Group is EUR 112.8 million, 0.3% more than 2017. The comparison of consolidated results for years 2018 and 2017 (in thousands of euros) and the main amount of the consolidated Statement of financial position at the end of 2018 and 2017 follow:

Consolidated results	2018	2017	DIFFERENCE
Consolidated revenue	**1,264,403**	**1,163,284**	**8.7%**
EBITDA – Operating profit + Amortization + Impairment and PPE disposal	**202,488**	**218,558**	**(7.4%)**
NET PROFIT ATTRIBUTED TO THE PARENT COMPANY	**112,839**	**112,467**	**0.3%**
BASIC EARNINGS PER SHARE	**0.45**	**0.45**	**-**
EQUITY	**888,364**	**837,599**	**6.1%**
NET FINANCIAL DEBT	**219,394**	**93,835**	**133.8%**
INVESTMENTS (Additions property, plant and equipment e intangible)	**165,172**	**112,913**	**46.3%**

Financial position

The Group holds a solid financial position largely thanks to the resources generated by the business activities. Treasury existing as of 31 December 2018 and the sustainability of the business cash generation allow the achievement of debt servicing, shareholders' remuneration by way of dividend and the development of new products.

In that sense, the Group presents the following figures for net financial debt under "Cash and cash equivalents", "Other financial current assets", "Debt with financial institutions", "Obligations and other negotiable assets", "Other non-current liabilities" and "Other current liabilities" of the consolidated Statement of financial position at 31 December 2018 and 2017:

	Thousand euros	
	2018	**2017**
Long term loans and credits	(246,172)	(230,549)
Long term finance lease debts	(1,287)	(766)
Total long term debt with financial institutions	**(247,459)**	**(231,315)**
Short term loans and credits	(36,834)	(30,996)
Short term finance lease debts	(721)	(397)
Hedging instruments debts	-	(130)
Total short term debt with financial institutions	**(37,555)**	**(31,523)**
Total debt with financial institutions	**(285,014)**	**(262,838)**
Obligations and other negotiable assets	(193,195)	(191,881)
Other hedging instruments debts	(4,031)	(4,274)
Other financial liabilities (*under "Other non-current liabilities" and "Other current liabilities"*)	(25,106)	(27,446)
Cash and cash equivalent	192,513	291,421
Other financial current assets	3,861	653
Treasury shares and equity investments	91,578	100,530
Net financial debt	**(219,394)**	**(93,835)**

Additionally, as of 31 December 2018 the Group companies had undrawn credit facilities for the amount of EUR 321 million.

The Group has implemented payment conditions to suppliers oriented to comply with the measures adopted by the Law on Default (Law 3/2004 dated 29 December) as amended that promotes support measures to suppliers, stimulating growth and creating employment (Law 11/2013 dated 26 July) setting a maximum statutory term for the payment to suppliers. The information required by Law 31/2014 of 3 December is detailed in Note 17. In that sense the Group continues implementing policies that allow keeping the maximum payment delay allowed by the law in force.

3. Expected development of the Group

The Group expectations regarding its activities are based in the compliance with the Group strategic objectives based, mainly, in the sustainable shareholders' yield (earnings per share, dividends and equity growth) as well as in the growth in sales and results.

Sustainable shareholders' yield

One of the Group main objectives is still maximizing the shareholders' yield. In that sense, earnings per share is EUR 0.45 per outstanding share, and as for dividends, income allows the distribution of dividends with a pay-out close to 50%.

Growth in sales and results

The evolution of the turnover in the coming financial year is estimated upwards as a result of a growth in the consumption in brand categories as well as of "distributor's own labels", as well the development of international activities.

Likewise, stable prices are expected for the next financial year, in line with 2018 – 2021 business plan.

Therefore, it is to be expected that the Group will keep its current market share with a significant investment effort in marketing, trade-marketing and sponsoring.

This evolution in sales and results requires the development of the following strategic guidelines:

- Profitable and sustainable growth,
- Maximize the return on industrial investments to increase capacity made within the framework of the Strategy Plan, increasing productivity and efficiency,
- A clear customer orientation (both to internal and external customers) that allows maximizing the quality in all and every Group activity,
- Operative excellence in all the company areas (production, logistic and sales/commercial),
- Commitment to constant innovation and creativity to make a difference in all business segments of the Group,
- Progress in the Group internationalization process.
- Digital Transformation as a factor boosting our competitiveness and the cultural change required to adapt to new paradigms with regard to markets.
- Penetration in beer business in geographical areas in which our presence currently is low, fostering own brands, with a special emphasis in the commitment to reach international markets by reaching agreements with first rate multinational companies,
- Development of the distribution business in cooperation with our wholesale partners,

– Vertical integration in business included in the Group main business value chain: distribution, F&B, logistics, energy savings activities, and

– Active management of surplus for reinvesting in business or activities that contribute to the Group core businesses both at home and abroad.

Industrial investments

The Group main projects in progress include new refit of bottling lines in the breweries, several logistic and operations projects, as well as the refit and improvement of the Group headquarters located in Barcelona.

Thanks to these investments, efficiency and productivity improvements are achieved that allow absorbing the increases in costs of some production factors and the constant effort in innovation and new products development. This innovation and development effort, together with a constant marketing and sponsoring activity, is essential in a increasingly sophisticated market.

Environment

In the framework of its environment protection and respect policies, the Group has developed environment prevention plans, which since several years ago have resulted, inter alia, in the reduction of the containers market pool weight. Additionally, the Group cooperates with entities carrying out selective collection and recovery of used containers and containers residues (Ecoembes and Ecovidrio) and, according to the container types in the market, pays the relevant amounts.

The Group has invested in renewable and energetically efficient sources (cogeneration, trigeneration, solar photovoltaic) and currently a large part of the Group energy requirements are feed from these sources.

4. Events after the statement of financial position date

There are no significant events after the statement of financial position date.

5. Main risks associated to the activity

The nature of the activity makes the risks to be mainly concentrated in three areas:

• Food safety and environment, a responsibility of the Quality Management, which regularly reports to the Chief Executive Office, and he to the Executive President.

• Customers credit risk, a responsibility of the Risk Committee, which directly reports to the Chief Executive Office and he to the Executive President.

• Industrial safety, regarding the entire corporate assets of the Company, a responsibility of Product Management, which directly reports to the Operations Deputy Chief Executive Officer, and he to the Chief Executive Officer and the Executive President.

In compliance with certification standards consolidated by the Group, procedures aimed at risk identification, quantification and hedging are included in all processes.

Taking into account the presence of relevant shareholders in the Board of Directors, and the regularity of its meetings, the Board makes a close monitoring of the situations that can involve a significant risk as well as of the relevant measures taken.

6. Main financial risks and use of financial instruments

Main financial risks

The main financial risk to which the Group is exposed is the interest rate risk.

In that sense it is worth mentioning that a relevant part of the debt accrues a fixed interest rate.

No financial instruments are user to hedge the interest rate risk.

7. Activities related to research and development and technological innovation

The Group research and development and technological innovation activities during financial year 2018 fall in the following categories: New products development, Containers and packaging design, Improvement of industrial processes, Commodities and materials consumption improvement.

The Group has invested in research and development and technological innovation in these fields a total amount of EUR 6.7 million.

In the development of these activities the Group has two-ways cooperation agreements with several entities both public (universities) and private (technological centres).

8. Acquisition of own shares

Treasury shares transactions are described in Note 12.4 of the consolidated financial statements.

9. Statement of non-financial information

The Statement of non-financial information on non-financial and diversity matters required by Act 11/2018 of 28 December, amending the Commerce Code and the Compiled Text of the Companies Act approved by Royal Decree-Law 1/2010 of 2 July and Act 22/2015 of 20 July on Accounts Audit, is enclosed as an Schedule to this Consolidated Management Report and is part thereof.

STATEMENT OF NON FINANCIAL INFORMATION 2018

Damm

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Non-financial key indicators used in this Statement of Non- Financial Information are those generally applied and comply with the Global Reporting Initiative (GRI) Standards.

1 BUSINESS MODEL

1.1 Companies and Products

(102-1, 102-10) Damm consists of SA Damm, as main company, and a network of companies of different industries: beer brewing and bottling, manufacturing and bottling of water and soft drinks; logistic and distribution services; catering and event organization.

(102-2, 102-5) The most relevant companies of the Group are:

- SA Damm (Brewery and sale of beer and derivatives)
- Compañía Cervecera Damm, SL (manufacture and distribution of beverages in the whole country)
- Estrella de Levante, Fábrica de Cerveza, SA (Brewery and sale of beer, malt and derivatives)
- Cervezas Victoria, SL (manufacture and distribution of beverages)
- Aguas de San Martín de Veri, SA (bottling and distribution of natural mineral water)
- Gestión Fuente Liviana, SL (bottling and distribution of mineral water and soft drinks)
- Font Salem, SL (Production, bottling and sale of soft drinks, beer and natural mineral water)
- Corporación Económica Delta, S.A. (holding of all kind of securities and financial assets).
- Derivats Lactis Mallorquins, SL (Exploitation of all kind of dairy business and manufacturing and selling all kind of food and beverages).
- Cafés Garriga 1850, SL (manufacturing and sale of premium coffees 100% natural, that conserves the craft roasting formula implemented in 1850)
- Rodilla Group (hospitality group consisting of three brands: Rodilla, Jamaica Coffee Experience and Café de Indias)
- Damm Distribución Integral, SL (services company specialized in distribution services)
- Pall-Ex Iberia, SL (palletized goods distribution to Europe, with daily links between centres and 24 hours express service)
- Alfil Logistics, SA (integral logistic services for consumer goods)
- Setpoint Events, SA (organization of all kind of tournaments and sportive and cultural events, creation and marketing of all kind of artistic and cultural contents, management of World Padel Tour)
- Fundación Damm (its main activity focuses in Damm Football Club and Damm Padel Club. It also sponsors cultural and sportive entities and charities).
- Maltería La Moravia, SL (malt manufacturing)
- Hamburguesa Nostra
- Damm Brewery UK
- Damm China

In 2018, Damm created the company Damm Canarias, with registered office in Barcelona and share capital of 5,000 €, of which the Directors are four of the companies of the Group. Damm has also acquired the soft drinks company Goethe II, located in Sa Pobla (Majorca) and transferred to Eat Out, the group owning Pans & Company, its 50% holding in the tapas and Iberico pork products chain Dehesa de Santa María. Finally, Rodilla Group has purchased the chain Hamburguesa Nostra.

