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June 27, 2018

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 2017.

DELOITTE, S.L.

Pedro Rodrigo

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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 2017, 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 2017, 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

As described in Note 3.17 to the accompanying consolidated financial statements, when the Group recognises its income 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 2017 includes a provision in this connection.

In this context, due to the variety of contractual terms and conditions agreed on, the estimation of the trade rebates accrued in the year, on the basis of the sales made and the terms and conditions with each customer, is a complex task that requires a thorough understanding of the Group's process for ensuring that these rebates, and, consequently, the provision for trade rebates, are appropriately recognised at year-end. Therefore, we considered this matter to be one of the most significant in our audit.

Procedures applied in the 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, with the assistance of our information systems specialists, of the assessment of the general controls established over the various applications that the Group uses to manage and recognise those trade rebates, together with the verification of the operating effectiveness of certain automatic controls implemented in this process.

Also, our audit procedures included a combination of analytical and substantive tests, on a selective basis, to verify that the sales figure used and the contractual terms and conditions considered for the calculation of those trade rebates are correct.

Lastly, we reviewed the disclosures included by the Group in the accompanying consolidated financial statements (see Note 3.17 to the accompanying consolidated financial statements) in relation to the aforementioned provisions, to assess whether they are appropriate pursuant to the regulatory financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, 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 consolidated directors' report, in accordance with the applicable audit regulations, consists of evaluating and reporting on whether the consolidated directors' report is consistent with the consolidated financial statements, based on our 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. Also, our responsibility consists of evaluating and reporting on whether the content and presentation 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 in the preceding paragraph, the information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

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

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

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

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

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

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

A further description of our responsibilities for the audit of the 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

2 May 2018

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 2017, 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 2017
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	31.12.17	31.12.16
Non-current assets		**1,086,955**	**988,890**
Goodwill	4	80,495	48,950
Other intangible assets	5	28,748	18,232
Property, plant and equipment	6	485,711	446,485
Equity accounted investments	7	350,631	348,873
Non-current Financial Assets	8	116,272	96,808
Deferred Tax Assets	24.7	25,098	29,542
Current Assets		**577,705**	**578,818**
Inventories	9	91,640	76,444
Trade and other receivables	10.1	185,977	164,104
Other financial current assets	10.2	653	92,391
Other current Assets	-	8,014	9,851
Cash and cash equivalents	11	291,421	236,028
TOTAL ASSETS		**1,664,660**	**1,567,708**
Equity		**837,599**	**750,550**
Share capital	12.1	54,017	54,017
Share premium	12.2	32,587	32,312
Other reserves of the Parent Company	12.3	537,645	508,608
Reserves in Consolidated Companies		213,466	188,191
Treasury shares and equity investments	12.4	(100,530)	(142,453)
Valuation Adjustments	12.5	5,160	21,924
Gains and Loss attributable to parent company		112,467	101,265
Interim dividend paid during the financial year	12.6 / 26	(27,793)	(22,057)
Equity attributable to Parent Company		**827,019**	**741,807**
Non-controlling interests	12.7	10,580	8,743
Total equity		**837,599**	**750,550**
Deferred Income	**13**	**876**	**1,038**
Non-current liabilities		**520,743**	**536,801**
Obligations and other negotiable assets	14	191,881	190,588
Derivative financial instruments	15	4,274	7,790
Debt with credit institutions	15	231,315	251,754
Provisions	-	16,500	2,643
Other non-current liabilities	-	66,219	70,779
Deferred tax liabilities	24.7	10,554	13,247
Current liabilities		**305,442**	**279,319**
Debt with credit institutions	15	31,523	40,714
Trade and other payables	-	185,563	164,030
Other current liabilities	19	88,356	74,575
TOTAL LIABILITIES		**1,664,660**	**1,567,708**

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Balance Sheet at 31.12.2017.

S.A. DAMM and Subsidiaries (Damm Group)
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	2017	2016
Continuing operations:			
Revenue	20	1,153,057	1,037,190
Other operating income	20	10,227	7,781
Changes in inventories of finished goods and work in progress	9	8,830	5,374
Raw materials and consumables used	21.1	(430,879)	(372,337)
GROSS MARGIN		**741,235**	**678,008**
Employee costs	21.2	(160,963)	(140,022)
Depreciation and amortization	5 and 6	(69,648)	(63,976)
Other expenses	-	(361,714)	(348,482)
Net gain/(loss) for impairment and disposal of non-current assets	25.1	(2,761)	(5,362)
OPERATING PROFIT		**146,149**	**120,166**
Investment income	22	7	9
Other interest and similar income	22	4,576	845
Finance expense and similar expense	23	(10,160)	(5,018)
Exchange rate differences	23	(887)	(511)
Share of the profit or loss of investments accounted for using the equity method	7	25,033	19,061
Net gain/(loss) from disposal of financial instruments	8-25.2	1,269	-
PRE-TAX PROFIT/(LOSS)		**165,987**	**134,552**
Income tax	24.5	(51,281)	(31,766)
PROFIT ON CONTINUING OPERATIONS		**114,706**	**102,786**
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**114,706**	**102,786**
Attributable to:			
Non-controlling interests	12.7	(2,239)	(1,521)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTED TO PARENT COMPANY		**112,467**	**101,265**
Earnings per share (in euros):			
From continuing operations	27	**0.46**	**0.42**
From continuing and discontinued operations	27	**0.46**	**0.42**

There are no dilutive potential ordinary shares 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 2017.

S.A. DAMM and Subsidiaries (Damm Group)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017

(EXPRESSED IN THOUSANDS OF EUROS)

	2017	2016
A.- CONSOLIDATED INCOME FOR THE FINANCIAL YEAR before non-controlling interests	**114,706**	**102,786**
B.- OTHER COMPREHENSIVE INCOME DIRECTLY RECOGNISED IN EQUITY	**(15,805)**	**7,106**
Items that will not be transferred to profit or loss:		
1. Due to actuarial gains and losses and other adjustments	488	325
2. Entities accounted for using the equity method	(14,719)	2,539
3. Tax effect	(122)	(81)
Items that can be subsequently transferred to profit or loss:		
4. From the valuation of financial instruments:	(1,305)	4,296
a) Financial assets held for sale	*(1,305)*	*4,296*
5. From cash flow hedges	(137)	70
6. Translation differences	(44)	(25)
7. Tax effect	34	(18)
C.- TRANSFER TO PROFIT AND LOSS ACCOUNT	**(959)**	**9**
1. From the valuation of financial instruments:	(952)	-
a) Financial assets held for sale	*(952)*	-
2. From cash flow hedges	(10)	12
3. Tax effect	3	(3)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR (A+B+C)	**97,942**	**109,901**
a) Attributed to the parent company	95,703	108,380
b) Attributed to non-controlling interests	2,239	1,521

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Comprehensive Income for financial year 2017.

DAMM GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017

(EXPRESSED IN THOUSANDS OF EUROS)

	NOTE	Share capital	Share premium	Parent company reserves	Consolidation Reserves	Treasury shares and equity investments	Valuation adjustments in equity	Profit for the financial year	Interim dividend paid during the financial year	Equity attributed to parent company	Non-controlling interests	Net equity
		54.017	**32.312**	**490.186**	**156.001**	**(161.597)**	**14.809**	**92.328**	**(14.261)**	**663.795**	**9.228**	**673.023**
- Supplementary dividend Previous year income									(7.322)	**(7.322)**		**(7.322)**
- Application of Profit:	26											
to Reserves				17.370				(17.370)		**-**		**-**
to Dividends								(41.177)	21583	**(19.594)**		**(19.594)**
- Application of profits to Consolidation reserves					33.781			(33.781)		**-**		**-**
- Other Adjustments in Equity										**-**		**-**
							7.115	101265		**108.380**	1521	**109.901**
- Interim dividend	12.6								(22.057)	**(22.057)**		**(22.057)**
- Changes within the Scope of Consolidation	12.7				(1591)					**(1.591)**	(1530)	**(3.121)**
- Distribution of Dividends External Members and other adjustments	12.7									**-**	(455)	**(455)**
				1103		19.144				**20.247**		**20.247**
				(51)						**(51)**	(21)	**(72)**
		54.017	**32.312**	**508.608**	**188.191**	**(142.453)**	**21.924**	**101.265**	**(22.057)**	**741.807**	**8.743**	**750.550**
- Supplementary dividend Previous year income									(17.650)	**(17.650)**		**(17.650)**
- Application of Profit:	26											
to Reserves				22.450				(22.450)		**-**		**-**
to Dividends								(52.629)	39.707	**(12.922)**		**(12.922)**
- Application of profits to Consolidation reserves					26.186			(26.186)		**-**		**-**
- Other Adjustments in Equity										**-**		**-**
							(16.764)	112.467		**95.703**	2.239	**97.942**
- Interim dividend	12.6								(27.793)	**(27.793)**		**(27.793)**
- Changes within the Scope of Consolidation	12.7									**-**	342	**342**
- Distribution of Dividends External Members and other adjustments	12.7									**-**	(744)	**(744)**
				5.959		41923				**47.882**		**47.882**
			275	628	(911)					**(8)**		**(8)**
		54.017	**32.587**	**537.645**	**213.466**	**(100.530)**	**5.160**	**112.467**	**(27.793)**	**827.019**	**10.580**	**837.599**

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Changes in Equity for financial year 2017.

