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June 9, 2020

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 2019.

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 2019, 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 2019, 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 3.16 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 2019 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 as established in the agreements 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 were correct. Lastly, we verified that the disclosures included by the Group in the accompanying consolidated financial statements (see Note 3.16 to the accompanying consolidated financial statements) in relation to the aforementioned provisions were appropriate pursuant to the regulatory financial reporting framework applicable to the Group.

Emphasis of Matter

We draw attention to Note 28 to the accompanying consolidated financial statements, in which the directors indicate the situation of uncertainty that has arisen due to the effects that the COVID-19 crisis might have on the Group's future operations. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, 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 observed that the information described in section a) above was presented in the separate "consolidated non-financial information statement for 2019" report to which a reference was included in the consolidated directors' report, and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were 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 April 2020

This report corresponds to seal no. 20/20/05920 issued by the Spanish Institute of Certified Public Accountants.

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 Financial Statements for financial year ended on the 31 December 2019, prepared pursuant to the International Financial Reporting Standards (IFRS) adopted in Europe, and Consolidated Directors' Report, together with the Auditor's Report

S.A. DAMM and Subsidiaries (Damm Group)
CONSOLIDATED BALANCE SHEET
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	31.12.19	31.12.18
Non-current assets		**1,427,123**	**1,216,964**
Goodwill	4	126,718	111,595
Other intangible assets	5	30,819	30,062
Rights to use	5.1	133,813	-
Property, plant and equipment	6	584,773	556,433
Equity accounted investments	7	378,157	364,358
Non-current Financial Assets	8	142,704	128,958
Deferred Tax Assets	24.7	30,139	25,558
Current Assets		**510,908**	**532,066**
Inventories	9	103,047	98,986
Trade and other receivables	10.1	232,919	228,512
Other current financial assets	10.2	3,809	3,861
Other current Assets	-	8,892	8,194
Cash and cash equivalents	11	162,241	192,513
TOTAL ASSETS		**1,938,031**	**1,749,030**
Equity		**984,765**	**888,364**
Share capital	12.1	54,017	54,017
Share premium	12.2	32,587	32,587
Other reserves of the Parent Company	12.3	562,200	543,086
Reserves in Consolidated Companies		288,086	258,590
Treasury shares and equity investments	12.4	(70,698)	(91,578)
Valuation Adjustments	12.5	20,544	2,935
Gains and Loss attributable to parent company		120,160	112,839
Interim dividend paid during the financial year	12.6 / 26	(38,654)	(38,105)
Equity attributable to Parent Company		**968,242**	**874,371**
Non-controlling interests	12.7	16,523	13,993
Total equity		**984,765**	**888,364**
Deferred Income	**13**	**2,045**	**2,303**
Non-current liabilities		**616,829**	**542,459**
Obligations and other negotiable assets	14	194,533	193,195
Debt with credit institutions	15	207,111	247,459
Other non-current financial liabilities	15	5,227	11,509
Lease liabilities	16	116,454	-
Provisions	-	17,925	17,925
Other non-current liabilities	-	64,644	62,243
Deferred tax liabilities	24.7	10,935	10,128
Current liabilities		**334,392**	**315,904**
Debt with credit institutions	15	42,938	37,555
Other current financial liabilities	15	2,540	1,361
Lease liabilities	16	22,656	-
Trade and other payables	-	195,546	207,795
Other current liabilities	19	70,712	69,193
TOTAL LIABILITIES		**1,938,031**	**1,749,030**

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Balance Sheet at 31.12.2019.

S.A. DAMM and Subsidiaries (Damm Group)
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	2019	2018
Continuing operations:			
Revenue	20	1,365,750	1,249,891
Other operating income	20	19,536	14,512
Changes in inventories of finished goods and work in progress	9	(1,458)	5,455
Raw materials and consumables used	21.1	(523,374)	(479,583)
GROSS MARGIN		**860,454**	**790,275**
Employee costs	21.2	(204,528)	(180,438)
Depreciation and amortization	5 and 6	(104,964)	(75,298)
Other expenses	-	(415,185)	(407,349)
Net gain/(loss) on impairment and disposal of non-current assets	25.1	(3,146)	(609)
OPERATING PROFIT		**132,631**	**126,581**
Investment income	22	80	6
Other interest and similar income	22	5,155	2,371
Finance expense and similar expense	23	(8,304)	(9,194)
Exchange rate differences	23	701	274
Share of the profit or loss of investments accounted for using the equity method	7	16,238	17,279
Net gain/(loss) from disposal of financial instruments	8-25.2	-	9
PRE-TAX PROFIT/(LOSS)		**146,501**	**137,326**
Income tax	24.5	(24,829)	(22,474)
PROFIT FROM CONTINUING OPERATIONS		**121,672**	**114,852**
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**121,672**	**114,852**
Attributable to:			
Non-controlling interests	12.7	(1,512)	(2,013)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTED TO PARENT COMPANY		**120,160**	**112,839**
Earnings per share (in euros):			
From continuing operations	27	**0.47**	**0.45**
From continuing and discontinued operations	27	**0.47**	**0.45**

There are no dilutive potential ordinary shares over the shares of Grupo Damm'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 Profit and Loss Account for financial year 2019.

S.A. DAMM and Subsidiaries (Damm Group)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF EUROS)

	2019	2018
A.- CONSOLIDATED INCOME FOR THE FINANCIAL YEAR before non-controlling interests	**121,672**	**114,852**
B.- OTHER COMPREHENSIVE INCOME DIRECTLY RECOGNISED IN EQUITY	**17,609**	**(2,322)**
Items that will not be transferred to profit or loss:		
1. Due to actuarial gains and losses and other adjustments	279	523
2. Entities accounted for using the equity method	7,493	3,860
3. Tax effect	(70)	(131)
Items that can be subsequently transferred to profit or loss:		
4. From the valuation of financial instruments:	10,474	(6,540)
a) Financial assets at fair value through other comprehensive income	*10,474*	*(6,540)*
5. From cash flow hedges	-	(64)
6. Translation differences	36	15
7. Tax effect	(603)	15
C.- TRANSFER TO PROFIT AND LOSS ACCOUNT	**-**	**97**
1. From the valuation of financial instruments:	-	-
a) Financial assets at fair value through other comprehensive income	-	-
2. From cash flow hedges	-	129
3. Tax effect	-	(32)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR (A+B+C)	**139,281**	**112,627**
a) Attributed to the parent company	137,769	110,614
b) Attributed to non-controlling interests	1,512	2,013

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Comprehensive Income for financial year 2019.

DAMM GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF EUROS)

	NOTA	Capital suscrito	Prima de emisión	Reservas de la sociedad dominante	Reservas de Consolidación	Acciones y participaciones en patrimonio propias	Ajustes en patrimonio por valoración	Resultados del Ejercicio	Dividendo a cuenta entregado en el ejercicio	Patrimonio atribuido a la sociedad dominante	Intereses Minoritarios	Patrimonio Neto
Saldo al 31 de Diciembre 2017		**54.017**	**32.587**	**537.645**	**213.466**	**(100.530)**	**5.160**	**112.467**	**(27.793)**	**827.019**	**10.580**	**837.599**
- Dividendo complementario Resultados ejercicio anterior									(17.781)	**(17.781)**		**(17.781)**
- Distribución de Resultados:	26											
a Reservas				3.625				(3.625)		**-**		**-**
a Dividendos								(60.627)	45.574	**(15.053)**		**(15.053)**
- Distribución de Resultados a Reservas de Consolidación					48.215			(48.215)		**-**		**-**
- Otros Ajustes en el Patrimonio				(101)	(2.152)					**(2.253)**		**(2.253)**
- Total ingresos y gastos reconocidos del ejercicio							(2.225)	112.839		**110.614**	2.013	**112.627**
- Dividendo a cuenta del ejercicio	12.6								(38.105)	**(38.105)**		**(38.105)**
- Movimientos Perímetro de Consolidación					(939)					**(939)**	2.136	**1.197**
- Reparto Dividendos Socios Externos y otros ajustes										**-**	(736)	**(736)**
- Operaciones con acciones propias (neto)	12.4			1.917		8.952				**10.869**		**10.869**
- Otros movimientos										**-**		**-**
Saldo al 31 de Diciembre 2018		**54.017**	**32.587**	**543.086**	**258.590**	**(91.578)**	**2.935**	**112.839**	**(38.105)**	**874.371**	**13.993**	**888.364**
- Otros movimientos					(3.479)					**(3.479)**		**(3.479)**
Saldo al 1 de Enero 2019		**54.017**	**32.587**	**543.086**	**255.111**	**(91.578)**	**2.935**	**112.839**	**(38.105)**	**870.892**	**13.993**	**884.885**
- Dividendo complementario Resultados ejercicio anterior									(7.622)	**(7.622)**		**(7.622)**
- Distribución de Resultados:	26											
a Reservas				14.721				(14.721)		**-**		**-**
a Dividendos								(60.971)	45.727	**(15.244)**		**(15.244)**
- Distribución de Resultados a Reservas de Consolidación					37.147			(37.147)		**-**		**-**
- Otros Ajustes en el Patrimonio										**-**		**-**
- Total ingresos y gastos reconocidos del ejercicio							17.609	120.160		**137.769**	1.512	**139.281**
- Dividendo a cuenta del ejercicio	12.6								(38.654)	**(38.654)**		**(38.654)**
- Movimientos Perímetro de Consolidación					(5.392)					**(5.392)**	1.711	**(3.681)**
- Reparto Dividendos Socios Externos y otros ajustes										**-**	(693)	**(693)**
- Operaciones con acciones propias (neto)	12.4			4.393		20.880				**25.273**		**25.273**
- Otros movimientos					1.220					**1.220**		**1.220**
Saldo al 31 de Diciembre 2019		**54.017**	**32.587**	**562.200**	**288.086**	**(70.698)**	**20.544**	**120.160**	**(38.654)**	**968.242**	**16.523**	**984.765**

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Changes in Equity for financial year 2019.

DAMM GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019

(EXPRESSED IN THOUSANDS OF EUROS)

	Year 2019	Year 2018
1.- CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial year before taxes for continuing operations	**146,501**	**137,326**
Adjustments for:	**102,656**	**62,989**
Depreciation and amortization	104,964	75,298
Profit/(loss) from equity method	(16,238)	(17,279)
Net gain/(loss) on impairment and disposal of non-current assets	3,146	609
Income from investments	(80)	(6)
Financial income	(5,155)	(2,371)
Change in provisions	8,776	(1,832)
Finance expenses	8,304	9,194
Allocation of grants	(360)	(341)
Exchange rate differences	(701)	(274)
Net gain/(loss) from disposal of financial instruments	-	(9)
Changes in working capital	**(33,079)**	**(53,653)**
Inventories	(3,419)	(8,201)
Trade and other receivables	(20,915)	(51,022)
Other current assets	(995)	(1,776)
Other current financial assets	(2,132)	(491)
Trade and other payables	(2,184)	9,619
Other current liabilities	(3,434)	(1,782)
Cash generated from operations	***216,078***	***146,662***
Income tax payment	**(27,417)**	**(19,423)**
Net cash flows from operating activities(I)	**188,661**	**127,239**
2.- CASH FLOWS FROM INVESTING ACTIVITIES		
Financial income and dividends received	**11,627**	**12,642**
Payments for investments	**(148,146)**	**(181,316)**
Investment in assets	(142,961)	(161,725)
Financial investments	(2,653)	(5,369)
Investments in group companies, joint venture and associates	(2,532)	(14,222)
Payments for other debts	-	-
Receipt from divestments	**19,615**	**9,093**
Financial investments	17,833	508
Investments in group companies, joint venture and discontinuing associates	681	6,590
Investment in assets	1,102	477
Receipt from other debts	(1)	1,518
Net cash flows from investing activities (II)	**(116,904)**	**(159,581)**
3.- CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt and payments from equity instruments	**25,273**	**10,876**
Acquisition of equity instruments	(135)	(380)
Disposal of equity instruments	25,408	11,256
Finance expenses and dividends paid	**(66,608)**	**(93,882)**
Receipt and payments for financial liability instruments	**(33,545)**	**16,440**
Issue of debt with financial institutions	1,500	210,000
Issue/repayment of bonds and similar debt	-	-
Repayment and amortization of debt with financial institutions	(35,045)	(193,560)
Net repayment of lease liabilities	**(27,149)**	**-**
Net cash flows from financing activities (III)	**(102,029)**	**(66,566)**
NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)	**(30,272)**	**(98,908)**
Cash at the beginning of the financial year	192,513	291,121
Cash or cash equivalents at the beginning of the financial year	-	300
Cash at the end of the financial year	162,043	192,513
Cash or cash equivalents at the end of the financial year	198	-

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Cash Flows for financial year 2019.