(102-2) Damm's portfolio consists of:

- Beer and other beverages: A. K. Damm, Bock Damm, Cerveza de Navidad, Radeberger Pilsner, Damm Lemon, Estrella Damm, Daura, Daura Märzen, Inedit, Estrella de Levante, Estrella de Levante 0,0, Punta Este, Free Damm, Free Damm Limón, Keler, Keler Brown, Estrella del Sur, Estrella del Sur 0,0, Calatrava, Malquerida, Oro, Victoria, Voll-Damm, Xibeca, Tagus, Skol, Turia, Sangría Sureo, Tinto de Verano Sureo. New products in 2018 are Verna and Complot.
- Water: Veri, Fuente Liviana, Pirinea, Font Major and Font de Sa Senyora.
- Chocolate milkshakes: Cacaolat Upp!, Cacaolat Original, Cacaolat 0 %, Cacaolat Mocca, Laccao, Lácteos and Agama.
- Hospitality: Cafés Garriga, Rodilla Group, Jamaica Coffee Experience and Hamburguesa Nostra.
- Distribution: Damm Distribución Integral

Damm is committed to constant innovation and creativity to make a difference in all the business segments of the Group. In 2018, product R&D&i has kept the efficiency levels desired by the company, reached in 2017. EUR 6.7 million have been invested in 2018 in research, development and technologic innovation, were EUR 5.6 million in 2017.

It is worth pointing out in 2018 the advance in the development of beers. R&D&i Department expanded the Beer Research area by hiring a new specialist in order to answer the growing demand of new kinds of beers. The facilities in SA Damm pilot plant have been improved. Likewise, Damm's Beer Innovation Committee, led by R&D Department, has been consolidated.

(102-3, 102-4) Damm headquarters are located in:

Barcelona

- Sociedad Anónima Damm. C/ Rosselló, 515. 08025 Barcelona
- Damm Distribución Integral. C/ Rosselló, 515. 08025 Barcelona
- Corporación Económica Delta. C/ Rosselló, 515. 08025 Barcelona
- Compañía Cervecera Damm. Ronda de Ponent, 41. 08820 El Prat de Llobregat
- Cafés Garriga. Ronda de Santa María, 16. 08021 Barberà del Vallès
- Alfil Logistics. ZAL II – Prat. C/ Cal Lluquer, 38-48. 08820 El Prat de Llobregat

Madrid

- Plataforma Continental Madrid. Polígono Industrial Las Mercedes. C/ Samaniego, 3. 28022 Madrid
- Rodilla Group. Polígono Industrial Aguacate. C/ Secoya, 19, Planta Primera. 28054 Madrid
- Pall-Ex Iberia. Polígono Industrial Las Mercedes. C/ Samaniego, 3. 28022 Madrid
- Setpoint Events S.A. C/ Río Bullaque, 2. 28034 Madrid
- Artesanía de la Alimentación. C/ Duquesa de Tamames, 75-77. 28044 Madrid
- Hamburguesa Nostra. Aguiate

Murcia

- Estrella de Levante. C/ Mayor, 171. 30100 Espinardo

Valencia

- Font Salem. Partida El Frontó, s/n. 46843 Salem
- Font Salem, El Puig. Camino al Mar, s/n. 46540 El Puig

Lleida

- La Moravia. Ctra. N-II, Km 480. 25220 Bell-Lloc d'Urgell

Cuenca

- Gestión Fuente Liviana. Ctra. de Cañete, s/n. 6316 Huerta del Marquesado

Málaga

- Cerveza Victoria. Polígono Azucarera. Av. Velázquez, 215. 29004 Málaga

Portugal

- Font Salem Portugal. Quinta da Mafarra, Várzea. 2009-003 Santarém

Huesca

- Aguas de San Martín de Veri. Ctra. del Pont de Suert, s/n. 22470 Bisuarri
- Aguas de San Martín de Veri. Ctra. N 260, km 387. 22465 El Run - Castejón de Sos

Mallorca

- Delama. C/ Manacor, n. 249. 07007 Palma
- Font Major AMN. C/ Son Nebot, s/n. 07315 Escorca
- Font de Sa Senyora AMN. C/ Son Canals, s/n. 07179 Deià
- Aquafonda. C/ 16 de Julio. 07009 Palma
- Goethe II. Ctra. de Muro, km. 0,5. 07420 Sa Pobla

1.2 Customers and markets

(102-6) Due to the diversity of businesses, the markets addressed and the types of customers are different in each case.

F&B Companies	**Customers** According to the distribution channel • Large hospitality accounts (restaurant chains and contract caterers) • Traditional hospitality (distributors) • Large food accounts (national and regional hypermarkets and supermarkets, cash & carry and wholesalers) According to retail customer • Food to be consumed outside the establishment • F& B to be consumed in hospitality establishments: independents (most establishments in Spain) and chains (customers or large hospitality accounts) **Consumers** End consumers of the products
Rodilla Group	**Franchisees** Individual or corporation licensed to market and operate the brand. **Consumers** End consumers of the products.
Distribution, transport and logistic companies	**Customers** Companies in several industries and other logistic operators
Contents management companies	**Setpoint Events Customers** Companies or organization that want to organize tournaments and sport or cultural events of any kind.

(102-4, 102-6) As for the beer market, Damm has made further progress in the internationalization process and currently its brands are present in more than 100 countries.

Countries to which Damm exports beer with its own brand:

Meanwhile, Rodilla continues its expansion in new markets within Spain. At the end of 2018, it has presence in a large part of the country. After a good reception by consumers in these last years, the aim of the next stages is to bring Rodilla to new regions and consolidate its presence in the markets in the Basque Country, Cantrabria, Asturias, Galicia, Navarra, Barcelona, Region of Valencia, and the Balearic and Canary Islands. The company has also started its internationalization by opening four stores in the US market, in Miami.

Alfil Logistics, through Alfil Forwarding, has boosted its business in Asia by opening the new Alfil China office.

1.3 Industry and environment associations membership

(102-13) Damm's implication in several associations and organizations allows the company to join forces and contribute to the economic and social development of the industry and of the territory. In 2018 Damm's companies have been part of the following entities:

1.4 Objectives and strategies

Objectives

The main objective of the Group is to be a global beverages group in continued growth and profitable, that ensures the sustainability and commitment to all its interest groups (human team, customers and consumers, shareholders, suppliers, environment and society as whole).

In that sense, Damm currently has 4,000 employees and markets and distributes its products in more than 100 countries, whereas Spain is its main market.

In 2018, Damm produced an aggregate of 17.6 million of hectolitres of beer, mineral water and soft drinks, with an increase of about 6% as compared to the previous year.

These figures make Damm the second beverages group of the Iberian Peninsula by volume (beer, water and soft drinks), only behind Coca-Cola European Partners.

Damm's beer market share in Spain is 25%.

Strategy

In order to achieve such goals, Damm steers its action through the following strategic lines:

a) **Innovation and differentiation**

Damm is committed to constant innovation and creativity to make a difference in all the business segments of the Group. In 2018, product R&D&i has kept the efficiency levels desired by the company, reached in 2017. EUR 6.7 million have been invested in 2018 in research, development and technologic innovation, were EUR 5.6 million in 2017.

It is worth pointing out in 2018 the advance in the development of beers. R&D&i Department expanded the Beer Research area by hiring a new specialist in order to answer the growing demand of new kinds of beers. The facilities in SA Damm pilot plant have been improved. Likewise, Damm's Beer Innovation Committee, led by R&D Department, has been consolidated.

b) Implementation in the entire value chain

Vertical integration in all the stages of our value chain enables us to be present from the harvest of the raw material until the capillary distribution of our products.

Damm's aim at being an active part in all the stages of the process, is to ensure the access to and quality of its raw materials, to promote sustainability in the use of the resources, and to mitigate business exposure.

c) Digital transformation

Digital transformation is an imperative element to continue enhancing our productivity. Now a days, the paradigm of access to and consumption of products has changed, and this entails a change in the connection with the customers, the human relationships within the company, and the management systems. The incorporation of digital technology allows improving the efficiency in decision making and significantly increases our productivity.

In 2018 we have continued with the development of our digital transformation project, accelerating a cross company cultural change.

d) Internationalization

A determined commitment for international growth to become a benchmark also abroad.

At the end of 2018, Damm is present in more than 100 countries and has its own teams in United Kingdom, Canada, Portugal, China, Scandinavia and Equatorial Guinea, which, in the aggregate, amount to more than 250 persons engaged solely in international activities.

e) Persons

The internalization strategy and commitment to growth result into a significant increase in the number of persons working in the Group. Damm's goal, in that sense, is to be "the best company to work for". To that end we develop initiatives and policies aimed to boost the development and wellbeing of the persons that make Damm, and at the same time we promote equality and diversity.

1.5 Vision of the environment

Macroeconomic environment in Spain

In 2018 Spanish economy kept a good level of growth, reaching 2.6%. Such growth is expected to be 2.4% in 2019. In both cases, it exceeds the Eurozone average.

That notwithstanding, certain signs of slowdown are starting to appear in the internal demand, together with the emergence of geopolitical uncertainties that are affecting international commerce and external development.

In spite of new bearish forecasts, it seems that the economic activity will continue growing, albeit within higher uncertainty on economic and monetary policies that could affect the vulnerability of the Spanish economy when facing adverse scenarios.

Beer industry

The consumption of beer in Spain has continued its growth in 2018 up to more 40 million hectolitres.

The increase is due to several factors: higher number of tourists in Spain, favourable weather with a hot summer, maintenance of internal demand and tax stability.

Hospitality beer consumption represents about 65% of the total, which makes hospitality the main consumption channel for this beverage, in line with the consumer habits prevalent in Spain.

1.6 Main impacts, risks and opportunities

(102-15)

Type of risk	Description	Management and control measures
Market	Adverse impact of a possible reduction of the economy growth rates and the subsequent contraction of private consumption.	The Group monitors macro-economic indicators, particularly those related to private consumption as well as the analysis on the elasticity of demand of its products.
Tax framework	Adverse impact on the consumption of any possible increase in excises or VAT.	The Spanish Brewers Association informs the Public Administrations of the severe adverse impact both for the industry and the country's economy of any eventual increase in Excises.
Raw materials	Rising costs due to the increase of the price of raw materials and consumables (i.e. barley, hop, aluminium, glass, electricity, etc) attributable to several reasons such as: demand increase, poor harvest, anticompetitive effect of corporate concentration business.	Movements in prices and volumes in the market are closely monitored in order to profit from spot purchase opportunities and, the case being, futures markets are used to mitigate the risks arising from price fluctuations or eventual offer problems. Likewise, long term contracts are used to ensure supply and product.
Manpower	Difficulty to access a sufficient number of skilled employees in several responsibility areas.	The Group keeps strengthening the cooperation with education institutions (Vocational Schools and Universities) in order to access the required talent to cover its necessities. On the other hand, internal training actions are being intensified, stressing particularly E-learning, according to the requirements of each job.
Regulatory changes	Adverse impact of possible regulatory changes related to alcohol advertising and, in general, to the consumption of food and beverages in public spaces (alfresco terraces).	The Group's Legal Department monitors closely the amendments to the rules and regulations and assesses their effects.
Customs framework	Adverse impact on exports of an eventual setback in the market liberalization promoted by WTO.	The Group is at all times alert to any possible changes to the customs framework of its main markets.
Climate change	In general an adverse effect on the economic growth would affect private consumption. In addition, a northward movement of the optimum climate belt to grow barley could affect supply and prices, depending on the impact on the yield per hectare and a higher transport cost. Any adverse impact on aquifers could affect supply.	The Group closely monitors the reports issued by IPCC and other international organizations (such as FAO) in order to assess the foreseeable impact of climate change in the availability and price of its agricultural inputs and make a suppliers selection policy that ensures at all times a proper supply and quality. The Group includes IPPC projections in the design of its strategy on the procurement of raw materials. The Group follows an active policy of consumption reduction of water for industrial purposes and controls the proper usage of water resources in order to ensure

		sustainability, always complying closely with the relevant rules and regulations.
Technology and information	Protection and security of information, difficulty to integrate information, diversity of equipment, reporting models and information management.	Systems and Audit Departments are finishing a cyber-security system and an information access and use policy, to be implemented in the Group.
Food security	Failure to comply with quality and food security controls in all the production stages, from the selection of raw materials to the presentation and delivery to end user.	Through the respective Purchases and Quality Departments, and by applying several quality certifications and international quality control systems, phased control systems have been implemented and monitored aimed to ensure the product quality, supported by regular analysis and tasting.