DAMM GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2017

(EXPRESSED IN THOUSANDS OF EUROS)

	Year 2017	Year 2016
1.- CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial year before taxes for continuing operations	**165,987**	**134,552**
Adjustments for:	**56,882**	**75,784**
Depreciation and amortization	69,648	63,976
Profit/(loss) from equity method	(25,033)	(19,061)
Net gain/(loss) for impairment and disposal of non-current assets	2,761	5,362
Income from investments	(7)	(9)
Financial income	(4,576)	(845)
Change in provisions	4,671	21,172
Finance expenses	10,160	5,018
Allocation of grants	(360)	(340)
Exchange rate differences	887	511
Net gain/(loss) Disposal of financial instruments	(1,269)	-
Changes in working capital	**4,604**	**(8,765)**
Inventories	(8,773)	(5,007)
Trade and other receivables	(36,600)	(22,441)
Other current assets	793	(940)
Other financial current assets	14,874	168
Trade and other payables	24,406	16,981
Other current liabilities	9,904	2,474
Cash generated from operations	***227,473***	***201,571***
Income tax payment	**(34,561)**	**(31,116)**
Net cash flows from operating activities(I)	**192,912**	**170,455**
2.- CASH FLOWS FROM INVESTING ACTIVITIES		
Financial income and dividends received	**11,664**	**10,260**
Payments for investments	**(231,676)**	**(227,859)**
Investment in assets	(156,022)	(86,278)
Financial investments	(59,050)	(91,284)
Investments in group companies, joint venture and associates	(11,945)	(48,174)
Payments for other debts	(4,659)	(2,123)
Receipt from divestments	**128,193**	**1,786**
Financial investments	123,408	-
Investments in group companies, joint venture and discontinuing associates	4,593	1,550
Investment in assets	192	236
Receipt from other debts	-	-
Net cash flows from investing activities (II)	**(91,819)**	**(215,813)**
3.- CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt and payments from equity instruments	**47,883**	**20,194**
Acquisition of equity instruments	(453)	(379)
Disposal of equity instruments	48,336	20,573
Finance expenses and dividends paid	**(63,675)**	**(50,487)**
Receipt and payments for financial liabilities instruments	**(29,908)**	**244,315**
Issue of debt with financial institutions	25,000	75,000
Issue of bonds and similar debt	-	200,000
Repayment and amortization of debt with financial institutions	(54,908)	(30,685)
Net cash flows from financing activities (III)	**(45,700)**	**214,022**
NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)	**55,393**	**168,664**
Cash at the beginning of the financial year	221,028	67,364
Cash or cash equivalents at the beginning of the financial year	15,000	-
Cash at the end of the financial year	291,121	221,028
Cash or cash equivalents at the end of the financial year	300	15,000

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Cash Flows for financial year 2017.

DAMM GROUP
Notes to the financial statements for financial year ended 31 December 2017

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 is required to prepare, 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.

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 2017, 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 2017 have been prepared:

- By the Directors, in the meeting of the Board of Directors held on the 19 March 2018.
- Pursuant to the International Financial Reporting Standards or IFRS, as adopted by the European Union, pursuant to Regulation (EC) n. 1606/2002 of the European Parliament and the Council.
- Taking into account all the accounting principles and standards and the mandatory measurement basis that have a significant effect on the consolidated financial statements.
- Pursuant to the Code of Commerce and the rest of the companies laws, as well as to the mandatory rules issued by the *Instituto de Contabilidad y Auditoría de Cuentas* implementing the General Accounting Plan.
- In compliance to the rest of the Spanish applicable accounting rules and regulations.
- So that they give a true and fair view of the consolidated equity and financial position of the Group as of 31 December 2017, and of its operating results, of the consolidated changes in equity and cash flows in the Group in the financial year ended in such date.

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

That notwithstanding, and since the accounting principles and measurement basis applied to prepare the consolidated financial statements of the Group for financial year 2017 (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 2016 were approved by S.A. DAMM Members' General Meeting held on the 27th day of June, 2017.

<u>Change in accounting policies and information disclosure effective in 2017</u>

During 2017 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 without impact in the presentation and disclosures therein:

New standards, amendments and interpretations		**Mandatory application in Years starting:**
Endorsed by the European Union:		
Amendment to IAS 7. Disclosure Initiative (published in January 2016)	Introduces additional disclosure requirements on financial activities.	1 January 2017
Amendment to IAS 12. Recognition of Deferred Tax Assets for Unrealised Losses (published in January 2016)	Clarification of the principles set with regard to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Not endorsed by the European Union		
Improvements to IFRS Cycle 2014-2016: Clarification with regard to IFRS 12	The clarification of the scope of the standard IFRS 12 and its interaction with IFRS 5 enters into force in this period.	1 January 2017

<u>Accounting policies issued not yet effective in 2017</u>

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

New standards, amendments and interpretations		Mandatory application in Years starting:
Endorsed by the European Union:		
New standards:		
IFRS 15 Revenue from contracts with clients (published in May 2014)	New standard on recognition of revenue (Replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31).	1 January 2018
IFRS 9 Financial instruments (published July 2014)	Replaces the requirements for classification, measurement, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment of IAS 39.	1 January 2018
Clarifications to IFRS 15 (published in April 2016)	Regarding the identification of the performance obligations, principal versus agent, licensing and accrual at a point in time or over time, as well as some clarifications to the transition standards.	1 January 2018
IFRS 16 Leases (published in January 2016)	Supersedes IAS 17 and the related interpretation. Main change is that the new standard proposes a single lessee model that will include all the leases in the balance sheet (with certain limited exceptions) with an impact similar to the current financial leases (there will be depreciation of the assets by the right of use and a financial expense for the depreciated liability).	1 January 2019
Amendments and/or interpretations		
Amendments to IFRS 4. Insurance Contracts (Published in September 2016)	Allows entities within the scope of IFRS 4 to apply IFRS 9 (“overlay approach”) or its temporary exemption.	1 January 2018
Not endorsed by the European Union		
New standards:		
IFRS 17. Insurance Contracts (Published in May 2017)	Replaces IFRS 4. Establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant and reliable information to assess the effect that insurance	1 January 2021

	contracts have on the entity's financial statements.	
Amendments and/or interpretations		
Amendment to IFRS 2. Classification and Measurement of Share-based Payment Transactions (published in June 2016)	Limited amendments that clarify certain aspects such as the effects of the vesting conditions in share-based payments to be settled in cash, classification of share-based payments when there are settlement clauses for the net value and some aspects on the amendments on the share-based payments type.	1 January 2018
IFRIC 22. Foreign Currency Transactions and Advance Consideration (published in December 2016)	This interpretation sets the “date of transaction” for the purpose of determining the exchange rate applicable to transactions that include payment in advance consideration in a foreign currency.	1 January 2018
Amendment to IFRS 9. Prepayment Features with Negative Compensation (published in October 2017)	Allows measuring at amortised cost certain prepayable financial instruments that permit the payment of an amount less than the unpaid principal and interest owed.	1 January 2019
Amendment to IAS 28. Long-term interests in associates and joint ventures (published in October 2017).	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 IAS 19 regarding plan amendments, curtailments, and settlements	Pursuant to the amends proposed, when a defined benefit plan is changed (by an amendment, curtailment or settlement), the entity will use update assumptions to determine the service cost and net interest for the period after the change.	1 January 2019

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

Initially it is not expected that their entering into force will have a significant impact on the consolidated annual accounts.

<u>Responsibility of the information and estimates made</u>

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 2017 – subsequently ratified by their Directors – to quantify some of the assets, liabilities, income, expenses and commitments stated. Essentially, these estimates refer to:

- Valuation of the consolidation goodwill (Note 3.1),
- Impairment losses of certain assets (Notes 4, 5, 6, 7, 3.4, 3.8 and 2.2c),
- Assumptions used in the actuarial calculation of the liabilities and commitments for post-employment benefits (Notes 3.14, 18 and 29),
- Useful life of tangible and intangible assets (Notes 5, 6, 3.2 and 3.3),
- Provisions (Note 3.15),
- Estimate of fair value: IFRS 13 on financial instruments sets forth that for the amounts measured at fair value in the balance sheet, the measurements of the fair value must be disaggregated by levels, pursuant to the following classification:

– Level 1: Quoted prices in active markets for identical assets or liabilities.
– Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
– Level 3: Inputs for the asset or liabilities based in estimates of the Group.

The following table shows the Group's assets and liabilities measured at fair value at 31 December 2017:

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets held for sale (Note 8)	30,475	-	-	30,475
Total Assets	**30,475**	**-**	**-**	**30,475**
Liabilities:				
Derivative financial instruments (Note 15)	-	4,274	-	4,274
Total Liabilities	**-**	**4,274**	**-**	**4,274**

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 2017 on the events being assessed, it is possible that future events require their amend (upwards or downwards) in the coming periods, which would be done pursuant to IAS 8, prospectively recognizing the effects to the change in the estimate in the relevant consolidated 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 2016.

For the purposes of comparing the information, the Group includes in the Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Net Equity, Consolidated Statement of Cash Flows and the Notes to the Financial Statements, in addition to the figures for financial year ended 31 December 2017, those of financial year ended 31 December 2016.

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.

Note 34 lists the subsidiaries as well as the relevant information thereof (which includes company name, country of incorporation and interest of the parent company in their share capital).

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%
Comergrup, S.L.	14.62%
Ebro Foods, S.A.	11.51%
Euroestrellas Badalona S.L.	10.00%

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

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

Ebro Foods Group

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

- It keeps its significant interest, and has increased it during 2017 up to 11.51%.

- 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 2017 and 2016, 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.

The Group applies the requirements of IAS 39 to determine whether it is necessary to recognize impairment losses with regard to the net investment in associates. Where required, the value impairment will be tested for the entire book value of the investment, pursuant to IAS 36 Impairment of Assets, as a single asset, by comparing its recoverable amount (the larger of the value in use and the fair value, less the sale costs) with the book value. Reversals of such impairment loss are recognized according to IAS 36, to the extent the recoverable amount of the investment is subsequently increased.