DAMM GROUP
Notes to the financial statements for financial year ended 31 December 2019

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.
Starting in financial year 2018, S.A. Damm is fully consolidated in the consolidated annual accounts of the main shareholder of the Company, Disa Corporación Petrolífera, S.A.

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 2019, 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 2019 have been prepared:

- By the Directors, in the meeting of the Board of Directors held on the 23 March 2020.

- Pursuant to the International Financial Reporting Standards or IAS/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 2019, and of its operating profit or loss, 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 2019 (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 2018 were approved by S.A. DAMM Members' General Meeting held on the 25th day of June, 2019.

Change in accounting policies and information disclosure effective in 2019

During 2019 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 16 Leases	Supersedes IAS 17 and the related interpretation. Main change is a single lessee model that includes all the leases in the balance sheet (with certain limited exceptions) with an impact similar to the current financial leases (depreciation of the assets by the right of use and financial expense for the depreciated liability).	1 January 2019
Amendments and/or interpretations		
Amendment to IFRS 9. Prepayment with Negative Compensation	Allows 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
CINIIF 23 Uncertainty over Income Tax Treatments	Clarifies how to apply the recording and measurement criteria of IAS 12 when there is uncertainty about the tax authority's acceptability of a particular tax treatment used by the entity.	1 January 2019
Amendment to IAS 28. Long-term interests in associates and joint ventures	Clarifies that IFRS 9 applies to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019

Amendment to IFRS 3 Business Combinations - Annual Improvements 2015–2017 Cycle	Acquisition of joint control over a joint operation previously recorded as a joint operation.	1 January 2019
Amendment to IFRS 11 Joint Arrangements - Annual Improvements 2015–2017 Cycle	Acquisition of joint control over a joint operation constituting a business	1 January 2019
Amendment to IAS 12 Income Taxes - Annual Improvements 2015–2017 Cycle	Record of tax impact of the remuneration of financial instruments classified as equity.	1 January 2019
Amendment to IAS 23 Borrowing Costs - Annual Improvements 2015–2017 Cycle	Capitalization of interest on outstanding financing specific to an asset that is ready for use.	1 January 2019
Amendment to IAS 19 Plan amendments, curtailments, and settlements	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

The only amendment that had a significant impact on the consolidated financial statements for 2019 was the new IFRS 16 "Leases", which is explained below.

<u>IFRS 16 – "Leases"</u>

IFRS 16 was issued by the IASB in January 2016 and endorsed by the European Union in November 2017, replacing IAS 17. IFRS 16 is based on a control model for the identification of leases, distinguishing between leases of an identified asset and service contracts, as well as their accounting treatment in the financial statements of lessees and lessors.

The adoption of IFRS 16 is mandatory for annual periods beginning on or after 1 January 2019. The DAMM Group has not applied note 2.b of IFRS 16, which relates to application as the transition date of 1 January 2017, thereby not modifying the opening balance sheet and consequently not restating the comparative figures.

IFRS 16 changes the basis for accounting by lessees for contracts that constitute a lease. Operating leases are now included in the balance sheet.

This accounting treatment is based on:

a) The lessee controls the right to use the underlying asset throughout the term of the lease.
b) The lessee has the power to determine how to use the underlying asset and consequently how to generate future economic benefits from that right of use.

The main impacts on the 2019 financial statements were as follows:

1) Recognition of a financial liability equivalent to the present value of its lease payments, discounted using the incremental discount rate. A lease period is defined as the non-cancellable period of the lease including the periods covered by an option to extend the lease provided that the lessee has

reasonable certainty of exercising the option together with those periods covered by an option to cancel the lease provided that the lessee has reasonable certainty of not exercising the option (see Note 16).

2) To recognise in the balance sheet an asset for the right to use the corresponding asset, which is measured by reference to the amount of the associated financial liability, to which the direct expenses incurred in order to perform the contract, the payments made in advance and future dismantling costs are added (see Note 5.1). The additions for 2019 amount to EUR 20,862 thousand.

3) To reflect in the income statement the depreciation of the recognised asset and the annual finance charge associated with the financial liability (see Notes 5.1 and 23).

4) To report the expenses related to the leases that are exempt from the recognition of lease liabilities in accordance with paragraph 6 of IFRS 16. In this regard, lease expenses not included in the measurement of lease liabilities amount to EUR 10,958 thousand in 2019.

5) To reflect in the cash flow statement the cash payments for the principal of the lease liability within the financing activities and to present the cash payment for the interest on the lease liability consistently with other interest payments.

The difference between the non-cancellable minimum payments included in the consolidated notes to the financial statements for the year ended 31 December 2018 and the liability recognised as a result of the entry into force of IFRS 16 is mainly a result of the identification of contracts that are exempt because they relate to assets with a low value or a short term, the application of a discount rate in the measurement of these lease commitments and the consideration of extensions to certain contracts as a result of the analysis performed in relation to the estimate made in respect of the lease term.

Right of use assets are subject to the corresponding impairment tests, as are all other assets with a defined useful life.

The DAMM Group has availed itself of the exemption from recognition in cases where the lease period is less than one year and for leases in which the underlying asset is of low value, recognising the lease payments in respect of these leases as an operating expense.

In the transition period, the Group has used the standard retroactive model together with the modified method retroactive model. For leases using the modified retroactive model, the Group has recorded the cumulative effect of the first application of the standard as an initial adjustment to equity (reserves) at the date of first application.

The discount rate used was based on the determination of the incremental borrowing rate (IBR) for different lease portfolios, understood as the interest rate that the lessee would have to pay to borrow for a similar term, and with similar security, the funds required to obtain an asset with a similar value to the right-of-use asset in a similar economic environment.

The Group has calculated the IBR using the 1-year MIDSWAP reference rate and incorporating the risk contemplated by the Group for the various contract portfolios, depending on the level of debt, the term of the contract, the economic environment of the business and sector and finally the economic environment of the country as a member of the EU.

Accounting policies issued in force as of 2020

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:	

Amendments and/or interpretations		
Amendments to IFRS 9, IAS 39 and IFRS 7: Reference Rate Reform (Published September 2019)	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the interest rate reform.	1 January 2020
Amendments 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
Not endorsed by the European Union		
New standards:		
IFRS 17. Insurance Contracts (Published in May 2017)	Replaces IFRS 4 and 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 (1)
Amendments and/or interpretations		
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. Presentation of financial statements - Classification of liabilities as current or non-current (Published on January 23, 2020)	Presentation of financial statements - Classification of liabilities as current or non-current	1 January 2020

(1) The IASB has proposed its deferral to 1 January 2022 (Draft amendment to IFRS 7 published on 26 June 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 2019 – 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, 3.7 and 2.2c),

- Assumptions used in the actuarial calculation of the liabilities and commitments for post-employment benefits (Note 3.13),

- Useful life of tangible and intangible assets (Notes 3.2 and 3.3),

- Provisions (Note 3.14),

- Rights to use and lease debts (Notes 5.1 and 16),

- Estimate of fair value: IFRS 13 on financial instruments sets forth that for the amounts measured at fair value in the balance sheet, 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 balance sheet 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 2019:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Equity instruments (Note 8)	24,485	226	-	24,711
Total Assets	**24,485**	**226**	**-**	**24,711**
Liabilities:				
Derivative financial instruments (Note 15)	-	152	-	152
Total Liabilities	**-**	**152**	**-**	**152**

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 2019 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 accounting estimates in the relevant consolidated profit and loss accounts.

Comparison of information

Financial information has been prepared according to IFRSs adopted by the European Union consistently with the same applied in year 2018.

The application of accounting criteria in years 2019 and 2018 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, with the exception of headings affected by the adoption of IFRS 16.

Without prejudice to the application of uniform accounting criteria, DAMM Group has adopted IFRS 16, with transition date 1 January, 2019 The DAMM Group has not applied note 2.b of IFRS 16, which relates to application as the transition date of 1 January 2017, thereby not modifying the opening balance sheet and consequently not restating the comparative figures.

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 balance sheet, within the Group Equity section (see Note 12.7).

- Results for the financial year are presented under "Non-controlling interests" of the consolidated profit and loss account, 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 balance sheet under "Equity accounted investments". Likewise, income attributable to the Group with origin in joint arrangements is presented in the consolidated profit and loss account 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%
Ebro Foods, S.A.	11.69%
Euroestrellas Badalona S.L.	10.00%

Serhs Distribució i Logística 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 two 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 11.69% significant interest.
- 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 2019 and 2018, 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 profit and loss account.

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 balance sheet 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).

<u>d) Changes in the scope of consolidation:</u>

1. Subsidiaries

During 2019, as in 2018, the Group has incorporated and acquired several companies in order to continue the international development and in order to operate assets and businesses of beverages and other food distribution.

The companies incorporated and/or included for the first time in financial year 2019 are: Bebidas Ugalde S.L., Brasserie Estrella Damm Quebec Inc. and Rumbosport S.L.

Likewise, in 2019 the Group has increased its stake in the following companies: Hamburguesa Nostra S.L., Nostra Restauración S.L.U., Hamburguesa Nostra Franquicia S.L. and El Obrador de Hamburguesa Nostra S.L. up to 83.3% (75% in 2018), Distridam S.L. and Barnadis Logística up to 75.3% (68.4% in 2018) and Distribuidora de Begudes Movi S.L. up to 91.1% (51.1% in 2018) and reduced its stake in the following companies: Pijuan Fuertes Distribucions S.L. and Pijuan Logística S.L. down to 75.3% (100% in 2018).

The companies included in financial year 2018 were: 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.

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%.

Net assets included to the Group during financial years 2019 and 2018 are, in thousands of euros:

	2019	2018
Goodwill	1,776	15,594
Other intangible assets	(2)	722
Property, plant and equipment	10	4,177
Inventories	540	2,074
Trade debtors	748	8,873
Trade creditors	1,540	12,508

2. Associates:

The company included for the first time in financial year 2019 is Distribuciones Fransadi S.L.

During 2018, a partial spin-off from the company Dehesa de Santa María Franquicias S.L. created the company Cortsfood S.L.. Subsequently, the same year, the Group sold its 50% holding in the company Dehesa de Santa María Franquicias S.L. (Note 7).

During financial year 2019 the Group has held its 11.69% stake in Ebro Foods, S.A (See Note 2.2 c).

3. Joint arrangements:

There have been no changes to the joint arrangements included in the scope in financial year 2019 or financial year 2018.

2.3. Financial risks exposure

a) Categories of financial instruments

	Thousand euros	
	31/12/19	**31/12/18**
Financial assets:		
Financial assets at fair value through other comprehensive income (Note 8)	24,711	25,836
Other non-current financial assets (Note 8)	117,993	103,122
Current loans and receivables measured at amortised cost (Note 10)	236,728	232,373
Cash and cash equivalents (Note 11)	162,241	192,513
Financial liabilities:		
Obligations and other negotiable assets (Note 14)	194,533	193,195
Financial debt measured at amortised cost (Note 15)	250,049	285,014
Other financial liabilities	7,767	12,870
Other debts	205,688	217,842

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	
	2019	**2018**
Debt with credit institutions	(207,111)	(247,459)
Other non-current financial liabilities	(5,227)	(11,509)
A) Prior non-current financial debt	**(212,338)**	**(258,968)**
Debt with credit institutions	(42,938)	(37,555)
Other current financial liabilities	(2,540)	(1,631)
A) Prior current financial debt	**(45,478)**	**(39,186)**
A+B Prior financial debt	**(257,816)**	**(298,154)**
Obligations and other negotiable assets	(194,533)	(193,195)
Cash and cash equivalent	162,241	192,513
Other current financial assets	3,809	3,861
Treasury shares and equity investments	70,698	91,578
Net financial debt	**(215,601)**	**(203,397)**

Financial risks 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 balance sheet 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 2019 and 2018, the financial assets in the consolidated balance sheet that could default are the following, in thousands of euro:

	2019	2018
Non-current financial assets (Note 8)	142,704	128,958
Trade and other receivables (Note 10)	232,919	228,512

The age of the customers' balances at 31 December 2019 and 2018, which is virtually the entire balance under "Trade and other receivables" of the consolidated balance sheet at 31 December 2019 and 2018, is specified in Note 10.1. As of 31 December 2019 and 2018 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 2019 corporate credit facilities for an amount of 549 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.

At 31 December 2019 the Group companies had undrawn credit facilities in the amount of EUR 299 million, which largely covers any necessity of the Group according to the existing short 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 2019 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 2019 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 740 thousand in the profit after taxes for financial year 2019, 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 740 thousand in the profit after taxes for financial year 2019.

- **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 Balance Sheet and Consolidated Profit and Loss Account.

The following sensitivity analysis has been determined by the exposure of the Group to price risk as of 31 December 2019.

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

- The profit for financial year 2019 would not have been affected, nor would the profit for financial year 2018, as a result of the changes in the fair value of such investments.