2 ENVIRONMENTAL INFORMATION

(102-11) Identification and assessment of environmental aspects is carried out within the framework of environmental management. The objective of such identification and assessment is to know the main impacts and thus act to know its effects. A review of such environmental aspects is performed regularly including potential or emergency situations. The environmental management system guides all the processes to reduce the environmental footprint, identify impacts and implement the best actions to mitigate them. In addition, the Group has an Energy Optimization and Environment Department that has allowed ensuring the continuous improvement in energy efficiency.

In 2018, the following beer, water and soft drinks production plants have the ISO 14001 certificate: Compañía Cervecera Damm, SL; Estrella de Levante Fábrica de Cerveza, SA; Aguas de San Martín de Veri, SA; Fuente Liviana, SL, and Font Salem, SL.

Damm's environmental strategy is focused in minimizing the impact of its activities by developing measures that take into account the cooperation with customers, suppliers, partners, etc. To that end it has set the following as the main lines of its environmental policy: promote sustainability in all the activities of the Company; promote the use of local procurement; minimize the environmental impact and prevent pollution in all the life cycle of its products and services; encourage actions addressed to reduce, reuse and recycle; and support the acquisition of goods and products energy-efficient.

In 2018 Damm has carried out maintenance and environmental actions for an amount of 3,839,000 €.

(307-1) Damm carries out its activities according to the laws in force including environmental rules and regulations. In order to quickly and efficiently adapt to the laws and its changes, the existing systems are under constant review. None of the companies that constitute Damm has been sanctioned for any breach of the environmental rules and regulations in 2017 and 2018.

Note: Environmental data included in this section refer to the companies: Compañía Cervecera Damm, SL; Estrella de Levante Fábrica de Cerveza, SA; Aguas de San Martín de Veri, SA; Fuente Liviana, SL, and Font Salem, SL and Font Salem Portugal, Maltería La Moravia.

2.1 Climate change and other types of pollution

Aspects that impact climate change are managed through the environmental management systems implemented in the companies with the aim of optimizing resource consumption, both of materials and of water and energy, extending at the same time such commitment to suppliers.

(305-5) In that sense, Damm's constant commitment to improve the efficiency in its plants and to the use of electricity with green origin certification is enabling the company to reduce its annual CO_2 emissions in more than 2,600 tons per year in its manufacturing and bottling plants.

On the middle and long term, measures to reduce the greenhouse gas emissions are implemented by the installation of solar panels in Damm's roofs for self-consumption, the measurement of the carbon footprint in all Damm's plants, and the implementation of the sustainable fleet strategy.

Alfil Logistics has certified its carbon footprint under the standard ISO 14064, a process that also involves the customers by sending them a quarterly report informing of the carbon footprint caused by the services carried out.

In 2018 Alfil Logistics has received the AECOC'S Lean&Green Start after achieving a 20% reduction of its CO_2 emissions in the supply chain. Alfil Logistics is a member of Lean&Green Commission and has worked to generate an action plan to achieve a reduction of 20% of the emissions with regard to its base year, 2014. Damm plans are to adhere to Lean & Green strategy in the short term.

Estrella de Levante, in addition to being adhered to the initiative "Corporate social responsibility applied to climate change", has registered its carbon footprint, compensation and projects to absorb CO_2 in the Ministry of Agriculture, Fisheries, Food and Environment, for scopes 1, 2 and 3 (scope 3 includes logistic activities, commuting and paper consumption). Estrella de Levante is registered with MAPAMA and has the Mide stamp.

Following its strategy of emissions reduction, in 2018 Estrella de Levante launched a self-consumption solar facility with an installed power of 245.8 kWp and an estimate production over 374,900 kWh. This is a pioneer project in the region of Murcia as it has more than 100 kW installed for self-consumption. The installed power will be increased in 2019 up to 500 kWp. The facility is fully controlled using mobile devices through several monitoring systems.

(201-2) Damm regularly tracks the reports published by IPPC and the climate change scenarios published by Aemet. The main risks identified are related to the supply of barley and its price and the supply of water in the event of draught.

Estrella de Levante, Font Salem El Puig, Compañía de Explotaciones Energéticas (CEE) and Font Salem Santarém Plants are part of the CO_2 emissions trade, which makes mandatory for them to report and verify their emissions. These four companies verified in 2017 and 2018 60,867 tons of CO_2 and 57,078 tons of CO_2, respectively.

In 2018 Rodilla Group increased by 20% the kg transported per pallet, which reduces the number of pallets transported from the plant to the logistic services provider and therefore the number of transports per day required and therefore reduces the emissions arising from shipping.

(305-1, 305-2, 305-3)

Greenhouse gas emissions (t CO_2 eq.)		**2018**	**2017**
Scope 1	Malt[1]	12,473	11,477
	Beer	46,816	45,868
	Water and Beverages	4,457	3,563
	Rodilla Group	46	44
	Alfil Logistics[4]	1,334	1,403
	CEE	66,724	70,518
Scope 2[2]	Malt	551	0
	Beer	76,229	71,313
	Water and Beverages	1,644	0
	Rodilla Group	232	228
	Alfil Logistics	253	249
Scope 3[3]	Estrella de Levante	2,998	ND
	Alfil Logistics	60,034	58,286

(1) Only includes La Moravia; Murcia malting plant is included in Estrella de Levante.
(2) The electricity of all the malting, beer and water plants - excepting Font Salem (Santarém, Portugal) comes from renewable energy free of CO_2 emissions (guarantee of origin).
(3) No data available for the rest of companies. Scope 3 includes the consumption of fuel related to logistic transport, consumption of fuel related to personnel commuting and paper consumption.
(4) These Alfil Logistics emissions are part of the scope 3 emissions of beer, water and soft drinks.

(305-4)

GHG emissions intensity (all scopes)	**2018**	**2017**
Malt (t CO_2 eq./t produced)[1]	0.1779	0.1616
Beer (t CO_2 eq./hl bottled)	0.0102	0.0100
Water and Beverages (t CO_2 eq./hl bottled)	0.0012	0.0007
Rodilla Group (t CO_2 eq./kg produced)	0.00018	0.00020
Alfil Logistics (t CO_2 eq./pallets transported)	0.0059[2]	0.0063[3]

(1) Only includes La Moravia; Murcia malting plant is included in Estrella de Levante.
(2) Only includes scope 2 emissions.
(3) Includes scope 1, 2 and 3 emissions.

In order to ensure the proper control and tracking of the atmospheric emissions, we have a computer system for continuous monitoring, in addition to the analysis and log according to the relevant integrated environmental authorization.

Pursuant to the European directives, Alfil Logistics works in the management of its vehicles fleet, both in terms of efficiency and with regards to the particle emission of the engines. Alfil Logistics objective has a significant incidence in the environment preservation, as it forces to an additional 80% reduction in the limit of the emission of nitrogen oxides, as well as a reduction of more than 70% for hydrocarbons and 50% for the particles emitted.

(305-7)

Other discharges to the atmosphere (NOx) (g/hl of bottled product)	**2018**	**2017**
El Prat	5.73	6.16
Estrella de Levante	6.31	5.89
El Puig	4.65	4.35
Salem	1.80	1.37
Fuente Liviana	0.51	0.46
Veri	0.30	0.44

With regard to noise pollution, noise emission in all Damm plants is regularly monitored. Damm does not carry out any specific actions with regard to the light pollution.

2.2 Circular economy, prevention and resources management

(102-11) Going beyond linear economy has been for Damm the logic process to preserve and maintain the value of products and materials as long as possible, and has created a new relationship with customers and consumers, involving them in the application of the circular system. Damm has reached in 2018 the "Top 5" of the companies promoting circular economy in Spain, according to the report "Circular Economy" of the *Instituto Coordenadas de Gobernanza y Economía Aplicada.*

Aware of the key role played by the companies in the transition to circular economy, we have created a model based in the recovery of resources, the supply of renewable materials and energy, and the improvement of the efficiency and efficacy of production, distribution and waste management systems. One of Damm's environmental policy pillars is to promote actions addressed to reduce, reuse and recycle, and support the acquisition of products and goods energy efficient. In that sense, the company works to implement initiatives to achieve that sub-products generated in brewing can become valuable resources to others, which, in turn, can include them in their production cycle in any of its stages.

2.2.1 WASTE

On the one hand, waste generated by brewing in Estrella de Levante is recycled by developing renewable energy generation models, such as biogas, that replaces other fossil fuels. On the other hand, in all Damm breweries the bagasse resulting from brewing is supplied to many farms as animal feed, mainly for cattle, thanks to its high protein contents. Internally, Estrella de Levante opts for cooperate with organizations or charities for the recycling of taps, used clothes, books, etc.

With regard to recovering and obtaining value from waste, a distinction can be made between raw materials (co-products) that are generated for animal feed (bagasse, yeast, etc) and other waste. As for co-products, Damm currently obtains value from 99% of the raw materials generated. As for other waste, in 2018 Damm obtained value from 83% of the waste.

Thanks to the favourable reception to circular economy, Estrella de Levante continues the development of innovation projects that allow opening other business lines with its sub-products. Thus, it cooperates with renowned researchers in Murcia, such as Carlos García-Izquierdo, of Cebas-CSIC, for the preparation of biological soil conditioners, and with María Ángeles Esteban, at the University of Murcia, to prepare a food supplement for fisheries sea breams from spare yield.

Damm is committed to the reuse of materials such as paper or cardboard in the offices, containers, etc, returnable plastic from pallets and returnable boxes, returnable glass from bottles, returnable kegs - particularly in hospitality -, plastic containers of ancillary materials, different use waters, pallets wood or biogas from waste water treatment. Some practical examples are the cardboard boxes used, made of 100%

recyclable cardboard, and the recycling of the film of new bottles packages, used to cover the returnable bottles crates.

(306-2)

Waste generation (t)		Non-hazardous waste	Hazardous waste	Recoverable waste	Total
2018	Beer	4,428	149	20,910	25,487
	Soft drinks	37	30	826	894
	Water	78	6	484	568
	Total	**4,543**	**154**	**22,234**	**26,932**
2017	Beer	4,842	280	20,069	25,191
	Soft drinks	110	31	1,281	1,421
	Water	52	4	416	472
	Total	**5,004**	**314**	**21,766**	**27,084**

Note: Beer includes Compañía Cervecera Damm, Estrella de Levante, Font Salem (El Puig and Santarém). Soft drinks includes Font Salem (Salem). Water includes Very and Fuente Liviana.