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

d) Changes in the scope of consolidation:

1. Subsidiaries

During 2017 the Group has incorporated several companies in order to continue the international development and in order to acquire assets and businesses of beverages and other food distribution as well as water and dairy products bottling.

The companies included in financial year 2017 are: Comercial Mallorquina de Begudes S.L., Envasadora de Begudes Mallorquina S.L., Derivats Lactis Mallorquins S.L., Comercial Distribuidora de Cervezas del Noreste S.L., Expansión DDI Alimentación 2 S.L., Expansión DDI Alimentación Cantábrica S.L., Goethe S.L., Sociedad Anónima Distribuidora de Gaseosas, Estrella Damm

Trading (Shanghai) Co. Ltd., Estrella Damm Chile Spa., Damm Services Corp. and Cervezas Damm Internacional S.L.

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

Inventories	6,281
Trade receivables	3,971
Trade creditors	3,520
Goodwill	28,236
Trademarks	11,407
Other intangible assets	18
Property, plant and equipment	5,626

During financial year 2016 the Group has acquired the remaining 40% of Licavisa, S.L, up to 100% of the shares, 55.06% of Distribuidora de Begudes Movi, S.L., and 50.5% of Carbòniques Becdamm, S.L. for a total amount of EUR 454 thousand.

Finally, in 2017 the companies Inmuebles y Terrenos S.A. and Reservas de Hielo S.A. were absorbed by the companies Compañía Cervecera Damm S.L. and S.A.Damm respectively. These internal operations have not had any equity effect in the Group as they are company operations between subsidiaries.

All those new companies are listed in Note 34 hereof.

2. Associates:

During financial year 2017 the Group has increased its interests in Ebro Foods, S.A up to 11.51% (See Note 2.2 c) (11.45% in 2016).

3. Joint arrangements:

No new joint arrangements have been included in the scope in financial year 2017 or financial year 2016.

2.3. Financial risks exposure

a) Categories of financial instruments

	Thousand euros	
	31/12/17	**31/12/16**
Financial assets:		
Loans and receivables measured at amortised cost	272,427	334,275
Cash and cash equivalents	291,421	236,028
Financial assets held for sale (Note 8)	30,475	19,028
Financial liabilities:		
Obligations and other negotiable assets (Note 14)	191,881	190,588
Financial debt measured at amortised cost	262,838	292,468
Financial Derivatives (Note 15)	4,274	7,790
Other debts	279,433	259,226

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 such as distribution, 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.

In that sense, the Group's leverage ratio, i.e. the ratio resulting from dividing the net financial debt by the equity, is the following:

	Leverage	
	Thousand euros	
	2017	**2016**
Long term loans and credits	(230,549)	(250,994)
Long term finance lease debts	(766)	(760)
Total long term debt with financial institutions	**(231,315)**	**(251,754)**
Short term loans and credits	(30,996)	(40,346)
Short term finance lease debts	(397)	(359)
Hedging instruments debts	(130)	(9)
Total short term debt with financial institutions	**(31,523)**	**(40,714)**
Total debt with financial institutions	**(262,838)**	**(292,468)**
Obligations and other negotiable assets	(191,881)	(190,588)
Financial derivatives	(4,274)	(7,790)
Other financial liabilities (*under "Other non-current liabilities" and "Other current liabilities"*)	(27,446)	(34,032)
Cash and cash equivalent	291,421	236,028
Other financial current assets	653	92,391
Treasury shares and equity investments	100,530	142,453
Net financial debt	**(93,835)**	**(54,006)**
Equity (without treasury shares)	**938,129**	**893,003**
Leverage	**10.0%**	**6.0%**

Financial risk management

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

Exchange rate risk

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

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

Credit risk

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

The Group's credit risk is mainly due to its trade debts. The Group does not have a significant credit risk concentration, and the exposure is distributed among a large number of counterparts and clients. The amounts are recorded in the 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 2017 and 2016, the financial assets in the consolidated balance sheet that could default are the following, in thousands of euro:

	2017	**2016**
Non-current financial assets (Note 8)	116,272	96,808
Trade and other receivables (Note 10)	185,977	164,104

The age of the customers' balances at 31 December 2017 and 2016, which is virtually the entire balance under "Trade and other receivables" of the consolidated balance sheet at 31 December 2017 and 2016, is specified in Note 10.1. As of 31 December 2017 and 2016 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 low 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 2017 long term corporate credit facilities for an amount of 471 million euros. Besides, given the solid financial position of the Group, it largely complies with the requirements of certain financial ratios (covenants) set forth in such financing contracts.

In that sense, at 31 December 2017 the Group companies had undrawn credit facilities in the amount of EUR 241 million, which is enough to cover any necessity of the Group according to the existing long term commitments.

Interest rate risk

Changes in interest rate alter the fair value of the assets and liabilities that accrue a fixed rate interest as well as the future flows of assets and liabilities referenced to a variable interest rate. As of the 31 December 2017 the Group has no derivative financial instruments aimed at hedging the interest rate risk.

Variable interest rate is referenced to EURIBOR. Likewise, it must also be taken into account that a large part of financial debt is referenced to fixed rates.

Taking into account the contractual conditions of the financing existing as of 31 December 2017 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 1,166 thousand in the profit after taxes for financial year 2017, 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 1,166 thousand in the profit after taxes for financial year 2017.

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 2017.

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

- The profit for financial year 2017 would not have been affected, nor would the profit for financial year 2016, as a result of the changes in the fair value of such investments.

- The Group equity would have increased/decreased in EUR 1,524 thousand (EUR 714 thousand in 2016) as a result of a 5% increase in the share quote and would have decreased in EUR 1,475 thousand (EUR 714 thousand in 2016) 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, arising from legal transactions or having 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, according to the pattern in which the asset's future economic benefits are expected to be consumed by the entity 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 acquired for value are valued at cost of acquisition.

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.

Trademarks are initially valued at their cost of acquisition and amortised on a straight-line basis over their estimated useful lives.

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

Property, plant and equipment of several consolidated companies acquired after 31 December 1983 and before 31 December 1996 are measured at cost of acquisition updated pursuant to several statutory provisions. Subsequent additions have been measured at cost of acquisition. Capital gains or net increase in value are amortised in the remaining tax periods of the useful life of the elements being updated.

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.

Tangible assets acquired under finance lease are stated in the asset category of the leased property, and depreciated over their expected useful life following the same method as own assets or, when shorter, over the relevant lease term. As of 31 December 2017, the heading Property, Plant and Equipment of the Consolidated Balance Sheet includes EUR 2,143 thousand by way of assets under finance lease (EUR 3,656 thousand in 2016) (see Note 6).

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

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

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

Article 9 of Act 16/2012, dated 27 December 2012, on the adoption of several tax measures aimed to consolidate public finances and to foster financial activity, sets forth the possibility of carrying out a 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..

Update was compulsory for all eligible elements and their respective depreciation, with the exception of buildings, in which case it was possible to choose a separate update for each. Main financial effects in the Consolidated Financial Statements of the application of such provision were:

- The increase of book value of the updated assets in the companies of the Group was not retained for consolidated effects as this accounting basis, although supported by a local rule, is not accepted by IAS/IFRS because the Group records its assets following the historic cost model. Therefore, the accounting value of the assets was not updated in the consolidation.

- Nonetheless, the tax value of such assets was increased. Such increase in the tax value of the updated assets, which has as upper limit their market value, will be deductible in the years staring after the 1 January 2015. A deferred tax was accounted for the difference between book value and the increased tax base of the updated assets for the amount of EUR 10.9 million, credited under “Income tax” of the consolidated profit and loss accounts for the financial year ended 31 December 2013.

- The operation resulted in a payment in July 2013 of a levy amounting to 5% of the increase of the tax value. Such amount was EUR 1.8 million, charged to “Income Tax” of the consolidated profit and loss account for the financial year ended 31 December 2013 because the Group considered that it was a tax on the increase of the tax base of the updated assets for the purposes of Income tax, which was also a non-deductible expense for the purposes of Income tax.

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 highest 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. Finance leases

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

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

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

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

Finance expenses with origin in these agreements are charged to consolidated profit and loss account so as return is constant over the lease term.

3.7. Operating leases

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

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

When consolidated entities act as lessees, lease expenses, excluding incentives granted by the lessor, if any, are charged on a straight-line basis to their profit and loss accounts

3.8. Inventories

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

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

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

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

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

Emission Rights and Sector-Specific Regulation

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

During financial year 2017, the Group has received free of charge emission rights amounting to 21,565 tons pursuant to the approved national allocation plans. Such plans also set forth the free of charge allocation of the emission rights for 2018 (pursuant to the notices sent by the Environment Ministry - Secretariat-General for the Prevention of Pollution and Climate Change) for an amount equal to 18,487 tons. The consumption of emission rights during financial year 2017 amounts to 57,326 tons (56,867 tons in 2016).

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

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

May, which superseded Royal Decree 434/2004, dated 12 March, and regulates the production of electricity under a special regime.

3.9. Non-current assets classified as held for sale

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

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

At the closing of financial year 2017 there are no such assets.

3.10. Profit and loss from discontinued operations

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

3.11. Financial assets

Financial assets se recognised in the consolidated balance sheet of the Group at acquisition, and they are measured initially at their fair value, including, in general, the transaction costs.

Financial assets held by the Group companies are classified as:

1. Negotiable financial assets: acquired by the companies in order to obtain a short term profit from the variation in price or the difference between the purchase and sale price. This item also includes financial derivatives not considered as accounting hedge.