- The Group equity would have increased/decreased in EUR 647 thousand (EUR 1,021 thousand in 2018) as a result of a 5% increase in the share quote and would have decreased in EUR 647 thousand (EUR 1,021 thousand in 2018) 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 balance sheet 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 balance sheet 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 profit and loss account, 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 balance sheet 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 profit and loss account 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
Administrative 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 profit and loss account. 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 Balance Sheet.

IT systems maintenance costs are charged to the Consolidated Profit and Loss Account 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 balance sheet 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 profit and loss account, 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 profit and loss account 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.

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 balance sheet update. During 2013 several companies of the Group decided to perform such balance sheet 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 balance sheet 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 Balance Sheet of such interests includes, if applicable, the goodwill resulting from the acquisition thereof.

3.6. Leases

a) The Group as Lessor

Leases can be classified as operating or finance leases. In leases classified as financial, the Group recognizes as receivables the amounts due by the lessees. In 2019 the entities of the Group have not acted as lessors under finance leases.
When the Group is the lessor in operating leases, 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 profit and loss account on a straight-line basis.

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 2,089 thousand (EUR 1,655 thousand in 2018), and is accounted for under “Other operating income” of the consolidated profit and loss account.

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

b) The Group as a Lessee (Note 2.1)

When the consolidated entities act as lessees,

a) The Group recognizes a financial liability equivalent to the present value of its lease payments, discounted using the incremental discount rate.
b) Recognizes in the balance sheet an asset for the right to use the relevant asset.
c) Records in the income statement the depreciation of the recognised asset and the annual finance charge associated with the financial liability.
d) Records, both in the balance sheet and in the income statement, the tax effect linked to the difference between the criteria of IFRS 16 and those applicable for tax purposes.

The DAMM Group has availed itself of the exemption from recognition for short term leases and for leases in which the underlying asset is of low value, recognising the lease payments in respect of these leases as an operating expense in the income statement.

3.7. 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 2019, the Group has received free of charge emission rights amounting to 16,952 tons pursuant to the approved national allocation plans. Such plans also set forth the free of charge allocation of the emission rights for 2020 (pursuant to the notices sent by the Environment Ministry - Secretariat-General for the Prevention of Pollution and Climate Change) for an amount equal to 12,639 tons. The consumption of emission rights during financial year 2019 amounts to 53,744 tons (60,569 tons in 2018).

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.

3.8. 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 2019 there are no such assets.

3.9. 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 Balance Sheet and Consolidated Profit and Loss Account.

3.10. 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 balance sheet, 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 profit and loss account 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 profit and loss account 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 profit and loss account.

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 profit and loss account.

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 balance sheet 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 balance sheet 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.

3.11. 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 profit and loss account 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 balance sheet 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 financial 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 profit and loss account for the year.

– ***<u>Equity instruments</u>***

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 profit and loss account.

Treasury shares are measured at average acquisition price.

– ***<u>Financial liabilities</u>***

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 balance sheet 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.

3.12. Trade and other payables

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

3.13. Retirement benefit obligations or similar obligations

3.13.1 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	1.25%
Survival tables	PERMF 2000 NP
Increase in the allowance provided for by	0% per year

3.13.2 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.

3.14. 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 balance sheet 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.

3.15. 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 3.7, 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 profit and loss account 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).

3.16. 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 balance sheet 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.

3.17. Recognition of expenses

Expenses are recognised in the profit and loss account 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.

3.18. 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 balance sheet by their net amount.

3.19. 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).

3.20. 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.

3.21. 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 balance sheet 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 profit and loss account.

3.22. Consolidated statement of cash flows

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

Cash flows 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.

Operating activities: the main revenue-producing activities of the entity and other activities that are not investing or financing activities.

Investing activities: the acquisition and disposal of long term assets and other investments not included in cash and cash equivalents.

Financing activities 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 balance sheet in 2019 and 2018, as well as the allocation to the different cash-generating units, are the following:

	Thousand Euros				
	01.01.19	**Change in scope (Note 2.2d)**	**Additions/Write offs**	**Impairment**	**31.12.19**
Water	18,684	-	-	-	18,684
Beer and other Beverages	10,665	-	-	-	10,665
Distribution and F&B	82,246	1,776	14,384	(1,037)	97,369
Total	**111,595**	**1,776**	**14,384**	**(1,037)**	**126,718**

	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**

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 6.6% and 6.8% discount rate for years 2019 and 2018 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**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Projection period (years)	4		4		4	
Key variables	Sales Gross margin Capex		Sales Gross margin Capex		Sales Gross margin	
Discount rate	6.6%	6.8%	6.6%	6.8%	6.6%	6.8%
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 2020 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 2019.

5. Other Intangible Assets

Changes in this heading of the consolidated balance sheet in years 2019 and 2018 have been the following, in thousands of euros:

Year 2019

Cost	Opening balance	Additions/Write offs	Transfers	Change in scope	Closing balance
Administrative concessions, patents, non-competition agreements, trademarks and licenses	40,681	941	-	-	41,622
Computer applications	29,170	4,873	646	(5)	34,684
Other Intangible fixed assets	6,353	230	(646)	-	5,937
Total Cost	**76,204**	**6,044**	**-**	**(5)**	**82,243**

Amortization	Opening balance	Provisions	Disposals and transfers	Change in scope	Closing balance
Administrative concessions, patents, non-competition agreements, trademarks and licenses	(17,373)	(1,479)	21	(6)	(18,837)
Computer applications	(24,053)	(3,590)	(10)	9	(27,644)
Other Intangible fixed assets	(4,716)	(269)	42	-	(4,943)
Total amortization	**(46,142)**	**(5,338)**	**53**	**3**	**(51,424)**

Total intangible fixed assets	Opening balance	Closing balance
Administrative concessions, patents, non-competition agreements, trademarks and licenses	23,308	22,785
Computer applications	5,117	7,040
Other Intangible fixed assets	1,637	994
Net total	**30,062**	**30,819**

Year 2018

Cost	Opening balance	Additions/Write offs	Transfers	Change in scope	Closing balance
Administrative concessions, patents, non-competition agreements, trademarks and licenses	40,444	94	-	143	40,681
Computer applications	24,457	4,340	-	373	29,170
Other Intangible fixed assets	5,348	391	-	614	6,353
Total Cost	**70,249**	**4,825**	**-**	**1,130**	**76,204**

Amortization	Opening balance	Provisions	Disposals and transfers	Change in scope	Closing balance
Administrative concessions, patents, non-competition agreements, trademarks and licenses	(15,944)	(1,384)	-	(45)	(17,373)

Computer applications	(21,285)	(2,643)	25	(150)	(24,053)
Other Intangible fixed assets	(4,272)	(206)	(25)	(213)	(4,716)
Total amortization	**(41,501)**	**(4,233)**	**-**	**(408)**	**(46,142)**

Total intangible fixed assets	Opening balance	Closing balance
Administrative concessions, patents, non-competition agreements, trademarks and licenses	24,500	23,308
Computer applications	3,172	5,117
Other Intangible fixed assets	1,076	1,637
Net total	**28,748**	**30,062**

As of 31 December 2019 there are intangible fixed assets for a cost of EUR 45,175 thousand fully amortized (EUR 44,294 thousand at 31 December 2018).

5.1 Rights to use

The detail of the rights to use in 2019 is as follows:

Rights to use	Cost	Depreciation and amortization	Net book value
Warehouses	99,456	(30,891)	68,565
Machinery, vehicles and forklifts	23,929	(8,355)	15,574
Premises and offices	60,105	(10,431)	49,674
Total	183,490	(49,677)	133,813

The amortization of the rights to use for year 2019 is EUR 28,300 million.

At 31 December 2019, the item Machinery, vehicles and forklifts includes vehicles under finance lease.

6. Property, plant and equipment

Changes in this heading of the consolidated balance sheet in years 2019 and 2018 have been the following, in thousands of euros:

Year 2019

Cost	Opening balance	Additions/Write offs	Transfers	Change in scope	Closing balance
Land and buildings	321,093	2,348	3,626	-	327,067
Technical facilities	568,551	16,984	15,988	-	601,523
Machinery, equipment and other facilities	328,694	12,706	9,555	-	350,955
Furniture and furnishing	11,066	649	110	4	11,829

IT equipment	30,115	1,522	-	4	31,641
Transport elements	39,756	1,494	(3,873)	-	37,377
Other property, plant and equipment	276,635	14,121	3	6	290,765
Fixed assets under construction	79,599	46,009	(29,670)	-	95,938
Total Cost	**1,655,509**	**95,833**	**(4,261)**	**14**	**1,747,095**

Depreciation	Opening balance	Provisions	Disposals and transfers	Change in scope	Closing balance
Buildings	(98,650)	(7,266)	206	-	(105,710)
Technical facilities	(430,664)	(27,788)	940	-	(457,512)
Machinery, equipment and other facilities	(288,171)	(14,125)	5,842	-	(296,454)
Furniture and furnishing	(8,633)	(524)	1	(2)	(9,158)
IT equipment	(25,701)	(1,926)	39	(2)	(27,590)
Transport elements	(16,019)	(3,840)	2,808	-	(17,051)
Other property, plant and equipment	(231,238)	(18,223)	614	-	(248,847)
Total depreciation	**(1,099,076)**	**(73,692)**	**10,450**	**(4)**	**(1,162,322)**

Total property, plant and equipment	Opening balance	Closing balance
Land and buildings	222,443	221,357
Technical facilities	137,887	144,011
Machinery, equipment and other facilities	40,523	54,501
Furniture and furnishing	2,433	2,671
IT equipment	4,414	4,051
Transport elements	23,737	20,326
Other property, plant and equipment	45,397	41,918
Fixed assets under construction	79,599	95,938
Net total	**556,433**	**584,773**

Year 2018

Cost	Opening balance	Additions/Write offs	Transfers	Change in scope	Closing balance
Land and buildings	300,576	8,807	9,237	2,473	321,093
Technical facilities	509,917	13,480	44,074	1,080	568,551
Machinery, equipment and other facilities	314,609	11,005	1,981	1,099	328,694
Furniture and furnishing	9,948	562	1	555	11,066

IT equipment	27,339	2,506	3	267	30,115
Transport elements	20,063	19,180	(75)	588	39,756
Other property, plant and equipment	257,609	19,566	(506)	(34)	276,635
Fixed assets under construction	76,459	58,433	(55,293)	-	79,599
Total Cost	**1,516,520**	**133,539**	**(578)**	**6,028**	**1,655,509**

Depreciation	Opening balance	Provisions	Disposals and transfers	Change in scope	Closing balance
Buildings	(91,539)	(6,656)	87	(542)	(98,650)
Technical facilities	(401,226)	(29,107)	56	(387)	(430,664)
Machinery, equipment and other facilities	(280,748)	(12,005)	4,890	(308)	(288,171)
Furniture and furnishing	(8,074)	(470)	74	(163)	(8,633)
IT equipment	(23,959)	(1,837)	265	(170)	(25,701)
Transport elements	(11,397)	(3,126)	(1,074)	(422)	(16,019)
Other property, plant and equipment	(213,866)	(17,864)	351	141	(231,238)
Total depreciation	**(1,030,809)**	**(71,065)**	**4,649**	**(1,851)**	**(1,099,076)**

Total property, plant and equipment	Opening balance	Closing balance
Land and buildings	209,037	222,443
Technical facilities	108,691	137,887
Machinery, equipment and other facilities	33,861	40,523
Furniture and furnishing	1,874	2,433
IT equipment	3,380	4,414
Transport elements	8,666	23,737
Other property, plant and equipment	43,743	45,397
Fixed assets under construction	76,459	79,599
Net total	**485,711**	**556,433**

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

Transfers for financial year 2019 and 2018 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.

As of 31 December 2019 there are several projects in progress consisting in the new refit of some of the filling lines and the improvement and extension of the production facilities.

As of the 31 December 2019 there are property, plant and equipment assets for a cost of EUR 879,150 thousand fully amortized (EUR 826,366 thousand at 31 December 2018).

As of 31 December 2019 there were no property, plant and equipment elements mortgaged as guarantee of loans from credit institutions.

The writeoffs for the year are mainly kegs facilities, packages and the transfer of finance leases to Rights to use (Note 5.1).

During financial year 2019 the Group has capitalized finance expenses from property, plant and equipment for the amount of EUR 171 thousand (EUR 52 thousand in 2018).

The Group has property, plant and equipment in foreign currencies for the amount of EUR 38 thousand (EUR 222 thousand in 2018).