Waste generation relative values (Kg / hl bottled product of beer, water and soft drinks)		Non-hazardous waste	Hazardous waste	Recoverable waste	Total
2018	Beer	0.36	0.01	1.69	2.06
	Soft drinks	0.01	0.01	0.29	0.31
	Water	0.03	0.003	0.21	0.24
	Total	**0.26**	**0.01**	**1.26**	**2.61**
2017	Beer	0.42	0.02	1.73	2.17
	Soft drinks	0.04	0.01	0.46	0.51
	Water	0.02	0.002	0.19	0.21
	Total	**0.30**	**0.02**	**1.31**	**2.89**

Rodilla Group has continued improving the formats of the raw materials in order to reduce the amount of primary and secondary containers generated as waste. Following the path started last year, Rodilla keeps working with the suppliers to improve the ratio Kg raw material/Kg container. In 2018, in addition to keep the advances achieved in 2017 in this matter, reductions have been achieved in the amount of packaging material used in margarine (by 50%), white chocolate cover (by 66%) and Edam cheese (by 45%).

Rodilla Group waste generation (t)	**2018**	**2017**
Hazardous waste	1.36	0.83
Non-hazardous waste	0.10	-
Recoverable waste (cardboard)	16.50	14.50

Rodilla Group waste generation (Kg / produced kg)	**2018**	**2017**
Hazardous waste	0.0009	0.0006
Non-hazardous waste	0.0001	-
Recoverable waste (cardboard)	0.0105	0.0106

In order to involve the consumers of the events sponsored by us, in 2018 Estrella Damm has developed for Cruilla music festival in Barcelona the project bio-glass, a recipient that seems a traditional glass but is not. It is made of polylactic acid, material obtained from vegetable raw materials as wheat, among other materials. Thus, the glass can be disposed after use at the organic waste container, and comes back to the soil after an industrial composting process. Besides, Estrella de Levante has cooperated with the town councils of San Pedro del Pinatar and Santiago de la Ribera and the disabled people association Aidemar to install in Lo Pagan beaches ten can compactors to recycle aluminium and contribute to the care of the environment.

2.2.2 FOOD WASTE

The strategy "More food, less waste" is a program for the reduction of losses and food waste and the recovery of discarded food by the Spanish Ministry of Agriculture, Fisheries and Food (MAPA) presented in 2013 to limit the loss and waste of food, and its impact on the environment.

Within this framework, Rodilla took part in September 2018 in the 1st Week Against Food Waste, promoted by AECOC, which has a twin aim: emphasize food and offer information and advice to consumers for a better use of food, preventing waste. During seven days several activities were held to fight against food waste. One of them was a large information campaign addressed to consumers and the public at large, both at points of sale (distribution, town markets...) and F&B premises, and in social media and leaflets in industry and distribution, primary schools and school canteens.

2.3 Sustainable use of resources

2.3.1 WATER

Water is one of the main raw materials used to manufacture Damm's products, and comes mainly from wells and springs. Therefore, Damm works to optimize the consumption of this resource by applying improvement actions, particularly in the brewing process: implementing the best technology available for the efficient use of water, installing more than 300 meters in the plants and installing software in all the plants to measure the water footprint in 2018. Damm reuses almost 10% of the water consumed in plant.

Estrella de Levante and La Moravia have their own water footprint measurement. Estrella de Levante effort to exploit to the maximum extent the consumption of water in its own plants has allowed in the aggregate a 36% reduction in the consumption. During 2019 the water footprint of the rest of Damm plants will be measured.

Damm complies with the limits authorized for the extraction of ground water. (102-12) Damm is a member of the **Community of Users of Delta del Llobregat.** One of the aims of this association is to encourage among its users the implementation of new savings systems and the rationalization of the use of the water.

(303-1)

Water consumption per source (m^3)	**2018**	**2017**
Beer	6,855	7,205
Water from city mains	566	577
Ground water	6,639	6,278
Water and Beverages	1,095	922
Water from city mains	2.92	0.45
Ground water	1,093	921
Malting plants	498	553
Water from city mains	1	1
Surface water	432	480
Ground water	64	72
Alfil Logistics	9,102	10,954
Water from city mains	9,102	10,954
Rodilla Group	5,342	4,620
Water from city mains	5,342	4,620

In 2018 El Prat and Estrella de Levante plants have recycled a total of 176,115 m^3 of water, that is, a 2% increase as compared with the previous year.

2.3.2 COMMODITIES AND MATERIALS

Damm implements several measures to reduce the consumption of all the elements used in containers and packages. One of the activities of the Beer Innovation Committee is the improvement of industrial processes and efficiency in commodities and materials consumption.

Commodities and materials consumption reduction actions are proposed to all the beer industry for years 2018-2025:

- Reuse. Increase the volume of beer marketed in reusable containers.

    - Reach 75% in the sales of beer in reusable containers.
    - Develop a standard reusable bottle for all the industry for the format 1/3, to simplify reusing.
- Recycle and prevention of littering. Increase the current level of recycling in line with the European goals to prevent littering and integrate containers waste in a new production cycle.
    - Achieve that 80% of non-reusable glass containers are recycled.
    - Achieve that 90% of non-reusable metal containers are recycled.
- Eco-design. Promote eco-design of containers and packages, reducing the use of materials, improving recyclability and increasing the percentage of raw materials having a recycled origin in them.
    - Achieve that 80% of non-reusable glass containers are made of recycled materials.

Damm cooperates with entities carrying out selective collection and recovery of used containers and containers residues (Ecoembes and Ecovidrio).

(301-1)

Commodities and materials used (t)		**2018**
Water and Beverages	Raw materials (malt, rice, corn, barley in process and hop)	203,375
	Materials (glass, aluminium, steel, paper/cardboard and plastic)[1]	147,303
Water	Pastics (PE and PET), paper and cardboard	6,513
Rodilla Group	Raw materials	2,324
	Materials	20

(1) No data from S.A.Damm and Font Salem Group plants.

2.3.3 ENERGY

The objective of Damm Energy Optimization Department are: reduce the consumption of natural resources, obtain value from sub-products and generate renewable energy by co-generation, biogas from waste water treatment and solar energy. Currently Damm generates 7,700,000 kWh of electricity through these renewable and efficient energy sources in its plants in El Prat de Llobregat (Barcelona), El Puig (Valencia) and Murcia, as well as in the Logistic Platform of the company in the Logistic Activity Area in the Port of Barcelona (ZAL).

Specifically, in El Prat the company has implemented trigeneration, generating in 2018 2,678 MWh of electricity. In the same plant and in the ZAL logistic platform, Damm has more than 12,000 m^2 of solar panels, and is self-generating more than 2,000,000 kWh of renewable electricity per year. In El Puig (Valencia), the company opted for cogeneration, i.e., combined useful heat and power generation from biogas. And in the plant in Murcia, they have an special lighting system from solar light in the bottling hall with 0 power consumption, and, furthermore, they generate electricity for self-consumption from the biogas generated in water treatment.

In 2017 and 2018 the main production centres consumed green electricity - i.e. electricity from renewable sources.

(302-1)

Energy consumption (MWh)	**2018**	**2017**
Beer	354,871	349,109
Electricity	122,407	120,172
Thermal energy	232,464	228,937
Water and Beverages	47,467	40,942
Electricity	25,663	23,539
Thermal energy	21,804	17,403
Malt	85,275	80,732
Electricity	13,485	12,462
Thermal energy	71,790	68,270
Alfil Logistics	5,798	4,717

Electricity	846	1,015
Thermal energy	4,952	3,702
Rodilla Group	702	684
Electricity	539	529
Thermal energy	163	155

(302-4) In El Prat plant energy efficiency actions have been carried out that have allowed to save energy consumption in the plant. This is a project that benefits from the energy savings and efficiency credit lines in SMEs and large industrial companies, co-financed by FEDER funds and managed by IDAE charged to the Energy Efficiency National Fund.

Actions carried out, focused in bottling lines, have allowed saving around 20% of the energy consumption through the replacement of one of the pasteurizers for a more efficient one, the improvement of the cooling system and the reduction of the consumption of the ovens of two of the bottling lines, with an investment of 1,533,783 €.

In 2018 a new cold generation plant has been installed in Murcia malting plant, which has been subsidized by IDAE because it is a plant that will achieve energy efficiency in cooling. Likewise, the plant has started to replace part of the returnable bottling cleaning and pasteurization equipment by a new more efficient one.

2.3.4 BIODIVERSITY PROTECTION

(304-1) Fuente Liviana and Aguas de Veri plants are located within the birdlife protection against collusion and electrocution in high voltage lines area[1]. Both Aguas de Veri plants are located within de application scope of the bearded vulture (gypaetus barbatus) recovery plan[2]. El Prat plant is under the biodiversity Protection Declaration with regard to the endangered species Andouin's Gull[3]. Damm does not apply specific measures in these plants.

Together with Seo Bird Life, Estrella de Levante has taken part in the project #libera to remove trash in “El Rafal” from Cope Marina at Calnegre, Regional Park, Águilas.

[1] ROYAL DECREE 1432/2008 of 29 August, setting measures for birdlife protection against collusion and electrocution in high voltage lines.
[2] ROYAL DECREE 184/1994, of 31 August, of the General Council of Aragon, setting a protection regime for the bearded vulture and approving the Recovery Plan.
[3] ORDER 259/2004, of 13 April, declaring Andouin's Gull a endangered species and approving the recovery plan for several species.

3 INFORMATION ON SOCIAL AND PERSONNEL MATTERS

Damm is engaged in a cultural and digital transformation project directly steered by the Executive Chairman Mr. Demetrio Carceller. Such project aims to improve productivity and will help implement a new socio-employment and business culture based in flexibility, respect and commitment.

Within this transformation project Damm redefines its values under the "LIVE" concept that encompasses Loyalty, Innovation, Customer Value and is created with a view to serve as a guide in decision making, actions and projects within the organization. In 2018 it was the partners themselves who informed on the values in an audio-visual program for the more than 4,300 employees of the company at the end of the year, a year in which the persons have been key to keep carrying out strategic projects such as Digital Transformation and the Internationalization of the company.

Note: The only data that include the staff of the Group (SA Damm and subsidiaries) are those related to the total number of employees per country. The rest of the data presented include the following companies: SA Damm; Compañía Cervecera Damm, SL; Estrella de Levante, fábrica de cerveza, SA; Cervezas Victoria, SL; Aguas de San Martín de Veri, SA; Gestión Fuente Liviana, SL; Font Salem, SL; Envasadora Mallorquina de Begudes, SL; Derivats Lactis Mallorquins, SL; Cafés Garriga 1850, SL; Grupo Rodilla; Damm Distribución Integral, SL; Pall-Ex Iberia, SL; Alfil Logistics, SA; Setpoint Events, SA; Maltería La Moravia, SL; Damm Canarias Sl; Minerva Global Services, SL; Comercial Mallorquina de Begudes, SL; Damm Restauración; Distribuïdora de Begudes Movi, SL; Pumba Logistica SL and Fundación Damm. 2017 data include the same companies with the exception of Damm Canarias SL and Minerva Global Services, SL, and include also Ágora Europe that from the 5 December 2018 ceased to be owned by Damm.