2. Held-to-maturity financial assets: assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold from purchase to maturity. It does not include loans and receivables originated by the Group itself.

3. Loans and receivables generated by the Group itself: financial assets originated by the companies in exchange of providing cash, goods or services directly to a debtor.

4. Financial assets available-for-sale: include all securities that are not held for trading, not classified as held-to-maturity or fair value through profit or loss in the terms stated in IAS 39 (see Note 8).

Negotiable financial assets and those classified as “fair value through profit or loss” are measured at “fair value” in subsequent measurement dates. For negotiable assets gains and losses arising from variations in fair value are included in net income for the financial year. As for investments available for sale, gains and losses arising from variations in fair value are directly recognised in equity until the asset is disposed of or impairment is determined, in which case the accumulated gains and losses recognised in equity are included in the net income for the period.

When there is objective evidence of impairment of a financial asset available for sale, the Group accounts for the relevant value adjustment for the difference between the cost and the fair value of such asset calculated pursuant to the following paragraph. Pursuant to IAS 39, there is objective evidence of impairment when there is a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. Such objective evidence will be presumed if the list value of the asset has fallen more than 40% or if it has fallen during one and half years without recovering the value.

Fair value of a financial instrument at a given date is the price at which it could be sold or purchased in such date between knowledgeable, willing parties in an arm's length transaction. The most objective and usual reference of the fair value of a financial instrument is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price"). If this market price cannot be estimated in an objective and reliable way for an specific financial instrument, the price used to estimate the fair value will be the price set in recent transactions of similar instruments or the current value discounted of all future cash in or outflows, applying a market interest rate of similar financial instruments (same term, currency, interest rate type and equivalent risk rating).

Investments held to maturity and loans and receivables originated by the Group are measured at their "amortised cost", and interests accrued at the asset's effective interest rate are recognised in the profit and loss account. Amortised cost is the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and taking into account any reduction for impairment or uncollectibility.

The Group derecognises financial assets at expiration or when the rights over the cash flows of the relevant financial asset have been assigned, and the risks and rewards incidental to ownership, such as firm sale of assets, factoring of trade receivables in which the Company does not retain any credit or interest rate, have been transferred.

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.

3.12. Equity and financial liability

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:

Financial liabilities held-to-maturity will be measured according to their amortised cost, using the effective interest rate.

Financial liabilities at fair value through profit or loss account are measured at fair value when included in the provisions of paragraphs 9 and 11 of IAS 39.

– ***Equity instruments***

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

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

Treasury shares are measured at average acquisition price.

– ***Financial liabilities***

Bank loans and debt securities issued

Loans, other bank financial liabilities and debt securities issued that bear interest are recorded at the amount received, net of direct issue costs. Finance expenses, included any premium to be paid at settlement or repayment and direct costs of issue, are accounted for on an accrual basis in the profit and loss account using the effective interest rate method and added to the carrying value of the instrument to the extend they are not settled in the period in which they arise.

Derivative financial instruments and hedge accounting

The use of financial derivatives is governed by the Group policies approved by the Board of Directors, which publishes in written the principles for the use of financial derivatives.

Hedging is considered highly efficient when the changes in fair value or in cash flows of the elements being hedged are compensated by the change in fair value or in cash flows of the hedging instrument with efficiency within the range 80% - 125%.
Fair value of the financial instruments is obtained from their quote at closing for listed derivatives, Level 1, and through the discount of the cash flows for derivatives that cannot be negotiated in organised markets (Level 2).
Fair values are adjusted to the expected impact of the noticeable credit risk of the counterparty in positive valuation scenarios and the impact of the own credit risk noticeable in negative valuation scenarios.

Changes in fair value of derivative financial instruments created and made effective as hedging for future cash flows are recognised directly in equity and the part that is determined to be inefficient is immediately recognised in the profit and loss account.

If the cash flow hedging of the firm commitment or the planned transaction ends in the recognition of a non-financial asset or liability, then, when the asset or liability is recognised, the gains or losses associated to the derivative previously recognised in equity are included in the initial measurement of the asset or liability. Conversely, for hedging that does not end in the recognition of an asset or a liability, deferred amounts in the equity are recognised in the profit and loss account in the same period in which the element being hedged affects the net results.

Variations in fair value of derivative financial instruments that do not comply with the requirements for the accounting of hedging are recognised in the profit and loss account when they occur.

Hedging accounting is suspended when the instrument expires, is sold, terminated or exercised, or no longer complies the requirements for the accounting of hedging. Then, any accumulated gain or loss on the hedging instrument stated in equity remains in equity until the planned transaction takes place. When the transaction being hedged is not expected, accumulated gains or losses recognised in equity are transferred to the net income for the period.

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, and among these are the deposits and guarantees received during the commercial operations of the Group.

3.13. Trade and other payables

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

3.14. Retirement benefit obligations or similar obligations

3.14.1 Annuities granted to the Parent Company Directors

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

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

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

3.14.2 Retirement benefit obligations

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

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

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

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

3.15. Provisions

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

- Provisions: credit balances covering obligations existing as of the 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.

3.16. Deferred Income

Government Grants

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

Emission Rights

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

Such emission rights received free of charge are initially stated as an inventories and a deferred asset for the fair value at the time in which such rights are received, and are carried to the 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).

3.17. Recognition of revenue

Revenue is calculated at the fair value of the consideration received or to be received, and disclose the amounts to receive for the goods delivered and the services provided within the ordinary course of business, less discounts, VAT and other sales taxes. At the end of the financial year the Group has a provision for business discounts recorded by decreasing the item “Trade and other Receivables".

Goods sales are recognised when substantially all the risks and rewards have been transferred.

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.

3.18. 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.

3.19. Offsetting

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

3.20. Income tax; deferred tax assets and liabilities

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

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

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

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

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

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

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

3.21. Earnings per share

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

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

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

3.22. Foreign currency transactions

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

Assets and liabilities denominated in currencies other than euro in the 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.

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

Investing activities are 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 2017 and 2016, as well as the allocation to the different cash-generating units, are the following:

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

	Thousand Euros				
	01.01.16	**Change in scope (Note 2.2d)**	**Additions/Write offs**	**Impairment**	**31.12.16**
Water	18,741	-	-	(57)	18,684
Beer and other Beverages	8,217	-	450	(435)	8,232
Distribution and F&B	22,788	562	-	(1,316)	22,034
Total	**49,746**	**562**	**450**	**(1,808)**	**48,950**

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 6.39% and 6.01% discount rate for years 2017 and 2016 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Projection period (years)	4		4		4	
Key variables	Sales Gross margin Capex		Sales Gross margin Capex		Sales Gross margin	
Discount rate	6.39%	6.01%	6.39%	6.01%	6.39%	6.01%
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.

In addition to the discount rates, most sensitive aspects included in the projections being analysed are the following:

- Beer and Other Beverages/Water:
    - Evolution of the volume: It has been projected according to the estimates provided by “Canadean” for the Spanish beer and soft drinks and bottled water market. Thus, the volume of litres sold is estimated as stable for the projection period, as a result of a recovery of the consumption of brand beer and water products and a comparatively worse evolution of the “private label brands”, associated to a better evolution of the Spanish economy.
    - Evolution of the market share: Market share is expected to maintain its level during the projection period.
    - Price evolution is estimated as stable, with increases between 0.5% and 1%.
    - Operating expenses evolve according to the prices and volume rates stated above.
    - EBITDA/Sales margins evolve slightly upwards over the projected period as a result of the larger operating leverage and efficiency in business processes.
    - Capex: Comprises mainly the investment in replacement in plants and renewal of the containers pool. Its evolution is stable.
- Distribution:
    - Evolution linked to the growth in Water and Beer and other beverages CGUs.
- Catering:
    - Sales: Constant annual growth below inflation in the long term.
    - Costs: Improvement due to the consolidation of the reorganization and chain efficiency plans.

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 2018 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 2017.

5. Other Intangible Assets

Changes in this heading of the consolidated balance sheet in years 2017 and 2016 have been the following, in thousands of euros:

Cost	
Balance at 1 January 2016	**54,150**
(Net) additions / disposals for change in scope	4
(Net) additions / disposals	832
Transfers and other	300
Balance at 31 December 2016	**55,286**
(Net) additions / disposals for change in scope	11,425
(Net) additions / disposals	3,210
Transfers and other	328
Balance at 31 December 2017	**70,249**
Accumulated amortisation	
Balance at 1 January 2016	**33,506**
(Net) additions / disposals for change in scope	2
Disposals and transfers	-
Provisions	3,546
Balance at 31 December 2016	**37,054**
(Net) additions / disposals for change in scope	-
Disposals and transfers	(149)
Provisions	4,596
Balance at 31 December 2017	**41,501**
INTANGIBLE ASSETS – NET VALUE:	**Thousand Euros**
Balance at 31 December 2016	**18,232**
Balance at 31 December 2017	**28,748**

5.1. Assets by nature

The breakdown of the items of this heading of the balance sheet disclosed according to their nature at 31 December 2017 and 2016 is, in thousands of euros:

COMPUTER SOFTWARE

Cost	
Balance at 1 January 2016	**20,033**
(Net) additions / disposals for change in scope	4
(Net) additions / disposals	760
Transfers and other	387
Balance at 31 December 2016	**21,184**
(Net) additions / disposals for change in scope	18
(Net) additions / disposals	2,927
Transfers and other	328
Balance at 31 December 2017	**24,457**
Accumulated amortisation	
Balance at 1 January 2016	**18,706**
(Net) additions / disposals for change in scope	2
Disposals and transfers	(1)
Provisions	1,225
Balance at 31 December 2016	**19,932**
(Net) additions / disposals for change in scope	-
Disposals and transfers	(10)
Provisions	1,363
Balance at 31 December 2017	**21,285**
SOFTWARE – NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**1,252**
Balance at 31 December 2017	**3,172**