7. Equity accounted investments

The detail and changes in subsidiaries of the Group accounted for using the equity method for years 2019 and 2018 are:

	Balance at 01.01.19	Profit and loss accounted for using the equity method	Transfer to Profit and Loss	Other changes	Dividends (Note 29.1)	Investments	Other changes in net equity (Note 12.5)	Balance at 31.12.19
BEVERAGES SUBSET	6,570	(118)	-	-	-	-	-	6,452
DISTRIBUTION SUBSET	7,600	(63)	-	-	(217)	660	-	7,980
FOOD AND BEVERAGE SUBSET	387	85	-	-	(127)	-	-	345
EBRO FOODS, S.A.	349,801	16,335	-	-	(10,249)	-	7,493	363,380
Total	**364,358**	**16,239**	**-**	**-**	**(10,593)**	**660**	**7,493**	**378,157**

	Balance at 01.01.18	Profit and loss accounted for using the equity method	Transfer to Profit and Loss	Other changes	Dividends (Note 29.1)	Investments	Other changes in net 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)**	**5,308**	**3,860**	**364,358**

Financial information

Main financial data at 31 December 2019 and 2018 for the companies accounted for using the equity method are as follows, in thousand euros.

Year 2019

	Assets	Net equity	Other liabilities	Net turnover	Profit/(loss) for the financial year
BEVERAGES SUBSET	145,476	37,647	107,829	78,575	(62)
DISTRIBUTION SUBSET	115,782	33,074	82,708	148,839	(3,032)
FOOD AND BEVERAGE SUBSET	1,176	762	414	2,561	202
EBRO FOODS, S.A.	4,374,073	2,291,670	2,082,403	2,813,298	150,288

Year 2018

	Assets	Net equity	Other liabilities	Net turnover	Profit/(loss) for the financial year
BEVERAGES SUBSET	136,579	35,311	101,268	61,820	(1,830)
DISTRIBUTION SUBSET	149,558	48,085	101,473	306,611	3,605
FOOD AND BEVERAGE SUBSET	517	109	408	2,391	257
EBRO FOODS, S.A.	3,832,425	2,190,202	1,642,223	2,646,523	149,311

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 2019 comprises 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, Distribuciones Fransadis, S.L. and Quality Corn, S.A.

Other changes in net equity and investments

Changes in financial year 2019 and 2018 mainly refer to the conversion differences in Ebro Foods S.A. equity.

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 2019 and 2018, 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	-	93,058	**93,058**
Equity instruments	24,711	-	**24,711**
Credits to associates and joint arrangements	-	20,765	**20,0765**
Long term guarantees and deposits	-	4,046	**4,096**
Other financial investments	-	124	**124**
Total	**24,711**	**117,993**	**142,704**

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**
Equity instruments	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**

The classification of non-current financial assets at 31 December 2019 and 2018, 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	24,485	226	-	24,711
FV through profit or loss Amortised cost	-	-	117,993	117,993
Total	24,485	**226**	**117,993**	**142,704**

	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**

Equity instruments

The balance of equity instruments mainly consist of shares of listed companies in which the stake is around 1% and several investment funds.

Credits to associates and joint arrangements

Balance at 31 December 2019 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 rate plus a market margin for an aggregate amount of EUR 1,565 thousand, EUR 2,232 thousand in 2018 (see Note 29.1).

9. Inventories

In financial years 2019 and 2018 this item consisted of:

	Thousand Euros	
	2019	**2018**
Raw materials	43,066	37,729
Emission Rights	203	50
Products in process	12,388	13,405
Finished products	47,390	47,802
Total	**103,047**	**98,986**

The charge for value adjustment recognised as expense in the Profit and Loss Account for financial year 2019 amounts to EUR 126 thousand (EUR 253 thousand in 2018). 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	
	2019	**2018**
Trade receivables for sales and services	211,900	203,894
Sundry debtors	3,767	3,271
Public administrations (Note 24.3)	17,252	21,347
Total	**232,919**	**228,512**

This item includes a provision for doubtful receivables for the amount of EUR 10.4 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 2019 is as follows:

	2019
Current and less than 6 months	203,685
Between 6 and 12 months	6,878
Between 12 and 18 months	472
More than 18 months	865
Total	**211,900**

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 2019 and 2018 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.

11. Cash and cash equivalents

This item consists of:

	Thousand Euros	
	2019	2018
Cash	162,241	192,513
Total	**162,241**	**192,513**

12. Equity

12. 1. Share Capital

As of 31 December 2019 and 2018 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 2019 were the companies DISA CORPORACION PETROLIFERA, S.A., MUSROM GMBH and SEEGRUND, B.V. which held 33.04% (33.04% in 2018), 25.02% (25.02% in 2018) and 15.83% (14.49% in 2018) respectively.

12.2. Share premium

The balance under “Share premium” arises mainly from the share capital increases made in 1954, 2003, 2005, once the transaction costs were deducted.

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 balance sheet 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 2019 to EUR 12,447 thousand (EUR 9,398 thousand at 31 December 2018).

12.4. Treasury shares and equity interests

Changes in this item in year 2019 and 2018 are as follows in thousands of euros:

	Thousand euros
Balance at 1 January 2018	**100,530**
Acquisition of own shares	379
Disposal of treasury shares	(9,331)
Balance at 31 December 2018	**91,578**
Acquisition of own shares	135
Disposal of treasury shares	(21,015)
Balance at 31 December 2019	**70,698**

During financial year 2019 the Parent Company acquired 20,126 shares at a cost of 135 thousands of euros, which represent 0.007% of the share capital.

Likewise, during financial year 2019, the Parent Company has disposed of treasury shares with a net profit of EUR 4,393 thousand (EUR 1,917 thousand in 2018) directly credited to “Other reserves of the parent company” of the equity in the consolidated balance sheet at 31 December 2019 and 2018.

After the transactions with treasury shares above, at 31 December 2019 the balance under “Treasury shares and equity interests” consists of 12,384,787 shares, representing 4.58% of the share capital, with a carrying value of EUR 70,698 thousand.

12.5 Valuation adjustments in equity

Changes in this item in financial years 2019 and 2018 are as follows (net of tax effect):

	Thousand Euros				
	2018	**Valuation capital gains/losses**	**Amount transferred to profit and loss**	**Transfers and others (Note 7)**	**2019**
Financial assets at fair value through other comprehensive income (Note 8)	**(8,529)**	9,871	-	-	**1,342**
From cash flow hedges	**-**	-	-		**-**
Due to difference adjustments	**(49)**	36	-	-	**(13)**
Due to actuarial gains and losses (Note 18)	**3,604**	209	-	-	**3,813**
Consolidated entities accounted for using the equity method (Note 7)	**7,909**	-	-	7,493	**15,402**
VALUATION ADJUSTMENTS IN EQUITY	**2,935**	**10,116**	**-**	**7,493**	**20,544**

	Thousand Euros				
	2017	**Capital gains/losses Valuation capital losses**	**Amount transferred to profit and loss**	**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**

In financial years 2019 and 2018, 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 2019 the Board of Directors of the parent company resolved the distribution of two interim dividends for an aggregate amount of EUR 38,654 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 balance sheet at 31 December 2019 and 2018 and the profit and loss of the external members in these years follows:

	Thousand Euros			
	2019		2018	
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.	68	7	61	6
Alfil Logistics, S.A.	6,434	1,132	5,426	1,365
Distribution companies	10,069	493	8,284	809
Other	(48)	(120)	222	(167)
TOTAL	**16,523**	**1,512**	**13,993**	**2,013**

13. Deferred Income

Detail of this item in financial years 2019 and 2018 is as follows:

	Thousand Euros	
	2019	**2018**
Capital Grants	2,045	2,265
Emission Rights	-	38
Closing balance	**2,045**	**2,303**

14. Bonds and other securities

As of 31 December 2019 and 2018 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 balance sheet 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 3.11 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.

With regard to this issue of bonds convertible to Ebro Foods, S.A. shares 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 2019 to EUR 152 thousand (EUR 4,031 thousand at 31 December 2018).

The effect in the profit and loss account of the evolution of the value of such derivatives has been a credit for the amount of EUR 3,879 thousand under the heading “Other interest and similar income” of the consolidated profit and loss account 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.

15. Financial liabilities

Balance of financial liabilities at 31 December 2019 and 2018, as well as maturity expected are as follows:

	Thousand Euros							
	Debts at 31 December 2019							
	Balance at	Short term	Long term					Long term
	31.12.2019	2020	2021	2022	2023	2024	Later	Total
Loans	**249,878**	42,767	42,636	40,017	18,117	106,161	180	**207,111**
Other credits	**-**	-	-	-	-	-	-	**-**
Interests payable	**171**	171	-	-	-	-	-	**-**

Other debts	**7,767**	2,540	2,269	1,137	773	548	500	**5,227**
Total financial debt	**257,816**	**45,478**	**44,905**	**41,154**	**18,890**	**106,709**	**680**	**212,338**

	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	**281,531**	34,514	41,983	42,188	39,795	17,548	105,503	**247,017**
Other credits	**3,301**	2,859	442	-	-	-	-	**442**
Interests payable	**182**	182	-	-	-	-	-	**-**
Other debts	**12,870**	1,361	2,403	2,269	1,137	4,652	1,048	**11,509**
Total financial debt	**297,884**	**38,916**	**44,828**	**44,457**	**40,932**	**22,200**	**106,551**	**258,968**

a) 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 2019 the Group companies had undrawn credit facilities in the amount of EUR 299 million (EUR 321 million at 31 December 2018), which largely covers 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) Other debts

They refer to subsidized loans and derivative financial instruments.

16. Rights of use liabilities

Liabilities related to leases under IFRS 16 at December 2019 are as follows:

Lease liabilities	**2019**
Non-current	116,454
Current	22,656

Likewise, lease cash flows (not discounted) in thousand euros are as follows:

	Thousand Euros
	2019
Less than a year	25,272
Between two and five years	68,666
More than five years	62,466

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 after the Act entering into force and 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 2019 and 2018.

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 balance sheet at 31 December 2019 and 2018 for subsidiaries of the Group located in Spain.

	Year 2019 Days	Year 2018 Days
Average payment to suppliers time	60	58
Paid transaction ratio	62	60
Outstanding transactions ratio	50	51
	Amount (thousand euros)	Amount (thousand euros)
Total payments made	1,023,084	934,672
Total outstanding payments	120,870	130,418

The payment term applicable to the companies of the Group in years 2019 and 2018 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 2019 and 2018, the balance for defined benefit obligations and the fair value of the scheme assets were:

	Thousand Euros	
	2019	**2018**
Present value of the obligations	55,211	54,905
Fair value of the scheme assets	55,827	55,314

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

	Thousand Euros	
	2019	**2018**
Present value of the obligations at the beginning of the financial year	**54,905**	**60,534**
Current service cost	-	-
Interests costs	772	781
Actuarial gains/(losses):	3,466	(2,289)
Actuarial gains/(losses) for changes on financial assumptions	-	-
Experience actuarial gains/(losses)	3,466	(2,289)
Benefits paid	(3,932)	(4,121)
Present value of the obligations at 31 December	**55,211**	**54,905**

Changes in fair value of the scheme assets in financial years 2019 and 2018 are as follows:

	Thousand Euros	
	2019	**2018**
Fair value of scheme assets at beginning of the financial year	**55,314**	**60,875**
Interest revenue from scheme assets	778	785
Return on scheme assets (excluding the lesser net interest expense)	3,745	(1,766)
Employer contributions/(Redemptions)	(78)	(459)
Benefits paid	(3,932)	(4,121)
Fair value of scheme assets at 31 December	**55,827**	**55,314**

“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 2019 and 2018, fair value of the scheme assets allocated to cover post-employment benefits is broken down as follows:

	Thousand Euros	
Nature of the scheme assets allocated to cover commitments	**2019**	**2018**
Collective insurance policies (VIDACAIXA)	**55,827**	**55,314**

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 balance sheet:

	Thousand Euros	
	2019	**2018**
Present value of the obligations at 31 December	55,211	54,905
Fair value of scheme assets at 31 December	55,827	55,314
Deficit / (Excess) of the Plan	**(616)**	**(409)**
Limit to the asset	-	-
Net Asset/(Liability) at 31 December	**(616)**	**(409)**

There are no other amounts not recognised in the balance sheet.

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

Components of the headings recognised in profit and loss	**Thousand Euros**	
	2019	**2018**
Current service cost	-	-
Net interest	(6)	(4)
Past service cost	-	-
Total expense/(revenue) recognised in profit and loss account	**(6)**	**(4)**

- 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**	
	2019	**2018**
Return on scheme assets (excluding the lesser net interest expense)	3,745	1,766
Actuarial gains/(losses):	(3,466)	(2,289)
Actuarial gains/(losses) for changes in demographical assumptions	-	-
Actuarial gains/(losses) for changes on financial assumptions	-	-
Experience actuarial gains/(losses)	(3,466)	(2,289)
Total amount accounted for in equity during the year	**(279)**	**(523)**

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 2019**	**Year 2018**
Discount rate	0.70%	1.46%
Mortality tables	Perm/f-2000P	Perm/f-2000P
Disability tables	Inv. Tot (OM77)	Inv. Tot (OM77)
Wage growth	n/a	n/a
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 2019, 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 2019**
Discount rate (+1%)	50,131
Discount rate (-1%)	61,279
Annual accumulative CPI (+1%)	60,507
Annual accumulative CPI (-1%)	50,663

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 2019, 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 2019 and 2018.