3.1 Employment

3.1.1 EMPLOYMENT

Our commitment to growth and internationalization led to an increase of the number of persons in several locations of the Iberian Peninsula and the world.

(102-8, 405-1)

Total number of employees per country (at 31 December)	**2018**	**2017**
Spain	3,329	3,098
Portugal	210	205
Total	**3,539**	**3,303**

Total number of employees per gender (at 31 December)	**2018**	**2017**
Men	2,202	2,069
Women	1,337	1,234
Total	**3,539**	**3,303**

Total number of employees per age group (at 31 December)	**2018**	**2017**
< 25 years	463	355
26-35 years	1,048	1,063
36-45 years	1,225	1,166
46-55 years	598	542
56-65 years	205	177
Total	**3,539**	**3,303**

Total number of employees per job classification (at 31 December)	**2018**	**2017**
Senior Management	18	19
Technicians and middle management	1,158	1,151
Clerical and sales staff	591	512
Labour staff	1,772	1,621
Total	**3,539**	**3,303**

Total number and distribution of contract type (at 31 December)		2018	2017
Contract	Indefinite	2,867	2,711
	Temporary	672	592
	Total	**3,539**	**3,303**
Working time	Full-time	2,884	2,675
	Part-time	655	628
	Total	**3,539**	**3,303**

Yearly average of indefinite and temporary contracts per genre and age group	2018	2017
Indefinite	**2,596**	**2,408**
Men	1,592	1,474
< 25 years	65	44
26-35 years	354	347
36-45 years	641	604
46-55 years	379	340
56-65 years	154	140
Women	1,004	934
< 25 years	106	76
26-35 years	353	348
36-45 years	381	369
46-55 years	129	110
56-65 years	34	31
Temporary	**576**	**465**
Men	328	274
< 25 years	82	63
26-35 years	134	127
36-45 years	79	62
46-55 years	27	17
56-65 years	6	4
Women	248	191
< 25 years	98	60
26-35 years	111	100
36-45 years	30	25
46-55 years	8	6
56-65 years	1	0
Total	**3,172**	**2,873**

Yearly average of indefinite and temporary contracts per job classification	2018	2017
Indefinite	**2,596**	**2,409**
Senior Management	20	22
Technicians and middle management	977	882
Clerical and sales staff	429	412
Labour staff	1,170	1,093
Temporary	**575**	**462**
Senior Management	0	0
Technicians and middle management	52	41
Clerical and sales staff	107	74
Labour staff	416	346
Total	**3,170**	**2,870**

Yearly average of full and part-time contracts per genre and age group	2018	2017

Full time	2,511	2,253
Men	1,752	1,590
< 25 years	75	64
26-35 years	406	382
36-45 years	708	649
46-55 years	396	351
56-65 years	167	145
Women	759	663
< 25 years	48	27
26-35 years	244	216
36-45 years	321	297
46-55 years	113	92
56-65 years	33	31
Part-time	661	649
Men	170	188
< 25 years	67	71
26-35 years	78	92
36-45 years	13	17
46-55 years	10	7
56-65 years	2	0
Women	491	462
< 25 years	156	107
26-35 years	219	225
36-45 years	92	102
46-55 years	22	26
56-65 years	2	2
Total	**3,172**	**2,903**

Yearly average of full and part-time contracts per job classification	**2018**	**2017**
Full time	**2,508**	**2,222**
Senior Management	20	22
Technicians and middle management	998	882
Clerical and sales staff	529	477
Labour staff	961	841
Part-time	**652**	**649**
Senior Management	0	0
Technicians and middle management	31	32
Clerical and sales staff	9	11
Labour staff	613	607
Total	**3,160**	**2,871**

2017 and 2018: no data from Font Salem Portugal *Staff per working time and job category (yearly average)*

(401-1)

Number of dismissals per genre and age group (annual aggregate)	**2018**	**2017**
Men	102	113
< 25 years	23	18
26-35 years	24	28
36-45 years	25	36
46-55 years	14	13
56-65 years	16	18
Women	93	93
< 25 years	20	15
26-35 years	40	39

36-45 years	27	28
46-55 years	5	8
56-65 years	1	3
Total	**195**	**206**

Number of dismissals per job classification (annual aggregate)	2018	2017
Senior Management	0	0
Technicians and middle management	38	45
Clerical and sales staff	18	19
Labour staff	139	142
Total	**195**	**206**

3.1.2 REMUNERATION

All the persons working for Damm are under a collective bargaining agreement in force. That notwithstanding, persons included in Talenta group have personal conditions that can extend the contents of the collective bargaining agreement.

With regard to the said agreement, Damm's remuneration policy is determined by the strict compliance with the laws in force and the remuneration policy set in the collective bargaining agreement applicable to each company.

For Talenta group, the last data available (January 2019) confirm a clear trend for the improvement of the wage gap in the company, which is below average in the county.

After the remuneration study, a 12 % gender gap has been observed in 2018, which goes down to 9% in 2019[4]. It must be pointed out that this situation is entirely attributable to employments with longer years of service, as evidences the fact that during the last 5 years the employment gap decreases by 33% and is reduced to 6%. This data is particularly relevant if we take into account that almost 40% of the partners have less than 5 years of service.

Such remuneration policy is supplemented by a Management by Objectives intended to provide a benchmark that allows leading the organization to achieve Damm strategic objectives, by sharing the success with every person that makes the organization, and balancing their development and growth aspirations.

The pillars of such policy are the following:

- Link the objectives of each person to the business objectives.
- Boost and reward each person's contribution to the team and business.
- Ensure internal equality between the remunerations by applying job assessment techniques.
- Align the remunerations to market practices using as a reference wages polls from large Consumer Goods companies and the industry in general.
- Ensure the consistency between the model and promote a confidence and objectivity relationship in the application of processes and criteria.

In short, Damm applies a remuneration policy based on equal opportunities, regardless of gender, minorities, disability, ethic origin, creed or other.

Average remuneration per age group	2018	2017
< 25 years	18,569	17,033

[4] The gap has been calculated on the basis that each person, according to the job performed, has a reference salary, that would be 100%. Dividing his/her salary by the reference salary results in a percentage that represents how well or bad paid he/she is as compared with the benchmark.
The average of all the women in Talenta group gives 98%. The average of all men is 110%. Therefore we have considered there is a 12% difference or gap.

26-35 years	23,820	24,025
36-45 years	28,395	28,659
46-55 years	34,636	35,491
65	35,086	36,667

Average remuneration per job classification	**2018**	**2017**
Technicians and middle management	39,040	37,783
Clerical and sales staff	26,827	26,463
Labour staff	23,035	22,740

(401-2) By way of social benefits, Damm's partners can benefit from training aid or discounts, access to product purchase, promotional discounts when buying services and products at iDamm intranet and promotions at "Damm te ofrece".

Average remuneration of directors and senior management per gender[1]	**2018**	**2017**
Directors[2]	1,282	1,128
Senior Management[2]	403	386

1 Thousand of euros. Includes fixed and variable remunerations, allowances, compensations, payment to savings schemes and other payments.
2 Due to the current composition of the Board of Directors (1 woman) and Senior Management (2 woman), the information per gender is not revealed in order to safeguard their privacy.

Standard initial category wage rate per sex as compared with the official minimum wage*		**2018**
Remuneration compared to official minimum wage	Men	1.88
	Women	1.88

* The official minimum wage taken into account for this calculation was 10,302 euros for 2018 compared to the company's lowest entry salary during 2018 with an indefinite contract.

3.1.3 RIGHT TO DISCONNECT POLICIES

In 2017, that is, before the coming into force of the new Data Protection Law, the SA Damm's collective bargaining agreement started regulating the right to disconnect. In that sense, article 35.1 of the Collective Bargaining Agreement reads:

"Within the equality area, and more specifically as a measure to reconciling family and personal life and work, the parties defend the necessity to raise awareness on the reasonable use of digital devices.

Thus, in order to ensure respect for the resting and holidays time, as well as for personal and familiar life, the Agreement] recognizes the right to not to answer to the obligations arising from the employment by phone, computer or any other electronic device out of the hours, other than in exceptional or urgent circumstances."

In the rest of the Damm companies such right to disconnect will be addressed in the coming months within the collective bargaining.

3.1.4 DISABLED PEOPLE

(405-1) The commitment to integrate the collective having different capacities leads to the objective to fully comply with the Disabled Social Integration Act, trying to reach 2% in the companies under statutory obligation and exceeding such figure whenever it is possible. Such is the case of Estrella de Levante, with 3 partners, when the quota required is only 2.

Damm has published during 2018 employment offers in which positive discrimination was applied to this group of persons having different capacities, and this has allowed to increase the number of direct hiring. By way of example, such offers have been published in several specialized web portals and public bodies such as Talento (ONCE), DisJob, SOC, etc.

Disabled employees	**2018**	**2017**
Hired employees	19	15

In addition, Damm has had, for years and for significant amounts, contracts with employment special centres that work with disabled persons. By way of example, SA Damm outsources part of its services to CET FEMAREC since its inception in 1991 and up to day, to make the selective waste collection and management. Likewise, we work with Fundación CARES - of which Alfil Logistics is a trustee - for handing products in the ZAL (Logistic Special Zone).

Special employment centre	**2018**	**2017**
FEMAREC	156,099.99 €	153,819.57 €
Indirect jobs creation	8.06	7.94
CARES	755,905.86 €	752,279.04 €
Indirect jobs creation	23	23

Additionally, and as part of the corporative responsibility, Damm also engages companies that hire persons in risk of social exclusion and special employment centres. By way of example, differently abled people have cooperated both at Christmas Dinner and Saint George's Day.

SA Damm has renewed the exceptionality certificate and has approved alternate measures for years 2019-2021.

3.2 Work organization

3.2.1 WORK TIME ORGANIZATION

As regards to work time, there are, in general, flexible hours.

That notwithstanding, in plants where flexibility is not feasible, the policy is to allow shift partners to exchange their shifts with their colleagues in order to reconcile personal and familiar life with their employment.

In Estrella de Levante there is a fourth shift work system that has a positive appraisal as is reduces the number of partners working during the weekend and allows a fixed work schedule for all the year, and in addition it allows the accumulation of long off periods.

As regards to Rodilla Group, the restaurants follow an uninterrupted working time system, weekly planned attending to the company's activity peculiarity. The working times tables are published in the work centres specifying each person's times, seven days before the first day of such schedule.

3.2.2 ABSENCE FROM WORK

(403-2) The total number of absence from work hours at SA Damm is 108,678.29 in 2018 and 153,699.11 in 2017.

3.2.3 RECONCILIATION

Damm has been working in recent years to promote the reconciliation of personal and familiar life and work of its partners. In that sense, statutory paid leave is raised and the company implements a policy that aims to meet each person's necessities regardless of age and gender.