TRADEMARKS

Cost	
Balance at 1 January 2016	**2,629**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	81
Transfers and other	-
Balance at 31 December 2016	**2,710**
(Net) additions / disposals for change in scope (Note 2.2 d)	11,407
(Net) additions / disposals	108
Transfers and other	-
Balance at 31 December 2017	**14,225**
Accumulated amortisation	
Balance at 1 January 2016	**894**
(Net) additions / disposals for change in scope	-
Disposals and transfers	1
Provisions	248
Balance at 31 December 2016	**1,143**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-
Provisions	1,015
Balance at 31 December 2017	**2,158**

TRADEMARKS – NET VALUE	Thousand Euros
Balance at 31 December 2016	**1,567**
Balance at 31 December 2017	**12,067**

EMISSION RIGHTS

Cost	
Balance at 1 January 2016	**87**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	(87)
Transfers and other	-
Balance at 31 December 2016	**-**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	-
Transfers and other	-
Balance at 31 December 2017	**-**
Accumulated amortisation	
Balance at 1 January 2016	**-**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-
Provisions	-
Balance at 31 December 2016	**-**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-
Provisions	-
Balance at 31 December 2017	**-**
EMISSION RIGHTS – NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**-**
Balance at 31 December 2017	**-**

FRANCHISES

Cost	
Balance at 1 January 2016	**26,219**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	-
Transfers and other	-
Balance at 31 December 2016	**26,219**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	-
Transfers and other	-
Balance at 31 December 2017	**26,219**
Accumulated amortisation	
Balance at 1 January 2016	**11,786**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-

Provisions	1,000
Balance at 31 December 2016	**12,786**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-
Provisions	1,000
Balance at 31 December 2017	**13,786**
FRANCHISES – NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**13,433**
Balance at 31 December 2017	**12,433**

CONCESSION RIGHTS AND OTHER INTANGIBLE ASSETS

Cost	
Balance at 1 January 2016	**5,182**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	(9)
Transfers and other	-
Balance at 31 December 2016	**5,173**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	175
Transfers and other	-
Balance at 31 December 2017	**5,348**
Accumulated amortisation	
Balance at 1 January 2016	**2,120**
(Net) additions / disposals for change in scope	-
Disposals and transfers	-
Provisions	1,073
Balance at 31 December 2016	**3,193**
(Net) additions / disposals for change in scope	-
Disposals and transfers	(139)
Provisions	1,218
Balance at 31 December 2017	**4,272**
OTHER INTANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**1,980**
Balance at 31 December 2017	**1,076**

As of the 31 December 2017 there are intangible fixed assets for a cost of EUR 43,566 thousand fully amortized (EUR 33,381 thousand at 31 December 2016).

6. Property, plant and equipment

Changes in this heading of the consolidated balance sheet in years 2017 and 2016 have been the following, in thousands of euros:

Cost	
Balance at 1 January 2016	**1,362,019**
(Net) additions / disposals for change in scope	249
(Net) additions / disposals	57,173
Transfers and other	(387)
Balance at 31 December 2016	**1,419,054**
(Net) additions / disposals for change in scope	5,626
(Net) additions / disposals	92,264
Transfers and other	(424)
Balance at 31 December 2017	**1,516,520**
Accumulated amortisation	
Balance at 1 January 2016	**926,801**
(Net) additions / disposals for change in scope	240
Disposals and transfers	(14,902)
Provisions	60,430
Balance at 31 December 2016	**972,569**
(Net) additions / disposals for change in scope	1,018
Disposals and transfers	(7,830)
Provisions	65,052
Balance at 31 December 2017	**1,030,809**
TANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**446,485**
Balance at 31 December 2017	**485,711**

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

6.1. Tangible assets by nature

The breakdown of the items of this heading of the balance sheet disclosed according to their nature at 31 December 2017 and 2016 is, in thousands of euros:

LAND AND BUILDINGS

Cost	
Balance at 1 January 2016	**282,111**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	1,375
Transfers and other	6,558
Balance at 31 December 2016	**290,044**
(Net) additions / disposals for change in scope	101
(Net) additions / disposals	9,160
Transfers and other	1,271
Balance at 31 December 2017	**300,576**
Accumulated amortisation	
Balance at 1 January 2016	**78,773**
(Net) additions / disposals for change in scope	-
Disposals and transfers	(10)
Provisions	6,336

Balance at 31 December 2016	**85,099**
(Net) additions / disposals for change in scope	24
Disposals and transfers	(10)
Provisions	6,426
Balance at 31 December 2017	**91,539**
TANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**204,945**
Balance at 31 December 2017	**209,037**

PLANT AND MACHINERY

Cost	
Balance at 1 January 2016	**695,250**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	1,462
Transfers and other	19,635
Balance at 31 December 2016	**716,347**
(Net) additions / disposals for change in scope	1,140
(Net) additions / disposals	5,130
Transfers and other	5,962
Balance at 31 December 2017	**728,579**
Accumulated amortisation	
Balance at 1 January 2016	**551,795**
(Net) additions / disposals for change in scope	-
Disposals and transfers	(9,847)
Provisions	30,056
Balance at 31 December 2016	**572,004**
(Net) additions / disposals for change in scope	87
Disposals and transfers	(110)
Provisions	31,677
Balance at 31 December 2017	**603,658**
TANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**144,343**
Balance at 31 December 2017	**124,921**

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

Transfers for financial year 2017 and 2016 refer mainly to the completion of improvements and investments in progress at the end of the previous financial year in the Group main production plants.

OTHER FACILITIES, EQUIPMENT, FURNITURE AND CONTAINERS

Cost	
Balance at 1 January 2016	**353,631**
(Net) additions / disposals for change in scope	249
(Net) additions / disposals	27,370
Transfers and other	106
Balance at 31 December 2016	**381,356**
(Net) additions / disposals for change in scope	3,935
(Net) additions / disposals	25,582
Transfers and other	33
Balance at 31 December 2017	**410,906**
Accumulated amortisation	
Balance at 1 January 2016	**296,233**
(Net) additions / disposals for change in scope	240
Disposals and transfers	(5,045)
Provisions	24,038
Balance at 31 December 2016	**315,466**
(Net) additions / disposals for change in scope	907
Disposals and transfers	(7,710)
Provisions	26,949
Balance at 31 December 2017	**335,612**
TANGIBLE ASSETS – NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**65,890**
Balance at 31 December 2017	**75,294**

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

ADVANCED PAYMENTS AND PPE IN PROGRESS

Cost	
Balance at 1 January 2016	**31,027**
(Net) additions / disposals for change in scope	-
(Net) additions / disposals	26,966
Transfers and other	(26,686)
Balance at 31 December 2016	**31,307**
(Net) additions / disposals for change in scope	450
(Net) additions / disposals	52,392
Transfers and other	(7,690)
Balance at 31 December 2017	**76,459**
ADVANCED PAYMENTS AND PPE IN PROGRESS-NET VALUE	**Thousand Euros**
Balance at 31 December 2016	**31,307**
Balance at 31 December 2017	**76,459**

As of 31 December 2017 there are several projects in progress consisting in the new refit of some of the filling lines and the improvement of the production facilities.

As of 31 December 2017 there were property, plant and equipment elements acquired under finance lease for the amount of EUR 12.4 million as cost and EUR 10.3 million as accumulated repayment (EUR 11.8 million as cost and EUR 8.2 million as accumulated repayment at 31 December 2016).

As of the 31 December 2017 there are intangible fixed assets for a cost of EUR 717,531 thousand fully amortized (EUR 675,293 thousand at 31 December 2016).

As of 31 December 2017 there were no property, plant and equipment elements mortgaged as guarantee of loans from credit institutions.

There were no significant disposals during the financial year.

During financial year 2017 the Group has capitalized finance expenses from property, plant and equipment for the amount of EUR 72 thousand (EUR 38 thousand in 2016).

7. Equity accounted investments

The detail and changes in subsidiaries of the Group accounted for using the equity method for years 2017 and 2016 are:

		Profit and loss accounted for using the equity method	Transfer to Profit and Loss	Dividends (Note 29.1)	Investments	Other changes in net equity (Note 12.5)	
BEVERAGES SUBSET	5,723.00	1,697	-	-	-	-	7,420
DISTRIBUTION SUBSET	6,181.00	623	-	(270)	-	-	6,534
FOOD AND BEVERAGE SUBSET	4,624.00	(1,863)	(36)	-	-	-	2,725
EBRO FOODS, S.A.	332,345.00	24,576	-	(10,092)	1,842	(14,719)	333,952
Total	**348,873.00**	**25,033**	**(36)**	**(10,362)**	**1,842**	**(14,719)**	**350,631**

	Balance at 01.01.16	Profit and loss accounted for using the equity method	Transfer to Profit and Loss	Dividends (Note 29.1)	Investments	Other changes in net equity (Note 12.5)	Balance at 31.12.16
BEVERAGES SUBSET	4,425	1,298	-	-	-	-	5,723
DISTRIBUTION SUBSET	6,224	193	-	(267)	31	-	6,181
FOOD AND BEVERAGE SUBSET	4,447	847	(98)	(572)	-	-	4,624
EBRO FOODS, S.A.	278,301	16,723	-	(8,330)	43,112	2,539	332,345
Total	**293,397**	**19,061**	**(98)**	**(9,169)**	**43,143**	**2,539**	**348,873**

Financial information

Main financial data at 31 December 2017 and 2016 for the companies accounted for using the equity method are listed in Note 34.