Further to Note 3.13, 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 Profit and Loss Account for financial year 2019 amounted approximately to EUR 125 million.

19. Other current liabilities

The amount of this heading at the end of financial year 2019 and 2018 is as follows:

	Thousand Euros	
	2019	**2018**
Public administrations (Note 24.3)	37,496	38,383
Personnel accruals	23,074	20,763
Dividends	66	66
Other debts	10,076	9,981
Closing balance	**70,712**	**69,193**

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 2019 to EUR 86 million (EUR 81.5 million in 2018).

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	
	2019	2018
Raw materials and consumables used	523,374	479,583
Employee costs	204,528	180,438
Other operating expenses	415,185	407,349

21.1. Procurement

This item breakdown is as follows:

	Thousand Euros	
	2019	2018
Purchases	528,864	477,692
Inventory change (Note 9)	(5,490)	1,891
Total	**523,374**	**479,583**

21.2. Personnel expense

	Thousand Euros	
	2019	2018
Wages and Salaries	152,096	135,574
Social Security	41,789	36,850
Other personnel expense	10,643	8,014
Total	**204,528**	**180,438**

The number of employees of the Group as of 31 December 2019 and 2018, by professional category, is as follows:

	Number of Persons	
	2019	2018
Senior Management	11	11
Technical, Sales and Administration Personnel	2,546	2,469
Production Personnel	2,342	2,094
Total	**4,899**	**4,574**

As of 31 December 2019 and 2018, the distribution of personnel and members of the Board of Directors by category and sex is as follows:

	2019		2018	
	Men	**Women**	**Men**	**Women**
Senior Management	9	2	9	2
Technical, Sales and Administration Personnel	1,597	949	1,567	902
Production Personnel	1,633	709	1,471	623
Total	**3,239**	**1,660**	**3,047**	**1,527**
Board of Directors	7	1	7	1

The number of disabled personnel hired by the Group is 38 persons in 2019 and 32 persons in 2018, within the category "Technical, Sales and Administration Personnel".

Share-based compensation

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 2019 and 2018 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. Other Information

Auditor fees for the companies of Damm Group and subsidiaries paid to the main auditor and related entities during financial year 2019, amount to EUR 366 thousand (EUR 361 thousand in 2018), of which EUR 157 thousand (EUR 152 thousand in 2018) 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 136 thousand (EUR 95 thousand in 2018).

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 2019 to EUR 20 thousand (EUR 151 thousand in 2018). Additionally, EUR 11 thousand (2018: EUR 13 thousand) are included as other verification services.

22. Investment income

The detail of the items of this heading in the consolidated profit and loss account by origin is:

	Thousand Euros	
	2019	**2018**
Investment income	80	6
Other interest and financial income	5,155	2,371
	5,235	**2,377**

The amounts under “Other interest and financial income” mainly refers to the remeasurement as of 31 December 2019 and 2018 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 the year (See Notes 8, 10.2 and 11).

23. Finance expenses

The detail of the items of this heading in the consolidated profit and loss account by origin is:

	Thousand Euros	
	2019	**2018**
Finance expenses and similar expenses	5,480	3,397
Loan interests	2,824	5,797
Total Finance expenses	**8,304**	**9,194**
Exchange differences (revenue)	**(701)**	**(274)**

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 3,338 thousand in 2019 (EUR 3,314 million in 2018) and the interest expense related to lease liabilities for the amount of EUR 2,141 (see Note 2.1).

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 2019 are the following:

Companies in the Tax Group
S.A.Damm
Aguas de San Martín de Veri, S.A.
Agama Manacor 249, S.L.
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.
Cerbeleva, S.L.

Cervezas Damm Internacional, S.L. Cervezas Victoria 1928, S.L. Cervezas Victoria Málaga, S.L. Comercial Distribuidora de Cervezas del Noreste, S.L. Comercial Mallorquina de Begudes, S.L.U. Comercial Plomer Distribuciones, S.L. Compañía Cervecera Damm, S.L. Compañía Damm de Aguas, S.L. Compañía de Explotaciones Energéticas, S.L. Corporación Económica Delta, S.A. Cervezas Calatrava, S.L. Damm Atlántica, S.A. Damm Canarias, S.L. Damm Cuba, S.L. Damm Distribución Integral, S.L. Damm Innovación, S.L. Damm Restauración, S.L. Distrialmo, S.L. Distribuidora de Begudes Marina Alta, S.L. El Obrador de Hamburguesa Nostra, 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. Font Salem Holding, S.L. Font Salem, S.L. Friosevinatural, S.L. Gestión Fuente Liviana, S.L. Goethe, S.L. Hamburguesa Nostra Franquicia, S.L. Hamburguesa Nostra, S.L. Holding Cervecero Damm, S.L. Licavisa, S.L. Maltería La Moravia, S.L. Mascarell Comercial de Bebidas, S.L. Minerva Global Services S.L. Nabrisa Distribuciones, S.L. Neverseen Media, S.L. Nostra Restauración, S.L.U. Osiris Tecnologia y Suministros Hosteleros, S.L. Pallex Iberia, S.L. Pijuan Fuertes Distribuciones, S.L. Pijuan Logística, S.L. Plataforma Continental, S.L. Pumba Logística, S.L. Representaciones Reunidas Ulbe, S.L. Rodilla Sánchez, S.L. S.A. Distribuidora de Gaseosas Setpoint Events, S.A. The Wine List, S.L.

24.2 Financial years pending to be verified and tax audit actions

As of the 31 December 2019, 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) partial formal enquiries in years 2006-2011

Contested tax assessments - dated 11 May 2012 and 26 November 2013 - were signed, without penalties 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 appeasl, a decision that has been appealed for cassation before the Supreme Court, and such appeal was accepted for proceeding and is now waiting for a date for vote and decision.

b) Partial formal enquiries in years 2011-2013

On the 22 October 2015 formal inquiries have been raised for the IncomeTax, 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, S.A.Damm signed Tax Assessments in agreement -without penalties -with regard to all the companies under audit (in its capacity of parent company of Tax Group 548/08). 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 and Contested Tax Assessments only with regard to the deductibility of the interests in arrears in Tax Assessments.

Appeal was lodged against such Contested Tax Assessment before the Central Economic Administrative Court (Tribunal Económico Administrativo Central) by S.A.Damm in its capacity of parent company of Tax Group 548/08), and notice of the dismissal of the appeal was served in January 2020, and therefore an appeal has been lodged before the National Court (*Audiencia Nacional*).

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. Specifically, the enquiries related to the Capitalisation Reserve and carryforwards offset of Tax Group 548/08, brought against S.A.Damm in its capacity of parent company.

As a result of such inquiries, S.A.Damm signed Tax assessments in Agreement, without penalty and Contested tax assessments, also without penalty. As for the latter, in December the assessment resolution was served and therefore an appeal has been lodged before the Central Economic Administrative Court and the stay has been requested before the Directorate General of Large Taxpayers, with a security, for the amount of EUR 1,425 thousand (tax liability plus interests in arrears).

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 Financial Statements is remote.

24.3 Balances held with the Tax Authorities

Debtor and creditor balances with the Tax Authorities as of 31 December 2019 and 2018 were:

	Thousand Euros	
	2019	**2018**
Debtor balance		
Income tax	7,316	6,644
Value Added Tax	9,366	14,049
Other	570	654
Total	**17,252**	**21,347**

	Thousand Euros	
	2019	**2018**
Creditor balance		
Income tax	1,325	318
Value Added Tax	3,606	6,665
Special Taxes on Beer, Individuals Income Tax and	32,565	31,400
Total	**37,496**	**38,383**

Debtor balances are included under “Trade and Other Receivables” of the assets of the consolidated balance sheet.

Debtor balances are included under “Trade and Other Receivables” of the assets of the consolidated balance sheet.

24.4 Reconciliation of accounting and tax income

The reconciliation between the taxable income for the financial year and the accounting income for 2019 and 208 in thousands of euros follow:

Year 2019	Increase	Decrease	**Amount**
Accounting income for the financial year (after taxes)			**121,672**
Income tax on Continuing Activities	34,135	(9,306)	**24,829**
Income tax on Continuing Activities	-	-	**-**
Total Income tax			**24,829**
Individual Adjustments:			
Permanent Differences	21,043	(4,778)	**16,265**
Temporary Differences	6,629	(9,308)	**(2,679)**
Tax Consolidation Adjustments:			
Permanent Differences	-	(911)	**(911)**
Temporary Differences	3,008	(4,388)	**(1,380)**
Consolidation Adjustments:			
Temporary Differences	-	(32)	**(32)**

Interest in companies accounted for using the equity method	-	(16,238)	**(16,238)**
Tax Losses Offset		(6,681)	**(6,681)**
TAXABLE PROFIT			**134,845**

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**

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 goodwills 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 balance sheet and will not be available during these 5 years.

24.5 Income tax recognised in profit and loss account

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 2019 and 2018 follows:

	2019	%	2018	%
PRE-TAX PROFIT/(LOSS)	**146,501**		**137,326**	
Income tax theoretical expense	(36,625)	(25%)	(34,332)	(25%)
Taxation on reversion of portfolio provisions	(1,522)	(1%)	(2,620)	(2%)
Tax adjustments	(725)	(1%)	1,856	1%
Equity method total net profit effect	4,060	3%	4,320	3%
Tax losses carryforwards applied in the year and/or activated	1,250	1%	1,455	1%
Tax deduction and other	9,265	6%	8,469	6%
Other provisions	(532)	-	(1,622)	(1%)
Income tax	(24,829)	(17%)	(22,474)	(17%)

	Thousand Euros	
	2019	2018
Current income tax and other	(29,277)	(23,509)
Deferred income tax advancing (expense and income)	4,448	1,035
	(24,829)	**(22,474)**

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 profit and loss account, in financial years 2019 and 2018 the Group has passed on its consolidated equity the following accumulated taxes under the following headings:

	Thousand Euros	
	2019	2018
From the valuation of financial instruments:	(603)	-
Cash flow hedging	-	(17)
Due to actuarial gains and losses and other adjustments	(70)	(131)
TOTAL Taxes recognised in equity	**(673)**	**(148)**

24.7 Deferred tax

Under the law in force, in financial years 2019 and 2018 certain temporary differences have arisen that must be taken into account when calculating the relevant income tax expense.

The difference between 2019 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:

Impuestos Diferidos Deudores con Origen en:	Miles de Euros	
	Saldo al 31 de diciembre de 2019	Saldo al 31 de diciembre de 2018
Pérdidas por deterioro de fondos de comercio y ajustes fiscales intangibles	2.934	2.041
Créditos y deducciones	13.961	8.670
Otras provisiones	167	(139)
Reserva capitalización	-	13
Activos financieros a valor razonable con cambios en otro resultado global	(575)	38
Limitación amortización	3.828	4.699
Actualizacion de balances	5.009	5.424
Efecto Fiscal contratos arrendamiento (IFRS 16)	1.322	0
Otros	3.493	4.812
TOTAL Activos por Impuestos Diferidos	**30.139**	**25.558**

Receivable deferred tax with origin in	Thousand Euros	
	Balance at 31 December 2017	Balance at 31 December 2018
Goodwill impairment losses and intangible tax adjustments	2,934	2,041
Credits and deductions	13,961	8,670
Other provisions	167	(139)
Capitalisation reserve	-	13
Financial assets at fair value through other comprehensive income	(575)	38
Amortisation limit	3,828	4,699
Balance update	5,009	5,424
Lease agreements tax effect (IFRS 16)	1,322	0
Other	3,493	4,812
Total deferred tax assets	**30,139**	**25,558**

Payable deferred tax with origin in	Thousand Euros	
	Balance at 31 December 2019	Balance at 31 December 2018
Liberty of depreciation and other intangible tax adjustments	(4,624)	(6,613)
Other non-current liabilities	(472)	(620)
Harmonisation adjustments	-	229
Allocation of capital gains	(1,996)	(1,929)
Other	(3,843)	(1,195)

Total Deferred Tax Assets	**(10,935)**	**(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 2019 and 2018 is as follows:

	Thousand Euros	
	2019	2018
Impairment and disposal of property, plant and equipment	(2,009)	(3,334)
Profit / (Loss) on disposal of holdings (Note 2.2 d)	(100)	2,875
Goodwill impairment (Note 4)	(1,037)	(150)
Net profit and loss on impairment and disposal of non-current assets	**(3,146)**	**(609)**

"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 2018 this heading recorded the profit or loss from the disposal of several financial assets.