In 2018 SA Damm received the EFR certification as a company committed to families issued by Fundación Másfamilia with the support of the Ministry of Health, Consumption and Welfare.

The award recognises SA Damm work for the promotion of measures that promote welfare and balance between work and family and personal life for the 600 persons that make the company.

Damm has started a specific plan in order to consolidate a new socio-occupational and corporative culture based in flexibility, respect and mutual commitment that it intends to extend in the coming years to the rest of the group. The company has appointed a work team made of professionals of several departments led by Damm HR Manager, Ricardo Lechuga, to ensure that the objectives of the plan are met and to build a solid management model aligned with the company values and code of conduct.

efr project has more than 40 reconciliation measures already implemented in order to reinforce and satisfy the needs, both current and future, of the persons that make the company. Some of the measures that already exist are flexible hours, implementation of a Health Plan that encourages sport and good dietary habits, and the renewal of the Equality Plan of the company. Likewise, and as part of the Digital Transformation project currently carried out by Damm, it is worth pointing out the launch, a few months ago, of Damm Academy, a new digital training platform for partners that allows accessing online training from any location at any time.

(401-3)

Retention rate	**2018**	**2017**
Number of persons benefiting from maternity/paternity leave	163	134
Men	92	73
Women	71	61
Of these, number of persons who have returned to the same job after the leave	156	132
Men	86	72
Women	70	60
Of these, number of persons who remain in the company 12 months after having returned to the job	153	121
Men	89	71
Women	64	50
Retention rate	94%	90%
Men	97%	97%
Women	90%	82%

3.3 Occupational health and safety

The company's commitment to the safety of all the employees is contained in Damm's Occupational Health and Safety Policy. The essence and main objective of such policy is the routine reduction of occupational accidents and the assumption of the prevention competences at all levels and for all the processes in the organization. Because of this, the group works with and promotes an integral prevention, in order to achieve that the action and preventive responsibility are managed implicitly and autonomously in all areas.

Each company has its own prevention plan detailing the integration organizational model that is the basis for the management and performance of Damm's Occupational Health and Safety Policy. The plan specifies the procedures, instructions and management practices for the prevention of occupational hazards, setting specific objectives for each company to evolve towards the convergence and standardization of the best practices and standards. Likewise, and in line with such prevention plan, the preventive action annual plan is drafted under the legal framework that requires the protection from and the reduction of occupational hazards. Prevention service attached to each company develops and gives the required support for the organization to carry it out, having in all cases an external health control service that regularly checks the fitness and condition of the employees.

During 2018 and within the objective of cero accidents, global participation and recognition of preventive management have been promoted by:

- Awarding initiatives in health and safety matters proposed to solve and improve work conditions.
- Awarding the company with less accidents rate.

With such commitment, the health and safety management system is structured under the guidelines of the recent standard ISO 45001.

Estrella de Levante, a certified company, adapts its current system and faces the transition from old OHSAS 18001 standard to the new ISO 45001. Following its example, the management systems of Alfil Logistics and Compañía Cervecera Damm, currently in progress, will be submitted for certification.

Control and actions against occupational accidents have different arrangements. Thus, Rodilla Group has set a thorough methodology for the analysis of the causes and the control of the corrective actions, with greater focus in individual awareness and sensitivity (stores personnel, etc) whilst the plants (Beverages business) stress the middle management structure. Zero Accidents program and committee of Alfil Logistics deployed for each unit (warehouse) requires the involvement of the plant personnel to ensure the goal is met.

Prevention specific management software has been installed that eases involving all the persons responsible in the same system and extending it to all the partners and interested parties. That way, methodology and records are unified, which also allows a better implementation of control indicators.

Two new Occupational Risk Prevention Coordination figures have been hired in 2018, one for the water business and one for events, in order to expand and unify the prevention system and document the preventive records.

Psycho-social risks polls have been performed in 2018 in order to identify and assess risks that could arise for the company, as well as to measure the employment climate, an essential mechanism to identify the positive aspects well managed by the company and the critical aspects, and that will lead to an action plan to be implemented as from next year.

(403-1) In 2018 77.6% of the company was represented by H&S committees in their respective work places (82.6% F&B, 14.9% Logistic and transport, 79.1% Hospitality and 0% Contents management).

(403-2)

Accident rates indicators		**2018**
Number of occupational accidents	F&B	73
	Men	66
	Women	7
	Logistic and transport	6
	Men	5
	Women	1
	Hospitality	93
	Men	28
	Women	65
	Contents management (Set Point Events)	0
	Men	0
	Women	0
Frequency rate	F&B	17.5
	Men	21.8
	Women	7.0
	Logistic and transport	17.76

	Men	21.24
	Women	9.72
	Hospitality	48.86
	Men	ND
	Women	ND
	Contents management (Set Point Events)	0
	Men	0
	Women	0
Severity rate	F&B	0.42
	Men	0.51
	Women	0.20
	Logistic and transport	0.17
	Men	0.21
	Women	0.06
	Hospitality	0.35
	Men	ND
	Women	ND
	Contents management (Set Point Events)	0
	Men	0
	Women	0
Occupational diseases recorded[2]	F&B	0
	Men	0
	Women	0
	Logistic and transport	0
	Men	0
	Women	0
	Hospitality	0
	Men	0
	Women	0
	Contents management (Set Point Events)	0
	Men	0
	Women	0

Note: The companies included in each business activity are: F&B (CC Damm, Estrella de Levante, Font Salem (Puig and Salem), Veri, Fuente Liviana, Embotelladora mallorquina de Begudes, Agama, Font Salem (Santarém), Cervezas Victoria, Cafés Garriga, La Moravia, Fábrica de El Prat, SA Damm, Damm Atlántica, Damm Canarias, Sadiga y Fundación Damm), Logistic and transport (Alfil Logistics, Pall-Ex Iberica, Minerva, DDI y Pumba), Hospitality (Rodilla) and Event Management (SetPoint Events)

A large number of Damm companies are below the accidents rate indicators, which allowed in 2018 to opt for the reduction of occupational hazards contribution system (known as Bonus). Such system is regulated by Royal Decree 231/2017, of 10 March, that sets a system of reductions to occupational hazards contributions for the companies that have significantly reduced their occupational accidents rate.

Outstanding Font Salem actions in 2018 have been the creation of the Commission 0 Accidents, security audits, implementation of LO-TO project, drafting a safety checklist for Team Leaders, drafting risks cards per machine and the revision of the quality and comfort of safety footwear with suppliers.

Outstanding Alfil Logistics actions in 2018 have been the creation of the "Back School" that included awareness campaigns on musculoskeletal diseases in some Alfil centres, starting to implement a health and safety management system for partners according to ISO 45001, safety meetings of plants head and partners for the analysis of occupational accidents in the plant or in external facilities, outsourced internal safety audits made by specialists that allowed obtaining control indicators and detecting non-conformities notified to the centers to act and resolve, investments made to adapt to RD 1215 and Directive 2006/42/EC of critical machinery, and preparing safe work directions in addition to operations to control risks arising from "satellite" activities.

In the Water business companies, an occupational risks prevention training plan has been developed in 2018 delivered to all plant partners, in addition to information and training actions oriented to each plant jobs, awareness and support to partners and contractors to prevent and implement optimal preventive conditions for the development of the work in the plants.

In 2018, CC Damm has centered its efforts in stressing the occupational risks prevention talks for the brewery employees as well as an assistance follow-up for the personnel. From the communications point of view, the monthly bulletin "Asegúrate Damm" has kept going, and a new tool - "Apren-D" - has been included for the analysis of accidents and incidents in the factory to extract the relevant knowledge and avoid recurrence. Finally, the CAE Committee of the Industrial Plan has been created. It gathers all the H&S experts of the main contractors and all Safety coordinators, together with Damm H&S officials, in addition to weekly follow-up meetings for each stage of the works. Tools have been implemented to ensure the coordination of the Industrial Plan works with the ongoing operation of the factory.

3.4 Social relationships

Legal representatives of the partners, both at trade unions and as a unit, are and have been an essential associate when meeting the company's objectives. Dialogue is carried out by HR Department, in a close, fluid and ongoing way, trying always to keep trustworthiness and good faith.

As a result of such good understanding, many companies of the group have their own collective agreement.

Such collective bargaining agreements provide for the creation of commissions (task groups) to focus on certain matters: Occupational Health and Absence from work Commission, Training Commission, Equality Commission, etc.

The companies that have their own collective bargaining agreement in 2018 are: SA Damm, CC Damm, La Moravia, Font Salem (El Puig), Font Salem (Salem), Font Salem (Santarém), Rodilla, Grupo Rodilla, Fuente Liviana and Estrella de Levante.

(102-41)

Employees covered by collective bargaining agreement per country	**2018**	**2017**
Spain	100%	100%
Portugal	100%	100%

(403-4) The following are health and safety issues dealt with in formal agreements with trade unions, with the detail of the extent by way of percentage: CC Damm (10% personal protection equipment, 15% partner-company health and safety joint committees, 20% participation of personnel representatives in inspections, audits and investigations of health and safety accidents, 10% health and safety training, 15% complaint systems, 5% right to reject non-secure jobs and 25% regular inspections) and Font Salem (10% training programs, 10% action protocols, 30% machines and equipment, 20% travels, internal traffic and pedestrian corridors, 20% safety in the facilities and 10% individual protection equipment and protection elements). In Rodilla there is daily contact with H&S officials because two of the officials of one of the companies are part of the HR Department. Furthermore, there are quarterly meetings of the H&S Committee and extraordinary meetings to deal with specificy issues such as psycho-social reports.

3.5 Training

(404-2) Damm's innovation and transformation ongoing process is also possible thanks to the development and evolution of its partners. The group supports and promotes professional development through a set of strategies (talent management and retention, brand reputation, appropriate training, etc) that allow covering the changing necessities of the company and align persons with business.

(404-2) The main challenges in the training area in 2018 have been:

- Design of Damm training model Setting a training strategy aligned with the company. The four training axis are corporate, digital, skills and business. The model has several training channels: in-class, e-learning and *blended* and answers to the company's strategic lines.
- Launching Damm Academy and implementation of the Learning Management System.
- Review of the current training policy, processes and procedures to adjust it to the current scenarios.
- Execution of the Company's Scheduled Training Programs.

Corporate axis. Corporate training that enable partners to further examine Damm's culture, processes and area of activity.

- #Live (Damm values). The entire values campaign can also be followed at Damm Academy. Loyalty, Innovation, Customer Value and Energy, #LIVE, are the new values defined by the company in order to update the pillars on which the activity and engagement of all the persons at Damm in the future will be based. They can be accessed in Damm Academy, where there is a short video for each of them, in order to know first hand information on the essence of each value.
- English Program. With 188 participants in 2018, the main objective of the program is to ensure that the partners have the level of the foreign language required to perform their current or future job. The program has three possibilities: @nline, in-class in-company and language coaching.
- Gender violence prevention. This online course shows the signs of abuse, and how to use empathy to help victims to break their silence.
- DPGR. To inform all the partners of the changes resulting from the new European data management rules (DPGR). Up to 135 persons from the departments concerned by the Regulation attended to DPGR training sessions.