None of the associates is a listed company with the exception of Ebro Foods, S.A. listed in Madrid Stock Market. The percentage of listed shares is 100% of its share capital, of which the Group holds 17,705,610 shares, i.e. 11.51%. Quote at 31 December 2017 was EUR 19.520 per share (EUR 19.905 per share in 2016).

Profit and loss accounted for using the equity method

Profit and loss accounted for using the equity method for financial year 2017 comprises, essentially, the profit and loss attributable to the Group of the companies Ebro Foods S.A., Grupo Cacaolat S.L., Trade Eurofradis S.L., Serhs Distribució i Logística S.L. and Dehesa de Santa María S.L.

Other changes in net equity

Changes in financial year 2017 mainly refer to the conversion differences of the interest in Ebro Foods S.A. and the increase of the interest in Ebro Foods, S.A arising from the purchase of 92.000 shares.

Other information

There are no significant restrictions to the capacity of the associates to transfer funds to the Group companies holding an interest in them.

8. Non-current financial assets

Disaggregation and changes in the balance of this item of the consolidated balance sheet in financial years 2017 and 2016 according to the nature of the transactions are as follows:

	Thousand Euros					
	Balance at 01.01.17	Inflows and outflows	Transfer to Profit and Loss Account	Adjustment to fair value	Transfers and other	Balance at 31.12.17
Credits and other receivables	51,045	12,050	-	-	-	63,095
Financial assets held for sale	19,028	13,802	(1,269)	(1,086)	-	30,475
Credits to associates and joint arrangements	24,387	(4,171)	(174)	-	-	20,042
Long term guarantees and deposits	2,073	466	-	-	-	2,539
Other financial investments	275	(154)	-	-	-	121
Total	**96,808**	**21,993**	**(1,443)**	**(1,086)**	**-**	**116,272**

	Thousand Euros					
	Balance at 01.01.16	Inflows and outflows	Transfer to Profit and Loss Account	Adjustment to fair value	Transfers and other	Balance at 31.12.16
Credits and other receivables	45,721	5,324	-	-	-	51,045
Financial assets held for sale	12,297	1,284	-	4,400	1,047	19,028
Credits to associates and joint arrangements	24,500	(113)	-	-	-	24,387
Long term guarantees and deposits	1,955	118	-	-	-	2,073
Other financial investments	1,237	36	-	49	(1,047)	275
Total	**85,710**	**6,649**	**-**	**4,449**	**-**	**96,808**

Credits to associates and joint arrangements

Balance at 31 December 2017 refers to a shareholder loan to Grupo Cacaolat S.L. for the amount of EUR 19,200 thousand, of which EUR 3,750 thousand have been repaid during financial year 2017, and to a finance lease granted to an associate accruing an market rate for an aggregate amount of EUR 842 thousand (see Note 29.1).

Financial assets held for sale

The balance of financial assets held for sale mainly consists of shares of listed companies.

9. Inventories

In financial years 2017 and 2016 this item consisted of:

	Thousand Euros	
	2017	**2016**
Raw materials	35,808	29,478
Emission Rights	80	44
Products in process	14,841	14,968
Finished products	40,911	31,954
Total	**91,640**	**76,444**

The charge for value adjustment recognised as expense in the Profit and Loss Account for financial year 2017 amounts to EUR 187 thousand (EUR 572 thousand in 2016). 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	
	2017	**2016**
Trade receivables for sales and services	163,567	142,743
Sundry debtors	3,436	2,060
Public administrations (Note 24.3)	18,974	19,301
Total	**185,977**	**164,104**

This item includes a provision for doubtful receivables for the amount of EUR 8.1 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 2017 is as follows:

	2017
Current and less than 6 months	157,099
Between 6 and 12 months	4,448
Between 12 and 18 months	1,930
More than 18 months	90
Total	**163,567**

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 2017 and 2016 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	
	2017	2016
Cash	291,121	221,028
Other cash equivalents	300	15,000
Total	**291,421**	**236,028**

The balance under “Other cash equivalents” refers mainly to deposits of less than three months.

12. Equity

12. 1. Share Capital

As of 31 December 2017 and 2016 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 2017 were the companies DISA CORPORACION PETROLIFERA, S.A., MUSROM GMBH and SEEGRUND, B.V. which held 33.04% (30.6% in 2016), 25,016% (25.016% in 2016) and 13,952% (13.952% in 2016) respectively.

12.2. Share premium

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

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

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

12.3. Reserves

Legal reserve

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

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

The Parent Company of the Group has reached the compulsory level in the amount of EUR 10,803 thousand under "Other reserves of the parent company" of the consolidated 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.

In year 2017 the Parent Company allocated a capitalisation reserve for the amount of EUR 2,245 thousand. Such reserve amounts in the aggregate to EUR 6,278 thousand.

12.4. Treasury shares and equity interests

Changes in this item in year 2017 and 2016 are as follows in thousands of euros:

	Thousand euros
Balance at 1 January 2016	**161,597**
Acquisition of own shares	378
Disposal of treasury shares	(19,522)
Balance at 31 December 2016	**142,453**
Acquisition of own shares	453
Disposal of treasury shares	(42,376)
Balance at 31 December 2017	**100,530**

a) Delisting takeover bid.

The Parent Company Shareholders' General Meeting held on the 1 December 2014 approved the delisting of the shares of the parent company from the Stock Exchange of Barcelona by a delisting takeover bid.

On the 1 April 2015, the *Comisión Nacional del Mercado de Valores* (National Securities Market Commission) published the results of the Bid, which was accepted by 35,258,354 shares, representing 13.05% of the share capital of the parent company.

After the settlement of the Bid, all the shares of the parent company, i.e. 270,083,272 shares, were delisted from the Stock Exchange of Barcelona on the 10 April 2015.

b) Buyback

After delisting, the Shareholders' General Meeting held on the 2 June 2015 resolved to authorize the Board of Directors to buy shares of the company up to 20% of the share capital.

Under the terms of such authorization, during financial year 2017 the Parent Company acquired 71,398 shares at a cost of 453 thousands of euros, which represent 0.03% of the share capital.

c) Sale of treasury shares

Likewise, during financial year 2017, the Parent Company has disposed of an aggregate of 7,433,230 shares at EUR 6.5 per share, with a profit of EUR 5,951 thousand (EUR 1,052 thousand in 2016) directly credited to "Other reserves of the parent company" of the equity in the consolidated balance sheet at 31 December 2017 and 2016.

After the transactions with treasury shares above, at 31 December 2017 the balance under "Treasury shares and equity interests" consists of 17,625,028 shares, representing 6.53% of the share capital, with a carrying value of EUR 100,530 thousand.

12.5 Valuation adjustments in equity

Changes in this item in financial years 2017 and 2016 are as follows (net of tax effect):

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

	Thousand Euros				
	2015	**Capital gains/losses on valuation**	**Amount transferred to income**	**Transfers and others (Note 7)**	**2016**
Financial assets held for sale (Note 8)	**(4,027)**	4,295	-	-	**268**
From cash flow hedges	**-**	53	9	-	**62**
Due to difference adjustments	**4**	(25)	-	-	**(21)**
Due to actuarial gains and losses (Note 18)	**2,603**	244	-	-	**2,847**
Consolidated entities accounted for using the equity method (Note 7)	**16,229**	-	-	2,539	**18,768**
VALUATION ADJUSTMENTS IN EQUITY	**14,809**	**4,567**	**9**	**2,539**	**21,924**

In financial years 2017 and 2016, 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 2017 the Board of Directors of the parent company resolved the distribution of two interim dividends for an aggregate amount of EUR 27,793 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 2017 and 2016 and the profit and loss of the external members in these years follows:

	Thousand Euros			
	2017		2016	
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.	54	6	48	7
Alfil Logistics, S.A.	4,181	1,327	3,068	653
Carbóniques Becdamm	171	132	76	69
Cerbeleva, S.L.	628	44	637	115
Cervezas Calatrava S.L.	537	(57)	594	(116)
Comercial Distribuidora de Cervezas del Noreste S.L.	326	(16)	-	-
Dismenorca S.L.	2,195	212	2,063	116
Distrialmo, S.L.	71	4	67	9
Distribuciones Movi S.L.	(84)	25	(109)	(14)
Distridam, S.L. and Barnadis Logística 2000 S.L.	2,489	672	2,279	681
Other	12	(110)	20	1
TOTAL	**10,580**	**2,239**	**8,743**	**1,521**

13. Deferred Income

Detail of this item in financial years 2017 and 2016 is as follows:

	Thousand Euros	
	2017	**2016**
Capital Grants	839	1,005
Emission Rights	37	33
Closing balance	**876**	**1,038**

14. Bonds and other securities

As of 31 December 2017 and 2016 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 3.12 and 15).

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

15. Debt with credit institutions and derivative financial instruments

a) Debt with credit institutions

Loans

Debt with credit institutions at 31 December 2017 and 2016, as well as maturity expected by way of repayment are as follows:

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

	Thousand Euros							
	Debts at 31 December 2016							
	Balance at	Short term	Long term					Long term
	31.12.2016	2017	2018	2019	2020	2021	Later	Total
Loans	**289,501**	39,810	36,810	36,810	63,571	112,500	-	**249,691**
Other loans	**1,677**	374	436	440	427	-	-	**1,303**
Finance leases (Note 16)	**1,119**	359	308	277	153	22	-	**760**
Interests payable	**162**	162	-	-	-	-	-	**-**
Other debts	**9**	9	-	-	-	-	-	**-**
Total financial debt	**292,468**	**40,714**	**37,554**	**37,527**	**64,151**	**112,522**	**-**	**251,754**

Loans and other credits

They refer to the syndicated financing renewed in 2015 and several bilateral loans contracted during 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 2017 the Group companies had undrawn credit facilities in the amount of EUR 241 million (EUR 395.5 million at 31 December 2016), which is enough to cover any necessity of the Group according to the existing short term commitments.