26. Appropriation of results

Profit for the financial year of the Parent Company of the Group, S.A.Damm has been EUR 89,664 thousand. The proposal for the distribution of results for financial year 2019 the Board of Directors will submit to the approval of the Shareholders' General Meeting is the following:

	Thousand Euros
Dividends:	
Interim (*)	38,654
Supplementary	25,771

Active Dividends(**)	**64,425**
Voluntary Reserves	**25,239**
Net Profit of the Parent Company for financial year 2019	**89,664**

(*) Accounted for under "Interim dividend paid during the financial year" of equity.
(**) Refer to 0.25 € 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 2019, as follows:

	1st Divid.	**2nd Divid.**
Payment Date	15/10/19	23/12/19

	Million Euros	
Interim Dividend	**15.5**	**23.2**
Treasury liquidity	104.0	119.8
Undrawn credit liquidity	289.0	296.5
Total liquidity	**393.0**	**416.3**
	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

	2019	2018	Change in
Net profit for the financial year (million euros)	120.16	112.84	7.32
Weighted average number of outstanding shares (million shares)	270.08	270.08	-
Less: Treasury shares (million shares)	15.20	16.85	(1.65)
Average number of outstanding shares (million shares)	254.88	253.23	1.65
Adjusted average number of shares for the calculation of diluted earnings per share (million shares)	254.88	253.23	1.65
Basic / diluted earnings per share (euros)	0.47	0.45	0.02

28. Events after the balance sheet date

The appearance of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries has led to the viral outbreak being classified as a pandemic by the World Health Organization since March 11.

Considering the complexity of the markets due to their globalisation and the absence, for the time being, of effective medical treatment against the virus, the consequences for the Group's operations are uncertain and will depend to a large extent on the evolution and extension of the pandemic in the coming months, as well as on the reaction and adaptation capacity of all the economic agents affected.

Therefore, at the date of preparation of these financial statements, it is premature to make a detailed assessment or quantification of the possible impact that COVID-19 will have on the Group, due to the uncertainty of its consequences in the short, medium and long term.

In this regard, there has currently been a drop in the Group's expected sales from the second half of March 2020, and it is not possible to assess whether and to what extent this situation will continue in the future.

However, the Directors and Management of the Group have made a preliminary assessment of the current situation on the basis of the best information available. Due to the considerations mentioned above, this information may be incomplete. The most significant aspects of the results of this evaluation are the following:

- Liquidity risk: it is foreseeable that the general situation of the markets may lead to a general increase in liquidity tensions in the economy, as well as a contraction in the credit market. In this regard, the Group has credit lines and loans that have not yet been drawn down, which, together with the implementation of specific plans to improve and efficiently manage liquidity, will enable it to tackle these tensions.

- Operational risk: the changing and unpredictable nature of events could lead to the risk of temporary interruption of production/sales or, the case being, a one-off break in the supply chain. Therefore, the Group has established specific working groups and procedures to monitor and manage the evolution of its operations at all times, in order to minimize their impact on its operations.

- Valuation risk of balance sheet assets and liabilities: a change in the future estimates of sales, production costs, finance costs, customer receivables, etc. whereby the Group could have a negative impact on the carrying amount of certain assets (goodwill, non-current assets, tax credits, customers, etc.) and on the need to recognise certain provisions or other types of liabilities. As soon as sufficient and reliable information is available, the appropriate analyses and calculations will be made to enable, where appropriate, the value of these assets and liabilities to be reassessed.

Finally, it should be noted that the Group's directors and management are constantly monitoring the evolution of the situation in order to successfully deal with any possible impacts, both financial and non-financial, that may arise.

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 2019 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						
	2019						
	Purchases	Sales	Services received	Services provided	Financial income	Dividend received	Credits (Note 8)
Trade Eurofradis Group	-	23,381	953	-	-	175	-
Serhs Distribució i Logística,	-	58,155	527	75	-	-	-
Euroestrellas Badalona S.L.	-	7,539	19	8	-	22	-
Comergrup S.L.	6,105	-	264	176	-	-	-
Grupo Cacaolat S.L.	3,838	15	33	870	513	-	19,200
Quality Corn S.A.	6,514	-	85	-	-	-	-
United States Beverages L.L.C.	-	1,486	195	-	14	-	565
Cortsfood, S.L.	-	-	-	-	-	127	1,000
Bizkaiko Edari Komertzialak,	-	6,938	30	65	31	20	-
Distribuciones Fransadis, S.L.	-	674	5	-	-	-	-
Ebro Foods, S.A.	6,287	-	-	8	-	10,249	-

	Thousand Euros						
	2018						
	Purchases	Sales	Services received	Services provided	Financial income	Dividend received	Credits (Note 8)
Trade Eurofradis Group	-	19,947	1,039	-	-	175	-
Serhs Distribució i Logística,	-	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,		4,088	17	42	24	-	1,350
Ebro Foods, S.A.	5,189	-	-	91	-	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 2019 and 2018.

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 2019 the following gross amounts:

	Thousand euros	
	2019	**2018**
Fixed remuneration	1,350	1,250
Variable remuneration	-	-
Payments as per the Articles of	8,100	8,000
Allowances	952	1,008
	10,402	**10,258**

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 820 thousand by way of allowances under their membership of other boards of directors of companies of the Group.

As of 31 December 2019 and 2018 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 3.13).

The amount paid in financial year 2019 by way of professional liability insurance for the Directors has been EUR 45 thousand (was EUR 45 million in 2018).

29.3. Senior Management remuneration

Total remuneration for years 2019 and 2018 amounted to EUR 4,687 thousand and EUR 4,439 thousand respectively.

In addition, several Senior Managers are included in the outsourced policy mentioned in Notes 3.13 and 18.2. The amount of post-employment benefits paid during financial years 2019 and 2018 for certain Senior Managers amounted to EUR 125 thousand and EUR 74 thousand respectively.

30. Information regarding conflicts of interests of the Directors

At the end of financial year 2019 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 2019 the Group had suretyships arising from its activities and arrangements for the amount of EUR 40.2 million (was EUR 38.3 million in 2018).

The Directors of the Group consider that there will not be no other significant additional liabilities than those accounted for in the consolidated balance sheet 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 44.7 million in 2018).

In addition, during financial year 2019, 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 5.8 million (was EUR 5.7 million in 2018).

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 2019 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 2019 follows: (see table)

DAMM GROUP SUBSIDIARIES

Name / Registered Office / Activity	Effective Interest		Thousand Euros				
	Holder	%	Share Capital	Profit/(Loss) Operating	Profit/(Loss) Net	Other Equity	Total Equity
Agama Manacor 249, S.L.U. (*) Palma (Balearic Islans) Exploitation of all kind of dairy business and manufacturing and selling all kind of food and beverages	S.A.Damm	100,00%	50	(1979)	(1455)	(1151)	(2.556)
Aguas de San Martín de Vali, S.A. (*) Bisaurri (Huesca) Water bottling and selling	Compañía Damm de Aguas, S.L.	99,59%	3.039	2.330	1783	11581	5.403
Alada 1850 S.L. (*) Barbera del vallés (Barcelona) Own premises management, management of the trademark "Jamaica Coffee Shop" rights on franchisees and management of securities and real estate	Rodilla Sanchez, SL.	100,00%	396	803	2.457	1011	3.864
Alfil Logistics, S.A. (*) Madrid Logistic activities operation and sale	S.A.Damm	60,00%	2.320	3.75	2.830	10937	16.086
Artesanía de la Alimentación S,L. (**) Madrid Manufacture and sale of food products for Rodilla stores chain	Rodilla Sanchez, SL.	100,00%	913	2.428	2.136	3.341	6.440
Balear de Cervezas S.L. (**) Palma (Balearic Islands) Securities and financial assets holding	S.A.Damm	100,00%	5	-	-	4.995	5.000
Barnadís Logística 2000, S.L. (**) Gaya (Barcelona) Wholesale of any kind of beverages and food	Distridam, S.L.	100,00%	118	28	21	109	249
Bebidas Ugalde, S.L. (****) klizabal (Gipuzlcoa) Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	100,00%	163	265	239	1609	2.011
Brasserie Estrella Damm Québec, Inc (**) Chambly (Quebec) Business services provision	S.A.Damm	100,00%	0	1	1	0	1
Cafés Garriga 1850 S.L (*) Barbera del vallés (Barcelona) Coffee, tea and substitutes preparation and sale	Damm Restauración, SL.	100,00%	13	169	64	1225	1307
Cafeteros desde 1933 S.L. (*) Dos Hermanas (Sevilla) Restaurants, bars and cafeterias operation or lease. Management of the brand "Café de Indias" rights and management of securities and real estate	Rodilla Sanchez, SL.	100,00%	966	118	558	(1426)	98
Carbóniques Becdamm, S.L.(****) Andorra Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	50,50%	3	328	287	355	645
Damm Canarias S.L. (**) Barcelona Wholesale and retail, deposit, handling and transport of any kind of beverages and food	S.A.Damm	100,00%	5	95	50	3	58
Dayrovell S.L. (****) Barcelona Wholesale and retail, deposit, handling and transport of any kind of beverages and food	Damm Distribución Integral, S.L.	60,00%	4.000	(1010)	(817)	(310)	2.873
Estrella del Sur Distribuciones Cerveceras, S.L. (****) Dos Hermanas (Sevilla) Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	100,00%	3	(273)	(232)	433	204
Cerbeieva, S.L. (****) Espinando (Murcia) Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	80,00%	521	(189)	(157)	6.088	6.452
Cervezas Caiatrava S.L. (****) Ciudad Real Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	100,00%	100	(1182)	(1122)	1.102	79
Cervezas Damm internacional, S.L. (**) Barcelona Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities.	S.A.Damm	100,00%	50	(1)	1	101	52

(*) Companies audited by the auditor of the Parent Company.
(**) Non-audited companies.
(****)Companies audited by other auditor
(****)Half year information reported to CNMV

DAMM GROUP SUBSIDIARIES

Name / Registered Office / Activity	Effective Interest		Thousand Euros				
	Holder	%	Capital	Profit/(Loss) Operating	Profit/(Loss) Operating	Other Equity	Total Equity
Cervezas Victoria Málaga, S.L. (***) **Málaga** Wholesale of any kind of beverages and food	Damm Distribución Integral, S.L.	100,00%	5	(165)	(139)	(86)	(220)
Cervezas Victoria 1928, S.L. (**) **Málaga** Brewery and sale of beer and derivatives	Holding Cervecero Damm, S.L.	100,00%	3	(192)	(133)	(696)	(826)
Comercial Distribuidora de Cervezas del Noreste, S.L. (****) Barcelona Wholesale of any kind of beverages and food	Damm Distribución Integral, S.L.	100,00%	33	(320)	(256)	1916	1693
Comercial Mallorquina de Begudes, S.L. (*) Barcelona Wholesale of any kind of beverages and food	Damm Distribución Integral, S.L.	100,00%	1000	(340)	(287)	(9)	704
Comercial Plomar Distribucions S.L. (**) **Mallorca** Purchase, sale, distribution and marketing of all kind of beverages and food. Haulage of any kind of goods.	Damm Distribución Integral, S.L.	100,00%	423	282	213	246	882
Compañía Cervecera Damm, S.L. (*) Barcelona Brewery and sale of beer and derivatives	Holding Cervecero Damm, S.L.	100,00%	20.005	14.147	10660	136.824	167.489
Compañía Damm de Aguas, S.L. (**) Barcelona Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	SA.Damm	100,00%	30421	(0)	(422)	(6.557)	23.441
Compañía de Explotaciones Energéticas, S.L. (*) Barcelona	SA.Damm	100,00%	14.358	3228	2.620	4.704	21683
Corporación Económica Delta, S.A. (*) Barcelona Lease, use and operation of real estate and holding of securities and financial assets	SA.Damm	99,99%	59.436	(1671)	9.620	36.922	105.978
Crouchback Investments, LTD (**) London (UK) Securities and financial assets holding	Corporación Económica Delta, SA.	100,00%	2254	(3)	734	(473)	2.514
Damm Atlántica S.A. (*) Barcelona Business services provision	SA.Damm	100,00%	61	(0)	10	445	516
Damm Brewery UK, L.T.D (**) Londres (Reino Unido) Business services provision	SA.Damm	100,00%	0	227	151	115	266
Damm Brewery Sweden AB (**) Stockholm (Suecia) Business services provision	SA.Damm	100,00%	8	5	11	38	57
Damm Brewery (Australia) PTL LTD (**) Sidney (Australia) Business services provision	SA.Damm	100,00%	0	104	68	91	159
Damm Cuba, S.L. (**) Barcelona Wholesale of any kind of beverages and food	SA.Damm	100,00%	900	(62)	(40)	(335)	525
Damm Distribución Integral, S.L. (**) (Barcelona) Securities and financial assets holding	SA.Damm Corporación Económica Delta, SA.	99,10% 0,89%	5.585	(3.306)	(3.935)	4.935	6.584
Damm Innovación, S.L. (**) Barcelona Securities holding	SA.Damm	100,00%	12.177	(2)	55	(1745)	10487
Damm Portugal Unipersonal L.D.A (**) Santarem (Portugal) Wholesale of any kind of beverages and food and mineral water sources operation	SA.Damm	100,00%	5	322	286	(700)	(409)
Damm Restauración, S.L. (**) Barcelona Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	SA.Damm	100,00%	8,819	(416)	5.636	30.784	45239
Damm Services Corporation (**) Raleigh (US)	SA.Damm	100,00%	1.413	(459)	(612)	(745)	56