Digital axis. Training that approach Damm to the digital word in order to encompass and ease the digital transformation performed by the Group:

- Digital Journey Online. Made by a series of training pills that approach the partners to the most common daily digital tools: OneDrive, One Note, Google searches, corporative Skype and connected rooms. Connected rooms are spaces technologically refitted that provide and allow sharing easily electronic documents and audio-visual media with the persons present in the room and with people connected from other locations.
- Damm's Digital Workplace. The main objective of this project is the technical refit of the workstations, and to improve the digital tools of the partners. To that end, the required training was delivered to better know the new tools, becoming a training and reference point.
- Digital Skills Program. This project allows providing the organization with the digital skills that are consistent with the values of the Digital Culture Model.
- Beer culture Atrivity game. At the end of the year, a games app on good practices, brands knowledge, beer culture, etc, was launched for the hospitality sales network.

Skills axis. Training that allow the partners to develop the skills required for an optimal performance of their tasks:

- Lidera MI CCDAMM. Implemented along the last three years in El Prat brewery, this is a development program addressed to middle management to achieve the management knowledge and techniques required for the appropriate performance of their tasks with the teams. Based in several methodologies (from a systemic and executive perspective) this training program has offered learning spaces that boost the required collective skills, their leadership in the company and the role of each of the members.
- Skills development for middle management. This program is addressed to middle management in Waters division at Damm (Veri and Fuente Liviana) and is made up of three training modules: leadership and communication, team work and confidence building.
- Advancing Negotiation Skills. The course has provided the attendees knowledge and skills to control complex negotiations in a professional, ethic and competent way, and to achieve better agreements for their organizations in situations where long term relationships are important.

Business axis. Training oriented to seek excellence in all the business processes, providing value and, ultimately, an improvement on the outcome.

- Product training. The training delivered is:
    - Beer Sensory Expert. Provides an immersion in beer culture and its complexity, diversity of styles and versatility in gastronomy.
    - Beer Culture Training. Internal training program on beer culture, that offers a cross-sectional vision of the product and the company.
    - Higher education and beer masters. Again, Damm master brewers have attended to the most renowned masters: the 6-months VLB Berlin Certified Brewmaster Course and the Escuela Superior de Cerveza y Malta in Madrid.
    - Dairy (cross-section training). Expanding to new business has resulted in the necessity of basic scientific and technological training in milk and dairy products.
- Project management. This program allows identifying the stages of a project and the main techniques and tools to manage it, in addition to teach how to manage the relationship and emotional dimension of the project and exploit as much as possible the potential of the players.
- Sales team training. The training delivered is:
    - Influence in large accounts customer. Development workshop to improve self-knowledge and reinforce key skills.
    - Team manager proactive discussions (Horeca Sales). 2-day training workshop to provide criteria and tools to help in the preparation of proactive discussions, define communication strategies and build a vision and communication tactics that allow building solid approaches and dialogs addressed to obtain commitments by their main parties.

660 training actions have been delivered in the aggregate in 2018, and 4,294 partners have taken part in them.

Total number of training hours per job classification	**2018**
Senior Management	2,690
Technicians and middle management	13,471
Clerical and sales staff	5,563
Labour staff	14,251
Total	**35,975**

3.6 Equality and non-discrimination

Equality Plans were created by Organic Law 3/2007 for the Effective Equality between Women and Men as a valuable tool (mandatory for companies with more than 250 employees) to advance in reconciliation matters.

SA Damm management, together with the Works Council were fully aware of the need to take specific measures to advance in equality matters. Thus, during the negotiation of the II SA Damm Collective Bargaining Agreement, it was decided that, given their importance, equality related issues would be dealt with in a separate Commission.

That is how Equality Commission was created in SA Damm. Its task is, among other, to promote new measures for the reconciliation between work and familiy.

In 18 October 2018 the II Equality Plan was signed. According to the analysis, SA Damm situation with regard to the equality of opportunities between women and men is, as a whole, positive, but the outcome is different depending in the area analysed. Certain assertions have a positive valuation, particularly with regard to the reconciliation of work and family, and personal life (72% of satisfaction).

Action lines are:

i. continue with awareness actions;
ii. take an active part in reaching a society that is free from gender violence, exploiting the potential of the company as a social agent; and

iii. implement a large series of measures, many of them clearly innovative.

One of SA Damm strategic objectives for 2018 was managing reconciliation following the efr model. The relevant certificate was obtained on the 12 December 2018. There is a commitment to extend it to other companies of the Group gradually and depending on the success.

An Equality Commission was created in Estrella de Levante in 2014, and, even if having an Equality Plan was not mandatory, in December 2017 an Equality Plan was subscribed. The company was already working to give women an essential role in the manufacture and promotion of beer. Estrella de Levante was pioneer, for instance, in including women in the brand beer tasting panel, a key body in the beer industry as not only is it in charge of ensuring that beers is aligned with the brand specific features, but also because it helps deciding the new products to be launched to the market. It was also pioneer in providing women access to the training required to become brewer masters.

In 2016 Estrella de Levante received the Company Award in Murcia for Equality. Special Mention of the Jury for its commitment to Equality. The award is given by the City Council of Murcia.

Font Salem also has an Equality Plan that, as of today, affects Salem work centre. Extending the plan to El Puig work centre is currently under negotiation. Likewise, in CC Damm the Equality Commission is working to renew the I Equality Plan.

As for Rodilla Group, the negotiation of the II Equality Plan for the group is currently in progress in order to develop a plan aligned to the reality of the people that works in the Group. Negotiations are at an advanced stage, and great advances have been achieved in access, hiring, training, promotion, occupational health, communication, awareness and genre violence matters. Each area has been studied with the support of data and in depth, but there are still some issues on remuneration and professional classification pending to be revised. The expected date for the signature is the month of March, 2019.

Anti-harassment Protocol has been renewed in all the companies of the Group. The main action lines in this area are:

- Continue disclosing the protocol to the partners, with information campaigns and training actions.
- Reminding that any person believing to be subject to any situation that can be considered harassment must immediately report the facts and that the company will apply the existing procedure.
- The procedure also regulates how to proceed when the person that presumably harasses or is harassed is an external associate that provides services in our centres.

Since 2010, Rodilla Group has a procedure to prevent and manage moral harassment in the workplace, negotiated with the employees representatives, in order to protect the persons' dignity and to keep and create a respectful work atmosphere. Such protocol includes the guarantee of the principles of confidentiality, promptness, contradictory and equality in all the stages: complaint, creation of the inquiry commission, hearing of the parties, resolution and adoption of measures.

With regard to discrimination, article 9 of Damm Code of Conduct promotes respect. It defends and promotes the compliance with human and employment rights, and undertakes to apply the laws and good practices on working conditions and occupational health and safety in the workplace.

Therefore Damm respects the principles of the Universal Declaration of Human Rights of the United Nations and the declarations of the International Labour Organization, and is committed to non-discrimination on the basis of race, colour, national origin, age, sex, marital status, disability, sexual orientation, ideology, political opinions, religion or any other personal, physical or social characteristic of its Partners, as well as to equal opportunities.

Additionally, any acts of violence and of physical, sexual, psychological or moral harassment or any other harassment whatsoever are prohibited and rejected as well as any abuse of authority at work and any other conduct that is intimidating or offensive for the personal rights of its partners.

Partners must avoid any kind of discrimination (damage, harassment, mobbing) and promote a respectful and cooperative treatment.

No discrimination cases have occurred in Damm companies in years 2017 and 2018.

3.7 Universal access of disabled people

Workstations, spaces, means and teams are managed and adapted in Damm Group companies to achieve that sensitive personnel, those who have certain reduction in their sensorial or physical abilities or a certain degree of disability can carry out their job without increasing the risk created by certain hazards.

Going beyond such measures, and with a larger perspective, we have included in our civil works specifications certain measures for universal access, in order to achieve that the access and visit to the facilities is not an obstacle for people with disabilities.

This requirement has been included in the works to refit our headquarters, where open events are held, as well as to the breweries Compañía Cervecera Damm, Cervezas Victoria and Estrella de Levante, because these are the factories that have brewery tours.

The refit required by the factory in Murcia, which is older, is more significant, and therefore a specific project has been carried out to that end with the help of the national federation. ASPAYM (Medular Lesion and other Disabilities Association). The scope of action has been diverse, and is divided in infrastructures, buildings and transport equipment.

Thus, some or the actions and measures identified are, by way of example: adapted sidewalks (widths and surface treatment), dropped kerbs, removal of grids, stairlifts, wider accesses and gates, reserved parking spaces (disabled parking ratio 1/40) with additional protected space between vehicles, spaces reserved in auditoriums with a ratio of 2 disabled seats for each 100 seats for ordinary activities pursuant to the standard UNE 41524:2010, adapted lavatories, cabins and services. With regard to the new measures to adapt spaces, it is worth pointing out the purchase of a special vehicle and of height adjustable office desks to adapt the work places to sensitive persons.

There is in all events a large offer of disabled lavatories, as portable lavatories are rented.

Damm has planned new visual and acoustic signalling measures, so that they are compatible and noticeable by all the public attending to extraordinary events.

As for sports activities organized by SetPoint, all those measures are taken into account and spaces are arranged to guarantee safe and secure accessibility for all the people with mobility impairment in pop-up venues or when the facilities originally do not comply with the requirements. There even is a special section in emergency plans dealing with individual aid and support for such persons.

4 HUMAN RIGHTS INFORMATION

Human rights violation prevention risk is considered in Damm's criminal prevention system. The company applies the principles of fair treatment, and respect human rights pursuant to its Code of Conduct. Thus, relationship between all company partners and suppliers must be distinguished by fair, respectful and polite treatment.

Specifically, the Code of Conduct takes into account principles referred to Human Rights and Employment aligned with the principles of the International Labour Organization, as well as following the family friendly company principles. Damm has recently been awarded the family friendly company certificate, as such principles are respected wherever Damm carries out its activities and are applicable to all subsidiaries or associates over which Damm has direct or indirect control.

Whistleblowing Channel is the medium provided to address all the issues related with the Code of Conduct and, in general, with the Compliance Model, as well as to inform or report infringement or risk situations with regard to the guidelines and conducts regulated in the aforesaid Code, or in the Compliance Model as a whole, and this line works as an access mechanism, or complaint or report channel.

Likewise, the Code of Conduct refers to the suppression of forced or compulsory work and child labour.

In 2017 and 2018 Damm has not recorded any report on violations of human rights.

5 INFORMATION ON THE FIGHT AGAINST CORRUPTION AND BRIBERY

5.1 Fight against corruption, bribery and money laundering

(102-16) Damm has a criminal risks prevention systems with the following tools: Code of Conduct, Whistleblowing Channel Regulation, Compliance Committee, and Compliance Committee Regulations. Additionally, for a better risk management in all its aspects, including criminal risks, there is an Internal Audit Department. Both the Compliance Committee and the Internal Audit Department report to the Audit and Control Commission, whose members are members of the Board of Directors.

The Audit and Control Commission entrusts to the Compliance Committee and the Internal Audit Department the active management of the risks and to make a risks global map and a criminal risks map. The procedure in the case of risks related to political corruption is recorded in the Code of Conduct and in the Whistleblowing Channel Regulation. Carrying out audits is a task of the Internal Audit Department.