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

b) Derivative financial instruments

	Thousand Euros	
	2017	**2016**
Options issue convertible bonds (implicit derivatives) - Note 14 - from cash flow hedging	4,274	7,790
Total derivative financial instruments.	**4,274**	**7,790**

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

Fair value of all the derivative instruments related to the issue of Ebro Foods, S.A. convertible bonds amounts at 31 December 2017 to EUR 4,274 thousands, included under the heading "Derivative financial instruments" of the Consolidated Balance sheet.

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 3,516 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.

16. Finance lease obligations

	Thousands of euros	
	2017	**2016**
Amounts payable under finance leases:	**1,163**	**1,119**
Less than a year	397	359
Between two and five years	766	760
More than five years	-	-

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

17. Information on the average payment to suppliers period

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

With regard to the information required by the Third Additional Provision of Act 15/2010, dated 5 July 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 2017 and 2016.

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 2017 and 2016 for subsidiaries of the Group located in Spain.

	Year 2017 Days	Year 2016 Days
Average payment to suppliers time	60	62
Paid transaction ratio	62	62
Outstanding transactions ratio	49	55
	Amount (thousand euros)	Amount (thousand euros)
Total payments made	828,018	754,890
Total outstanding payments	114,157	110,374

The payment term applicable to the companies of the Group in years 2017 and 2016 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 2017 and 2016, the balance for defined benefit obligations and the fair value of the scheme assets were:

	Thousand Euros	
	2017	**2016**
Present value of the obligations	60,534	63,717
Fair value of the scheme assets	60,875	64,079

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

	Thousand Euros	
	2017	**2016**
Present value of the obligations at the beginning of the financial year	**63,717**	**64,994**
Current service cost	64	94
Interests costs	778	1,191
Actuarial gains/(losses):	424	1,833
Actuarial gains/(losses) for changes on financial assumptions	-	4,629
Experience actuarial gains/(losses)	424	(2,796)
Benefits paid	(4,449)	(4,395)
Present value of the obligations at 31 December	**60,534**	**63,717**

Changes in fair value of the scheme assets in financial years 2017 and 2016 are as follows:

	Thousand Euros	
	2017	2016
Fair value of scheme assets at beginning of the financial year	**64,079**	**66,294**
Interest revenue from scheme assets	793	1,208
Return on scheme assets (excluding the lesser net interest expense)	912	2,158
Employer contributions/(Redemptions)	(460)	(1,186)
Benefits paid	(4,449)	(4,395)
Fair value of scheme assets at 31 December	**60,875**	**64,079**

"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 2017 and 2016, fair value of the scheme assets allocated to cover post-employment benefits is breakdown as follows:

Nature of the scheme assets allocated to cover commitments	Thousand Euros	
	2017	2016
Collective insurance policies (VIDACAIXA)	**60,875**	**64,079**

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	
	2017	**2016**
Present value of the obligations at 31 December	60,534	63,717
Fair value of scheme assets at 31 December	60,875	64,079
Deficit / (Excess) of the Plan	**(341)**	**(362)**
Limit to the asset	-	-
Net Asset/(Liability) at 31 December	**(341)**	**(362)**

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**	
	2017	**2016**
Current service cost	64	94
Net interest	(15)	(16)
Past service cost	-	-
Total expense/(revenue) recognised in profit and loss account	**49**	**78**

- 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	
	2017	2016
Return on scheme assets (excluding the lesser net interest expense)	(912)	(2,158)
Actuarial gains/(losses):	424	1,833
Actuarial gains/(losses) for changes in demographical assumptions	-	-
Actuarial gains/(losses) for changes on financial assumptions	-	4,629
Experience actuarial gains/(losses)	424	(2,796)
Total amount accounted for in equity during the year	**(488)**	**(325)**

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 2017	Year 2016
Discount rate	1.29%	1.29%
Mortality tables	Perm/f-2000P	Perm/f-2000P
Disability tables	Inv. Tot (OM77)	Inv. Tot (OM77)
Wage growth	0% - 2.5%	0% - 2.5%
Annual accumulative CPI	2.0%	2.0%

- Estimated retirement age for each employee is the first age in which he/she is entitled to retirement.
- Discount rate has been determined with reference to the rates at 31 December 2017, 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 2017
Discount rate (+1%)	54,970
Discount rate (-1%)	61,454
Annual accumulative CPI (+1%)	67,196
Annual accumulative CPI (-1%)	59,502

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. The best estimate of the contributions to pay to the Scheme during the period staring after the balance date is approximately EUR 40 thousand.

18.2 Defined contribution post-employment schemes

As of 31 December 2017, 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 2017 and 2016.

Further to Note 3.14, S.A. Damm has certain commitments with certain senior managers of the Company by way of retirement, disability and death benefits, outsourced in previous years pursuant to the law in force through a defined contribution insurance policy. The charge to the Consolidated Profit and Loss Account for financial year 2017 amounted approximately to EUR 43 million.

19. Other current liabilities

The amount of this heading at the end of financial year 2017 and 2016 is as follows:

	Thousand Euros	
	2017	**2016**
Public administrations (Note 24.3)	40,901	29,775
Personnel accruals	19,804	19,014
Dividends (Note 26)	15,223	12,306
Other debts	12,428	13,480
Closing balance	**88,356**	**74,575**

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 2017 to EUR 78.2 million (EUR 76.6 million in 2016).

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	
	2017	2016
Raw materials and consumables used	430,879	372,337
Employee costs	160,963	140,022
Other operating expenses	361,714	348,482

21.1. Raw materials and consumables used

This item breakdown is as follows:

	Thousand Euros	
	2017	2016
Purchases	437,245	372,073
Inventory change (Note 9)	(6,366)	264
Total	**430,879**	**372,337**

21.2. Personnel expense

	Thousand Euros	
	2017	2016
Wages and salaries	120,036	104,583
Social Security	32,666	27,650
Other personnel expense	8,261	7,789
Total	**160,963**	**140,022**

The number of employees of the Group as of 31 December 2017 and 2016, by professional category, is as follows:

	Number of Persons	
	2017	2016
Senior Management	11	12
Technical, Sales and Administration Personnel	2,195	1,720
Production Personnel	1,806	1,689
Total	**4,012**	**3,421**

As of 31 December 2017 and 2016, the distribution of personnel and members of the Board of Directors by category and sex is as follows:

	2017		2016	
	Men	**Women**	**Men**	**Women**
Senior Management	9	2	10	2
Technical, Sales and Administration Personnel	1,422	773	1,106	614
Production Personnel	1,242	564	1,122	567
Total	**2,673**	**1,339**	**2,238**	**1,183**
Board of Directors	8	1	8	1

The number of disabled personnel hired by the Group is 24 persons in 2017 and 21 persons in 2016, within the category "Technical, Sales and Administration Personnel".

Remuneration in kind

Neither the Group nor its companies have any remuneration in kind policy.

Share based payments

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

Amendment or termination of contracts

During financial years 2017 and 2016 no transaction alien to ordinary activities of the Group implying an amendment or early termination of any contract between the Group of any of its Shareholders, Directors or person acting on their behalf has occurred.

21.3. Operating leases

The Group as a Lessee

	Thousand Euros	
	2017	**2016**
Operating lease quotas recognised in income for the financial year	25,516	21,744

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

At the end of financial years 2017 and 2016 the following minimum lease quotas are contracted with the lessors, pursuant to the present contracts in force and without taking into account common expenses passed on, future CPI increases or future contractually agreed rent updates:

Operating Leases Minimum Quotas	Thousand Euros				Thousand Euros			
	2017				2016			
	Vehicles	Pallets	Premises	Warehouses	Vehicles	Pallets	Premises	Warehouses
Less than a year	2,324	4,822	9,426	5,656	2,102	4,385	9,093	3,215
Between 1 and 5 years	5,811	12,056	23,564	14,139	5,255	10,963	22,733	8,038
Total	8,135	16,879	32,990	19,795	7,357	15,348	31,826	11,253

The Group as Lessor

Lease contracts in which the Group is the lessor are mainly some warehouse leases to distributors. Such leases are considered operating leases

Revenue from real estate lease during the year amounts to EUR 1,227 thousand (EUR 1,082 thousand in 2016), 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.

21.4. Other Information

Auditor fees for the companies of Damm Group and subsidiaries paid to the main auditor and related entities during financial year 2017, amount to EUR 352 thousand (EUR 331 thousand in 2016), of which EUR 152 thousand (EUR 149 thousand in 2016) 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 64 thousand (EUR 62 thousand in 2016).

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 2017 to EUR 73 thousand (EUR 299 thousand in 2016). Additionally, EUR 13 thousand (2016: 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	
	2017	2016
Investment income	7	9
Other interest and financial income	4,576	845
	4,583	**854**

The amount under "Other interest and financial income" mainly refers to the remeasurement as of 31 December 2017 of the implicit derivates of the bonds issued by the Group in 2016 (see Notes 14 and 15b) and to the interests accrued from a finance credit to an associate, with other current financial assets and cash and cash equivalent in year 2017 (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	
	2017	2016
Finance expenses and similar expenses	5,097	309
Loan interests	5,063	4,709
Total Finance expenses	**10,160**	**5,018**
Exchange differences (revenue)	**887**	**511**

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 3,295 thousand in 2017 (EUR 270 million in 2016) and the financial expense related to the tax assessment in agreement (Note 24.2) for the amount of EUR 1,764 thousand.