(*) Companies audited by the auditor of the Parent Company.
(**) Non-audited companies.
(****)Companies audited by other auditor
(****)Half year information reported to CNMV

DAMM GROUP SUBSIDIARIES

Name / Registered Office / Activity	Effective Interest		Thousand Euros				
	Holder	%	Share apital	Profit/(Loss) Operating	Profit/(Loss) Operating	Other Equity	Total Equity
Dismenorca S.L. (****) Ciutadella (M enorca) Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	51,00%	323	551	421	4.079	4.822
Distridam, S.L. (****) Gava (Barcelona) Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	75,30%	213	2.791	1951	14.317	16.481
Distriaimo, S.L. (****) Barcelona Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	90,00%	138	214	156	744	1007
Distriduidora de Begudes Movi, S.L. (****) Martorelles (Barcelona) Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	91,13%	82	(225)	(198)	1924	1809
El Obrador De Hamburguesa Nostra S.L. (**) Madrid Manufacturing and marketing of any kind of meat products, particularly burgers	Hamburguesa Nostra, S.L.	100,00%	3	(39)	(88)	(587)	(672)
Envasadora Mallorquina de Begudes,S.L. (*) Madrid Wholesale of any kind of beverages and food	Compañía Damm de Aguas, S.L.	100,00%	50	(508)	(418)	(120)	(488)
Estrella Damm Chile SpA (**) Santigal (Chile) Wholesale of any kind of beverages and food	Cervezas Damm Internacional, SL.	100,00%	19	11	8	4	31
Estrella Damm Guinea Ecuatorial S.L. (**) Malabo (Equatorial Guinea) Business services provision	Cervezas Damm Internacional, SL	65,00%	8	3	2	-	9
Estrella Damm Consulting (Shanghai) Co. Ltd. (**) Shanghai (China) Business services provision	S.A.Damm	100,00%	44	(5)	(5)	(38)	0
Estrella Damm Services Canada, Inc.(**) Vancouver (Canada) Business services provision	S.A.Damm	100,00%	7	44	31	47	85
Estrella Damm Trading Co, Ltd (****) Shanghai (China) Wholesale of any kind of beverages and food	S.A.Damm	100,00%	114	(563)	(582)	(635)	(1.102)
Estrella Damm US Corporation (**) Florida (US) Business services provision	S.A.Damm	100,00%	0	180	138	163	301
Estrella de Levante Fábrica de Cerveza, S.A.U. (*) Espinardo (Murcia) Brewery and sale of beer and derivatives	Holding Cervecero Damm, S.L.	100,00%	7.870	9.257	6.791	6.145	20.806
Macarell Comercial de Bebidas, S.L. (****) Barcelona Wholesale and retail, deposit and transport of any kind of beverages and food	Damm Distribución htegral, S.L.	100,00%	10.000	(52)	(41)	-	9.959
Expansión DDI Garraf S.L. (**) Barcelona Wholesale and retail, deposit and transport of any kind of beverages and food	Damm Distribución htegral, S.L.	100,00%	5	-	-	-	5
Distribuidora de Begudes Marina Alta (**) Barcelona Wholesale and retail, deposit and transport of any kind of beverages and food	Damm Distribución htegral, S.L.	100,00%	5	(75)	(64)	-	(59)
Font Salem, S.L. (*) Salem (Valencia) Production, bottling and sale of soft drinks and beer	S.A.Damm Crouchback Investments, Ltd.	96,30% 3,70%	17.939	28.139	21835	79.582	113.356
Font Salem Holding, S.L. (**) Salem (Valencia) Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Font Salem, S.L.	100,00%	2.250	(0)	(368)	13.720	15.602
Font Salem Investimentos SGPS Unipessoal LDA (*) Santarem (Portugal) Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity	Font Salem Holding, S.L.	100,00%	5	(2)	5.723	11028	16.756

(*) Companies audited by the auditor of the Parent Company.
(**) Non-audited companies.
(****)Companies audited by other auditor
(****)Half year information reported to CNMV

DAMM GROUP SUBSIDIARIES

Name / Registered Office / Activity	Effective Interest		Thousand Euros				
	Holder	%	Share Capital	Profit/(Loss) Operating	Profit/(Loss) Operating	Other Equity	Total Equity
Font Salem Portugal, S.A. (****) Santarem (Portugal) Brewery and sale of beer and derivatives	Font Salem Investimentos SGPS	100,00 %	2.050	7.319	5.725	70.669	78.444
Friosevinatural, S.L. (**) Dos Hermanas (Sevilla) Product distribution for own stores and franchisees	Cafeteros desde 1333, S.L.	100,00 %	145	176	59	(23)	281
Gasteiz Banaketa integrala S.L. (****) Barcelona Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	90,00%	2.555	(265)	(223)	(18)	2314
Gestión Fuente Liviana, S.L. (*) Huerta del Marquisate (Cuenca) Marketing of mineral water and beverages	Compañía Damm de Aguas, SL.	100,00 %	11	2.619	5.970	11703	17.685
Goethe, S.L. (**) Pobla (Balearic Islands) Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	100,00 %	419	154	109	2.072	2.600
Hamburguesa Nostra S.L. (**) Madrid Wholesale and retail and restaurants of burgers and any other foods, operation of licenses and licensing and franchising with such activities	Damm Restauración, SL.	83,30%	216	(223)	(723)	12	(495)
Hamburguesa Nostra Franquicia S.L. (**) Madrid Wholesale and retail and restaurants of burgers and any other foods, operation of licenses and licensing and franchising with such activities	Hamburguesa Nostra, S.L.	100,00 %	780	102	66	(776)	70
Holding Cervecero Damm, S.L. (*) Barcelona Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	S.A.Damm	100,00 %	21.905	(2)	21.709	246.151	289.766
Licavisa, S.L. (****) San Martin de la Vega (Madrid) Retail of beverages of any kind	Damm Distribución htegral, S.L.	100,00 %	3	556	416	3.623	4.042
Maltería la Moravia, S.L. (*) Barcelona Preparation and sale of malt and derivatives	Holding Cervecero Damm, S.L.	100,00 %	3.000	565	418	11.575	14.993
Minerva Global Services, S.L. (**) Barcelona Creation and operation of an Internet Virtual Market	Osiris Tecnología y Suministros Hosteleros, SL.	100,00 %	7.578	(64)	(56)	(9.590)	(2.067)
Nabrisa Distribuciones S.L. (****) Vilanova i la Geltrú (Barcelona) Wholesale and retail of any beverages and food and catering, home and commerce consumables	Damm Distribución htegral, S.L.	100,00 %	87	(77)	(63)	1044	1068
Nostra Restauración S.L.U. (**) Madrid Wholesale and retail and restaurants of burgers and any other foods, operation of licenses and licensing and franchising with such activities	Hamburguesa Nostra, S.L.	100,00 %	3.574	(363)	(148)	(1451)	1975
Osiris Tecnología y Suministros Hosteleros, S.L. (**) Barcelona	Damm Innovación, SL. S.A.Damm	62,80% 37,20%	5.650	(0)	(70)	(5.905)	(326)
Pallex Iberia, S.L. (*) Barcelona Administrative, accounting and business management support services, and logistic and transport ancillary services	S.A.Damm	100,00 %	28	568	427	533	989
Pipian Fuertes Distribucions, S.L. (****) Sant Just Desvern (Barcelona) Wholesale and retail of any beverages and food and catering, home and commerce consumables	Distridam, S.L.	100,00 %	60	(207)	(52)	839	747
Pipian Logística, S.L. (****) Sant Just Desvern (Barcelona) Wholesale and retail of any beverages and food and catering, home and commerce consumables	Distridam, S.L.	100,00 %	9	72	54	494	557

(*) Companies audited by the auditor of the Parent Company.
(**) Non-audited companies.
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(****)Half year information reported to CNMV

DAMM GROUP SUBSIDIARIES

Name / Registered Office / Activity	Effective Interest		Thousand Euros				
	Holder	%	Share Capital	Profit/(Loss) Operating	Profit/(Loss) Operating	Other Equity	Total Equity
Plataforma Continental, S.L. (**) Madrid Manufacturing and sale of beer, residues and derivatives	SA.Damm	100,00%	6.664	(352)	(200)	(12.344)	(5.880)
Pumba Logistica S.L. (**) Madrid Transport activities operation and management	Corporación Económica Delta, S.A. Compañía de Explotaciones Energéticas, S.L.	99, 95% 0,05%	2.000	(1402)	(1031)	14391	15.360
Representaciones Reunidas Uibe, S.L. (**) Cava (Barcelona) Wholesale of any kind of beverages and food	Damm Distribución htegral, S.L.	100,00%	3	42	31	246	280
Rodilla Sanchez, S.L. (*) Madrid Sandwiches catering and sale / Catering	Damm Restauración, SL.	100,00%	13.954	4.857	6.919	17.644	38.517
Rodilla US LLC (**) Miami (US) Sandwiches catering and sale / Catering	Rodilla Sanchez,SL.	100,00%	-	(1329)	(1507)	1507	-
Rumbosport, S.L. (**) Madrid Organization of tournaments and sport or cultural events of any kind. Creation and marketing of artistic and cultural contents of any kind	Setpoint Events, S.A.	100,00%	3	19	14	68	85
Setpoint Events S.A. (**) Barcelona Organization of tournaments and sport or cultural events of any kind. Creation and marketing of artistic and cultural contents of any kind	SA.Damm	100,00%	50	(1.620)	(1.223)	(7.937)	(9.011)
Sociedad Anónima Distribuidora de Gaseosas, S.A. (**) Palma (Balearic Islands) Wholesale of any kind of beverages and food	SA.Damm	100,00%	61	(1)	(2)	5	63
The Wine List S.L. (**) Madrid Marketing of wine and derivates or ancilllary or related products	Damm Restauración, SL.	100,00%	180	(252)	(189)	(1544)	(1553)

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DAMM GROUP ASSOCIATES AND JOINT ARRANGEMENTS

Name / Registered Office / Activity	% interest						
	Holder	%	Share Capital	Profit/(Loss) Operating	Operating	Other Equity	Total Equity
BIzkal izarra Zerbituak, S.A. (****) Ortuella (BizIcaia) Wholesale of any kind of beverages and food Distribution.	Trade Eurofradis, S.L.	66,67%	660	(25)	9	(887)	(218)
BIzkalko Edari Komertzialak S.L. (****) Barcelona Wholesale of any kind of beverages and food	Damm Distribución Integral, S.L. Bizkai Izarra Zerbitzuak, SA.	32,50% 35,00%	2.308	177	137	60	2.505
Comergrup, S.L. (****) Sant Quirze del Valles (Barcelona) Wholesale of any kind of beverages and food , marketing research and advice / Distribution .	Damm Distribución Integral, S.L. Distriduidora de Begudes Movi, S.L. Pijuan Fuertes Distribuciones, S.L.	10,15% 8.12% 14,47%	378	8	-	235	613
Cortsfood S.L.(**) Sant Cugat del Valles (Barcelona) Operation of catering establishments. Manufacture and preparation of all kind of food.	Damm Restauración, S.L.	50,00%	20	(343)	-	537	557
Distribuciones Fransadis, S.L. (**) Albolote (Granada) Wholesale of any kind of beverages and food / Distribution.	Damm Distribución htegral, S.L.	35,00%	47	(112)	(73)	676	650
Ebro Foods, S.A. (***) Madrid Manufacture, preparation, marketing, investigation, import, export of all kind of food and dietary products / Food	Corporación Económica Delta, S.A	11,69%	92.319	212.441	150.288	2.049.063	2.291.670
Estrella del Sol Services, S.A. (****) Fuengirola (Malaga) Wholesale of any kind of beverages and food / Distribution	Trade Eurofradis, S.L.	50,00%	60	757	565	122	747
Estrella Disagrup, S.L. (****) Alberic (Valencia) Wholesale of any kind of beverages and food / Distribution	Trade Eurofradis, S.L.	50,00%	60	90	67	306	433
Estrella Huelva Services, S.A. (****) Huelva Wholesale of any kind of beverages and food / Distribution	Trade Eurofradis, S.L.	50,00%	120	106	71	(200)	(9)
Estrella Iruña Services , S.A. (****) Noain (Navarra) Wholesale of any kind of beverages and food / Distribution	Trade Eurofradis, S.L.	50,00%	60	(74)	(64)	894	890
Estrella Vega Baja Services, S.L. (****) Alicante Wholesale of any kind of beverages and food / Distribution	Jap Alacant Serveis, S.A.	100,00 %	60	-	-	472	532
Estrella Inda) Services, S.A. (****) Huercal (Almería) Wholesale of any kind of beverages and food / Distribution	Trade Eurofradis, S.L.	50,00%	60	299	224	539	823
Estrella M adrid Services, S.A. (****) **Martinde** la Vega **(Madrid)** Wholesale of any kind of beverages and food / Distribution	Trade Eurofradis, S.L.	50,00%	60	293	(6)	1.719	1.773
Estrella M o ncayo Services, S.A. (****) Zaragoza Wholesale of any kind of beverages and food / Distribution	Trade Eurofradis, S.L.	50,00%	60	238	172	1.069	1301
Euroestrellas Badalona, S.L. (****) Badalona (Barcelona) Wholesale of any kind of beverages and food / Distribution	Damm Distribución htegral, S.L.	10,00%	1.100	358	248	288	1636