With regard to money laundering, Damm has a Protocol for the prevention of money laundering, in which payments are specifically addressed.

No corruption confirmed cases have occurred in Damm companies in years 2017 and 2018.

5.2 Contributions to foundations and charities

Every year the Group sponsors sportive, cultural and social events, organized from the companies of the Group and from Fundació Damm. Damm's contribution to foundations and charities was 4,689,022 € in 2018 and 4,093,109 € in 2017. The largest contribution was to Fundación Damm: 4,492,000 € in 2018 and 4,011,000 € in 2017.

6 INFORMATION ON SOCIETY

6.1 Impact of the activities on the society

Commitment to society is one of the values that defines Damm since its creation. In that sense, several companies, Fundación Damm and Estrella Damm Old Brewery in Rossello street in Barcelona promote initiatives that have a positive effect in the financial, cultural, sportive and social progress of the communities where it has presence.

Fundación Damm

(413-1) Fundación Damm is involved in the development of the country by promoting cultural and social initiatives, and in young people education, encouraging the sport's value and principles, and pursuing excellence. It cooperates every year in more than 50 projects in these areas, in which it invests more than 4 million euros.

The most relevant sportive projects of Fundación Damm are Damm Football Club and Damm Padel Club, consisting entirely of professionals of the Company. More than 300 persons take part in both clubs, and the young players are one of Spain's talent pools. In the last years the clubs have played an outstanding role in Spain's championships, and are among the best in most of the categories in which they play.

Fundación Damm supports relevant institutions in Spain in the cultural area, such as Teatro Real in Madrid, Liceu or Palau de la Musica in Barcelona, inter alia.

Youth employment and integration of groups in risk of social exclusion

(413-1) Part of our social commitment to work for the employment of persons in risk of social exclusion.

Rodilla cooperates in the initiatives promoted by Fundacion ISOS (Option 3 program), for the employment of juvenile wards of the court; Spanish Red Cross, that offers internships for young people; Fundación San Martín de Porres, for training and integration of persons in risk of social exclusion; Fundación "La Caixa" (Barcelona Activa), hiring young people; and Madrid City Council, for hiring unskilled young people.

Estrella de Levante together with the Regional Federation of Hospitality and Tourism Companies Association and the Employment and Training Regional Service, continue with the scholarship "La caña emprendedora" for young graduates from Hospitality Schools that want to extend their training with an internship. In 2017 the company promoted the meeting "La caña emprendedora 2.0" addressed to young entrepreneurs, businesspersons and experts to analyse business opportunities related to the tourism industry in the North West Area.

Dual vocational training programs at Estrella de Levante and Alfil Logistics are initiatives that assess new talent potential and look to attract them offering opportunities to students and recent graduates.

Estrella Damm Old Brewery, a space open to the citizens

(203-1, 413-1) La Antigua Fábrica Estrella Damm (the old brewery) has become a benchmark venue in the city of Barcelona, hosting every week several cultural, gastronomic, and solidarity events related to Damm's activities. The number of events held in the brewery was 270 in 2017 and 300 in 2018.

Promoting healthy eating

(102-11, 413-1)Rodilla's cooperation with the Spanish Food Safety Agency 2017-2020 plan for the improvement of food and beverages involves adopting several measures: reducing by 50% in 2020 the contents of sugar and salt in sachets, using high oleic sunflower oil in deep fry process, increasing the offer of sharing plates, increasing the offer of wholegrain cereals, using low fat or skimmed milk, using species to reduce added salt, offering vegetable side dishes, offering fruit as a desert option and offering wholegrain bread.

Rodilla takes part in Havisa program and includes in its communications messages that encourage consumers to keep a healthy lifestyle. The company is currently developing the campaign "More food, less waste" as well as innovation healthy projects that include ingredients that are healthy and affordable.

Solidarity initiatives addressed to partners.

(413-1) We help the partners to take part in volunteering actions, such as the toy collection of the Casal dels Infants, Blood donation of the Blood and Tissues Bank, and the Food Bank "Big Food Collection".

Learning at Damm Breweries

(413-1) In a visit to Estrella de Levante, Cerveza Victoria and Estrella Damm the consumers can learn about the process of brewing. Estrella Damm Brewery in El Prat de Llobregat has also a new tasting room for such visits.

6.2 Association and Sponsorship Actions

(413-1) Damm is strongly committed to culture, gastronomy and sport. Supporting and sponsoring such events allow Damm to transmit its commitment to the community.

With culture Damm involves the clients and consumers in cultural and artistic events held in the country that are an added value commitment.

Through gastronomy, Damm promotes and supports domestic and international gastronomic proposals, tapas gastronomic routes and events with the best chefs worldwide. With regard to the tapas gastronomic routes promoted by regional beer brands, they combine leisure, fun and gastronomy and are held in several cities. These initiatives support the hospitality sector by the participation of restaurants and establishments in the cities were they are held. All of them have the cooperation of local and sectorial entities.

Through the sports, the commitment materialises in supporting events that join values such as effort and work in a common objective. Cooperation with sport is the base of Damm's link to the persons and entities that represent them. That is why Damm cooperates, year after year, with events that strengthen Spain's international position as a benchmark. Since 2008, Estrella Damm is the official sponsor of Mutua Madrid Open and Banc Sabadell Trofeo Conde de Godo in Barcelona tennis tournaments. This brand is also sponsor of the main international padel tournament, the World Padel Tour. In the amateur area, the Estrella Damm Padel Tour has more than 14 events in Madrid and promotes the amateur padel. This ongoing commitment with sport can be seen also in the sponsorship of several football clubs such as FC Barcelona, RCD Espanyol or FC Girona.

6.3 Contracting and suppliers

(102-9) One of Damm's commitment with sustainability requirements is local procurement contributing at the same time to the social and economic development of the country, in addition to minimizing the environmental impact arising from transport. This commitment has lead Damm to promote several cooperation initiatives with local suppliers, particularly farmers, with whom it holds technical sessions to improve their productivity and their farms yield.

A new activity - that is pioneer in the entire world in the beer industry - is the direct cooperation to implement a software for countryside management in a digital environment for all the farmers, both for barley and for hop. This must allow to ensure crop traceability, promoting local product and transparency, in addition to unite data in a countryside "big data" that allows identifying the best practices that result in the best performance and yield for the field, both for the farmer and for Damm, in application of the "win-win" principle.

Damm has more than 4,597 active suppliers, of which 93.26% are located in the Iberian Peninsula. As for Rodilla Group, domestic suppliers are 99%.

Damm has a suppliers' vetting and monitoring system that sets the requirements or conduct standards according to the type of service required: quality, service, logistics, technical, environmental, financial, etc. In addition, Damm carries out on-site audits to suppliers to ensure quality, as well the compliance with quality and employment rules and regulations.

Procurement Department and Quality Department hold regular follow-up meetings with the main suppliers that play an strategic role in Damm's performance.

Damm has a Suppliers Portal that eases the vetting and data maintenance for vetted suppliers processes.

Procurement policy has six basic principles that must be taken into account in all good and services procurement: publicity, concurrency, transparency, confidentiality, equality and non-discrimination.

Procurement Department complies with the internal Code of Conduct in the management of all the negotiations with suppliers and internal counterparts.

Concepts such as emissions reduction, electricity consumption reduction, CSR, etc, are assessed for key suppliers for their vetting and monitoring.

6.4 Consumers

6.4.1 CONSUMERS' HEALTH AND SAFETY

Damm production and operation processes are focused in meeting the utmost quality and efficiency standards. To that end, such processes are aligned with the main international standards and rules on quality and food safety.

(416-1) With regard to food safety, the company has the following certifications: International Food Standard (IFS) version 6 for the maximum level of Font Salem and Hazard analysis and critical control points (HACCP) in Damm food and beverages production plants. Currently El Prat brewery is in process of obtaining the FSSC-22000 certificate on food safety with 2019 as a target.

(417-1) Pursuant to the rules on labelling of marketed products, Damm has the following certificates:

- European Licensing System (ELS) Certification, that authorizes the use of the Crossed Grain symbol in Damm Gluten-Free products (Daura, Daura Märzen and Daura Shandy).
- Halal Certification, awarded by the Islamic Institute, for Damm alcohol-free products (Estrella Non Alcoholic Malt Beverage 0.00%, Free Damm Lemon Malt Beverage 0,00%, Free Damm Date Malt Beverage, Free Damm Apple Malt Beverage, Free Damm Passion Fruit Malt Beverage and Free Damm Pomegranate Malt Beverage).
- Kosher Certification, that attests the suitability to be sold in the jewish market (Estrella Damm, Daura Damm and Inedit Damm).
- Fairtrade Certification, that attests that Cafés Garriga coffee complies with fair trade requirements.

ISO 9001 has been updated in 2018 to the current version of the standard (2015 version), achieving the following improvements: context of the organization, understanding of the interested parties, risk based thinking, stronger leadership role, staff's skills, documented information, internal and external documentation, stress in process based approach, and knowledge of the organization.

(102-12) Damm is a member of the Spanish brewers association (Cerveceros de España), that has issued an Advertising Self-Regulation Code for Brewers under which all marketing communications on beer will be lawful, honest, true and comply with fair competition and good business practices. They will be prepared with social responsibility, based in the good faith and equity between the parties principles. Under no circumstance will they infringe the limits of ethic, dignity or human integrity.

6.4.2 COMPLAINTS AND CLAIMS SYSTEMS

Customers who purchase the products and services of Damm companies, as well as end consumers, have specific customer services.

- Customer Service, that provides an incidents log that allows their classification, analyse their causes and implement measures to prevent them.
- Consumer Service

- Export Customer Service, that logs incidents and complaints linked to the process from the order to the collection. The service also manages proposals and suggestions received at the websites of the brands made by customers and consumers.

In July 2018 Alfil Logistics launched the centralization of Customers' claims through the Customer Support Department. 314 claims were handled between July and December 2018.

In water and beer divisions a thorough data analysis is carried out establishing the improvement inputs by reference and/or process. Improvement actions are proposed aimed to reduce incidents due to each cause and they are monitored tracking the evolution of the incidents number or asking the sales force.

An increase in the number of complaints shows the improvement of the communication paths with the different business channel.

The percentage of closure of the claims in 2017 in both divisions was 100%. In 2018 the percentage of claims pending to a final communication in the water division was 99.2% and in beer 99.6%.

As for claims on quality, Damm has a customer service for queries, claims or complaints open in all the channels: social media, link in websites, consumer hot line, marketing or email communication, telephone or marketing contact.

6.5 Tax Information

Given the companies structure of the international activities of the Group and the marketing and product distribution models, virtually all profit is obtained by companies resident in Spain. In 2018 profit was 112.8 million euros, was 112.5 € in 2017.

	2018	**2017**
Current income tax (thousands of euros)	27,997	29,737

	2018	**2017**
Public subsidies received (thousands of euros)	2,058	320

*Includes Estrella de Levante compensations for emission rights (which are 5% of the total subsidies received in 2018)