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DAMM GROUP ASSOCIATES AND JOINT ARRANGEMENTS

Name / Registered Office / Activity	% interest						
	Holder	%	Share Capital	Profit / (Loss) Operating	Profit / (Loss) Net	Other Equity	Total Equity
Grupo Cacaotal, S.L. (****) Esplugues de Llobregat (Barcelona) Manufacture and sale of shakes, dairy/beverages	SA.Damm	50,00%	10.000	1325	(260)	25311	35.051
Jap Atacant Servels, S.A. (****) Alicante Wholesale of all kind of beverages and food /Distribution	Trade Eurofradis, S.L.	50,00%	60	676	510	1031	1601
Otegui izarra, S.L. (****) Alicante Wholesale of all kind of beverages and food /Distribution	Sein barra Zerbituak, S.L.	50,00%	60	(24)	(22)	(60)	(22)
Plataforma Logistica Madrid S.L. (***) San M art In de la Vega (Madrid) Distribution of all kind of beverages and all kind of food, bricolage and drugstore products	Licavisa, S.L. Estrella Madrid Services, SA.	50,00% 50,00%	30	-	-	(10)	20
Quality Corn, S.A. (****) Almunia de San Juan (Huesca) Cereal and derivatives preparation and sale / Beverages	SA.Damm	20,10%	2.000	217	198	398	2596
Sein Izarra Zerbituak, S.L. (****) Oiartzaun (Guipuzkoa) Wholesale of any kind of beverages and food / Distribution	Trade Euro fradis, S.L.	49,10%	60	562	420	1881	2.361
Sehrs Distribució I Logística, S.L. (****) Pineda de Mar (Barcelona) Wholesale of any kind of beverages and food / Distribution.	Damm Distribución htegral, S.L.	6,34%	1067	(5.685)	(5.837)	19.789	15.019
Trade Eurofradis, S.L. (****) **Manresa** (Barcelona) Administrative management services / Distribution	Damm Distribución htegral, S.L.	50,00%	577	(120)	546	1295	2.418
United Sales Beverages LLC (****) Stamford Beer and other spirits distribution / Distribution	SA.Damm	40,83%	-	(820)	(886)	(2.883)	(3.769)

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DAMM GROUP DIRECTORS' REPORT

1. Business evolution and position of the Group

Consolidated revenue for financial year 2019 reached EUR 1,385 million, 9.6% more than 2018, in a context where the national economy is showing increasing signs of slowdown. This slowdown is mainly showing in a moderation in private domestic consumption and a slowdown in exports, partially cushioned by the good figures for international tourism in 2019.

That notwithstanding, in terms of sales and activity the performance of Damm Group in the aggregate in year 2019 was clearly positive with increases in sales in all its channels and markets, with increases in the sales in all the channels and markets in which it operates.

The results of the internationalization process of the Group have also contributed decisively to this growth. Currently the Group's brands and activities are present in more than 100 countries, with significant increases in volume and awareness year after year, boosted by the establishment of own sales teams in United Kingdom, United States of America, Canada, China, Sweden, Chili and Australia, which together now have more than 250 employees engaged solely in international activities.

With regard to production costs, these have increased in line with the increase in income as well as a higher cost of materials, mainly raw materials, with increases in the cost of external barley and malt. This increase in the cost of materials has been mitigated by the transfer in the combination of non-returnable products to lower cost formats. As for the increase in the price of energy, its have been partially offset by the improvement in the energy efficiency ratios of the production plants of the Group. Likewise, logistics costs have increased due to more scattered and international destinations, increase in fuel price and storage costs arising from increased production.

General operating expenses were higher than in the previous year, particularly the increase in the number of product dispensers, the rise in commercial expenses due to the increase in sales staff and the increase in marketing, trade-marketing and event sponsorship activities with a significant media impact, which reinforce the Group's firm commitment to the national and international development of its brands.

The Group's workforce, including all its businesses, stood at 4,899 at the end of 2019, compared to 4,574 at the end of 2018.

Finally, the Group maintains its share in Ebro Foods, S.A. at 11.69%.

2. Profit for financial year 2019

The combination of all the above factors led to operating profit (EBIT) of EUR 132.6 million, 4.8% higher than in the previous year, and profit attributable to the Group's parent company of EUR 120.1 million, 6.5% higher than in 2018. The consolidated results for 2019 and 2018 and the main aggregates in the consolidated balance sheet at the end of 2019 and 2018 are presented below for comparison purposes (in thousands of euros)

Consolidated results	2019	2018	DIFFERENCE
Consolidated revenue	**1,385,286**	**1,264,403**	**9.6%**
EBITDA – Operating profit + Amortization + Impairment and PPE disposal	**240,741**	**202,488**	**18.9%**
NET PROFIT ATTRIBUTED TO THE PARENT COMPANY	**120,160**	**112,839**	**6.5%**
BASIC EARNINGS PER SHARE	**0.47**	**0.45**	**4.4%**
EQUITY	**984,765**	**888,364**	**10.9%**
NET FINANCIAL DEBT	**215,601**	**203,397**	**6.0%**
INVESTMENTS (Additions property, plant and equipment e intangible)	**123,842**	**165,172**	**(25.0%)**

Financial position

The Group holds a solid financial position largely thanks to the resources generated by the business activities. The cash flow at 31 December 2019 and the sustainability of the business's cash generation make it possible to meet the debt service, pay shareholders dividends and develop new projects.

In this regard, the Group presents the following amounts corresponding to net financial debt in the consolidated balance sheet at 31 December 2019 and 2018:

	Thousand euros	
	2019	**2018**
Debt with credit institutions	(207,111)	(247,459)
Other non-current financial liabilities	(5,227)	(11,509)
A) Prior non-current financial debt	**(212,338)**	**(258,968)**
Debt with credit institutions	(42,938)	(37,555)
Other current financial liabilities	(2,540)	(1,631)
A) Prior current financial debt	**(45,478)**	**(39,186)**
A+B Prior financial debt	**(257,816)**	**(298,154)**
Obligations and other negotiable assets	(194,533)	(193,195)
Cash and cash equivalent	162,241	192,513
Other current financial assets	3,809	3,861
Treasury shares and equity investments	70,698	91,578
Net financial debt	**(215,601)**	**(203,397)**

Additionally, as of 31 December 2019 the Group companies had undrawn credit facilities for the amount of EUR 299 million.

The Group has implemented payment conditions to suppliers focused on compliance with the measures adopted by the Law on Late Payments (Law 3/2004 of 29 December) as amended, promoting measures to support entrepreneurs, stimulate growth and create employment (Law 11/2013 of 26 July) which establishes a maximum legal period for payment to suppliers. The information required by Law 31/2014 of 3 December is detailed in Note 17. In this regard, the company will continue to implement policies that allow it to maintain the compliance with the maximum payment period established in the applicable legislation.

3. Expected development of the Group

The Group expectations regarding the performance of 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 profits.

Sustainable shareholder return

One of the Group main objectives is still maximizing the shareholder return. In that sense, earnings per share is EUR 0.47 per outstanding share, and as for dividends, results have been achieved that allow the distribution of dividends with a pay-out of more than 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,
- To maximize the return on the industrial capacity increase investments made to date within the framework of the Strategic Plan, increasing productivity and efficiency,
- A clear focus on the customer (both internal and external) to maximise quality in each and everyone of the Group's activities,
- Operative excellence in all areas of the company (production, logistics and sales/commercial),
- Commitment to constant innovation and creativity as a form of differentiation 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 ways of relating to markets.
- The penetration of the beer business in geographical areas with a lesser presence, promoting own brands, with special emphasis on a commitment to reach international markets through agreements with top-level multinational companies,
- Development of the distribution business in cooperation with our wholesale partners,
- Vertical integration in businesses that are part of the value chain of the Group's main business: distribution, F&B, logistics, energy saving 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 several investments in process and storage of the breweries, different improvement projects in logistics and operations, as well as the refit and improvement of the facilities of the corporate headquarters of the Group located in Barcelona.

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

Environment

As part of its policies to respect and protect the environment, the Group has developed environmental prevention plans which, for several years now, have led to a reduction in the weight of the packaging fleet on the market, among other results. Among these plans, it is important to highlight the beginning in the financial year 2019 of the gradual elimination of the plastic rings used in the packaging of cans with the implementation of a new packaging system manufactured with totally biodegradable materials, which will mean the reduction of more than 260 tons of plastic per year.
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 energy efficient sources (cogeneration, trigeneration, solar photovoltaic) and currently a large part of the Group energy requirements are feed by these sources.

4. Events after the balance sheet date

The appearance of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries has led to the viral outbreak being classified as a pandemic by the World Health Organization since March 11.

Considering the complexity of the markets due to their globalisation and the absence, for the time being, of effective medical treatment against the virus, the consequences for the Group's operations are uncertain and will depend to a large extent on the evolution and extension of the pandemic in the coming months, as well as on the reaction and adaptation capacity of all the economic agents affected.

Therefore, at the date of preparation of these financial statements, it is premature to make a detailed assessment or quantification of the possible impact that COVID-19 will have on the Group, due to the uncertainty of its consequences in the short, medium and long term.

In this regard, there has currently been a drop in the Group's expected sales from the second half of March 2020, and it is not possible to assess whether and to what extent this situation will continue in the future.

However, the Directors and Management of the Group have made a preliminary assessment of the current situation on the basis of the best information available. Due to the considerations mentioned above, this information may be incomplete. The most significant aspects of the results of this evaluation are the following:

- Liquidity risk: it is foreseeable that the general situation of the markets may lead to a general increase in liquidity tensions in the economy, as well as a contraction in the credit market. In this regard, the Group has credit lines and loans that have not yet been drawn down, which, together with the implementation of specific plans to improve and efficiently manage liquidity, will enable it to tackle these tensions.

- Operational risk: the changing and unpredictable nature of events could lead to the risk of temporary interruption of production/sales or, the case being, a one-off break in the supply chain. Therefore, the Group has established specific working groups and procedures to monitor and manage the evolution of its operations at all times, in order to minimize their impact on its operations.

- Valuation risk of balance sheet assets and liabilities: a change in the future estimates of sales, production costs, finance costs, customer receivables, etc. whereby the Group could have a negative impact on the carrying amount of certain assets (goodwill, non-current assets, tax credits, customers, etc.) and on the need to recognise certain provisions or other types of liabilities. As soon as sufficient and reliable information is available, the appropriate analyses and calculations will be made to enable, where appropriate, the value of these assets and liabilities to be reassessed.

Finally, it should be noted that the Group's directors and management are constantly monitoring the evolution of the situation in order to successfully deal with any possible impacts, both financial and non-financial, that may arise.

5. Main risks associated with the activity

By the very nature of the business, risks are concentrated mainly in three areas:

• Food and environmental safety, a specific responsibility of the Quality Management, which reports regularly to the General Manager and the latter to the Executive President.

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

• Industrial safety, relating to the integrity of the Company's business assets, which is the responsibility of the Production Department, which reports directly to the Deputy Director General for Operations and the latter to the General Manager and the Executive President.

In all the processes and in line with the certification standards, which the Group has consolidated, mechanisms are included aimed at identifying, quantifying and covering risk situations.

Given the presence on the Board of Directors of significant shareholders and the frequency of its meetings, the Board closely monitors situations that may pose a significant risk and the measures taken in this regard.

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 this respect, it should be noted that a significant part of its debt bears a fixed interest rate.

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

7. Research and development and technological innovation activities

The Group research and development and technological innovation activities during financial year 2019 fall in the following categories: Development of new products, Design of containers and packaging, Improvement of industrial processes, Efficiency in the consumption of raw materials and materials.

The Group has invested in research and development and technological innovation in these fields a total amount of EUR 7.9 million.

To develop these activities the Group has two-way 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 and Act 22/2015 on Accounts Audit, is enclosed as an Schedule to this Consolidated Management Report and is part thereof.