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 2017 are the following:

Companies in the Tax Group
S.A. Damm
Agora Europe, S.A.
Aguas de San Martín de Veri, S.A.
Alada 1850, S.L.
Artesanía de la Alimentación S.L.
Cafés Garriga 1850, S.L.
Cafeteros desde 1933, S.L.
Cerbedam, S.L.
Cervezas Damm Internacional, S.L.
Cervezas Victoria 1928, S.L.
Cervezas Victoria Málaga, S.L.
Compañía Cervecera Damm, S.L.
Compañía Damm de Aguas, S.L.
Compañía de Explotaciones Energéticas, S.L.
Corporación Económica Delta, S.A.
Damm Atlántica, S.A.
Damm Distribución Integral, S.L.
Damm Innovación, S.L.
Damm Restauración, S.L.
Damm Cuba, S.L.
Derivats Lactis Mallorquins, S.L.U.
Distrialmo, S.L.
Envasadora Mallorquina de Begudes, S.L.U.
Estrella de Levante Fábrica de Cerveza, S.A.
Expansión DDI Alimentación 2, S.L
Expansión DDI Alimentación Cantabrica, S.L
Comercial Distribuidora de Bebidas del Noreste, S.L.
Comercial Mallorquina de Begudes, S.L.U.
Font Salem Holding, S.L.
Font Salem, S.L.
Friosevinatural, S.L.
Gestión Fuente Liviana, S.L.
Holding Cervecero Damm, S.L.
Licavisa, S.L.
Maltería La Moravia, S.L.
Neverseen Media, S.L.
Osiris Tecnologia y Suministros Hosteleros, S.L.
Pallex Iberia, S.L.
Plataforma Continental, S.L.
Pumba Logística, S.L.
Representaciones Reunidas Ulbe, S.L.
Rodilla Sánchez, S.L.
Setpoint Events, S.A.
Soluciones Tecnológicas para la Alimentación, S.L.

24.2 Periods subject to tax audit

As of the 31 December 2017, 5 years for Corporate Tax and 4 years within the time limit for VAT, Individuals Income Tax and Special Tax are open for tax audit.

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

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

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

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.

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

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

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

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

24.3 Balances held with the Tax Authorities

Debtor and creditor balances with the Tax Authorities as of 31 December 2017 and 2016 were:

	Thousand Euros	
	2017	**2016**
Debtor balance		
Income tax	10,682	14,383
Value Added Tax	7,847	4,545
Other	445	373
Total	**18,974**	**19,301**

	Thousand Euros	
	2017	**2016**
Creditor balance		
Income tax	3,998	479
Value Added Tax	6,051	2,413
Special Taxes on Beer, Individuals Income Tax and	30,852	26,883
Total	**40,901**	**29,775**

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

Debtor balances are included under “Other current liabilities” of the liabilities 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 2017 and 2016 in thousands of euros follow:

Year 2017	Increase	Decrease	**Amount**
Accounting income for the financial year (after taxes)			**114,706**
Income tax on Continuing Activities	54,900	(3,619)	**51,281**
Income tax on Continuing Activities	-	-	**-**
Total Income tax			**51,281**
Individual Adjustments:			
Permanent Differences	22,034	(5,291)	**16,743**
Temporary Differences	7,941	(11,066)	**(3,125)**
Tax Consolidation Adjustments:			
Permanent Differences	-	(892)	**(892)**
Temporary Differences	-	(21)	**(21)**
Consolidation Adjustments:			
Temporary Differences	-	(358)	**(358)**
Interest in companies accounted for using the equity method	-	(25,033)	**(25,033)**
Tax Losses Offset		(5,319)	**(5,319)**
TAXABLE PROFIT			**147,982**

Year 2016	Increase	Decrease	Amount
Accounting income for the financial year (after taxes)			102,786
Income tax on Continuing Activities	38,498	(6,732)	31,766
Income tax on Discontinued Activities	-	-	-
Total Income tax			31,766
Individual Adjustments:			
Permanent Differences	15,231	(3,254)	11,977
Temporary Differences	27,996	(50,134)	(22,138)
Tax Consolidation Adjustments:			
Permanent Differences	-	-	-
Temporary Differences	-	-	-
Consolidation Adjustments:			
Temporary Differences	2,064	-	2,064
Interest in companies accounted for using the equity method	-	(19,061)	(19,061)
Tax Losses Offset	-	(6,843)	(6,843)
TAXABLE PROFIT			100,551

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, which must appear separately in the balance sheet and will not be available during these 5 years.

24.5 Corporate 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 2017 and 2016 follows:

	2017	%	2016	%
Pre-tax profit/(loss)	**165,987**		**134,552**	
Income tax theoretical expense	(41,497)	(25%)	(33,638)	(25%)
Portfolio depreciation taxation	(2,196)	(1%)	(1,727)	(1%)
Tax adjustments	(1,635)	(1%)	(3,283)	(2%)
Equity method total net profit effect	6,258	3%	4,765	4%
Tax result not generating deferred tax	-	-	(141)	-
Tax losses carryforwards applied in the year and/or activated	1,330	1%	1,126	1%
Tax deduction and other	1,952	1%	1,132	(1%)
Other provisions	(15,493)	(9%)		
Income tax	(51,281)	(31%)	(31,766)	(24%)

	Thousand Euros	
	2017	2016
Current income tax and other	(49,615)	(25,868)
Deferred income tax advancing (expense and income)	(1,666)	(5,898)
	(51,281)	**(31,766)**
Current income tax - "Profit and loss from discontinued operations"	0	0
	(51,281)	**(31,766)**

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 2017 and 2016 the Group has passed on its consolidated equity the following accumulated taxes under the following headings:

	Thousand Euros	
	2017	2016
Cash flow hedging	37	(21)
Due to actuarial gains and losses and other adjustments	(122)	(81)
TOTAL Taxes recognised in equity	**(85)**	**(102)**

24.7 Deferred tax

Under the law in force, in financial years 2017 and 2016 certain temporary differences have arisen that must be taken into account when calculating the relevant income tax expense.

The difference between 2017 and previous years' burden tax, and the burden tax already paid or to be paid for these years, included under Deferred Tax Assets and Deferred Tax Liabilities has arisen as a result of temporary differences with origin in several financial years.

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

	Thousand Euros			
	Balance at 31 December 2016	Charge/credit in the Profit and Loss Account	Charge/credit in asset valuation reserve	Balance at 31 December 2017
Deferred tax assets:				
Pension liability	-	122	(122)	-
Goodwill impairment losses and intangible tax adjustments	811	494	-	1,305
Credits and deductions	11,090	(1,592)	-	9,498
Capitalisation reserve	261	(247)	-	14
Financial assets held for sale valuation	(28)	77	-	49
Amortisation limit	6,089	(599)	-	5,490
Balance update	6,545	(627)	-	5,918
Other	4,774	(1,988)	37	2,823
Total Deferred Tax Assets	29,542	(4,360)	(85)	25,098

	Thousand Euros			
	Balance at 31 December 2016	Charge/credit in the Profit and Loss Account	Charge/credit in asset valuation reserve	Balance at 31 December 2017
Deferred tax liabilities :				
Financial assets held for sale valuation	(25)	25	-	-
Liberty of depreciation	(6,641)	2,127	-	(4,514)
Other non-current liabilities	(825)	56	-	(769)
Allocation of capital gains	(5,639)	473	-	(5,166)
Other	(117)	12	-	(105)
Total Deferred Tax Assets	(13,247)	2,693	-	(10,554)

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 2017 and 2016 is as follows:

	Thousand Euros	
	2017	2016
Impairment and disposal of property, plant and equipment	(2,470)	(3,554)
Goodwill impairment (Note 4)	(291)	(1,808)
Net profit and loss on impairment and disposal of non-current assets	**(2,761)**	**(5,362)**

"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

This heading records the profit or loss from the disposal during financial year 2017 of several assets held for sale (Note 8).

26. Appropriation of results

Profit for the financial year of the Parent Company of the Group, S.A.Damm has been EUR 64,253 thousand. The proposal for the distribution of results for financial year 2017 the Board of Directors will submit to the approval of the Shareholders' General Meeting is the following:

	Thousand Euros
Dividends:	
Interim (*)	27,793
Supplementary	25,257
Active Dividends(**)	**53,050**
Voluntary Reserves	**11,203**
Net Profit of the Parent Company for financial year 2017	**64,253**

(*) Accounted for under "Interim dividend paid during the financial year" of equity.
(**) Refer to 0.21 € 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 2017, as follows:

	1st Divid.	2nd Divid.
Payment Date	13/10/17	15/01/18

	Million Euros	
Interim Dividend	**12.6**	**15.2**
Treasury liquidity	192.7	35.7
Undrawn credit liquidity	239.0	239.0
Total liquidity	**431.7**	**274.7**
	Euros	
Gross dividend per share:	0.05	0.06

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

	2017	2016	Change in
Net profit for the financial year (million euros)	112.47	101.26	11.21
Weighted average number of outstanding shares (million shares)	270.08	270.08	-
Less: Treasury shares (million shares)	23.81	26.57	(2.76)
Average number of outstanding shares (million shares)	246.27	243.51	2.76
Adjusted average number of shares for the calculation of diluted earnings per share (million shares)	246.27	243.51	2.76
Basic / diluted earnings per share (euros)	0.46	0.42	0.04

28. Events after the balance sheet date

There are no significant events after the balance sheet date.

29. Transactions with related parties

29.1. Balances and transactions with related parties

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

a) Shareholders

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

	Thousand Euros 2016						
	Purchases	Sales	Services received	Services provided	Financial income	Dividend received	Credits (Note 8)
Group Trade Eurofradis	-	22,749	1,129	-	-	100	-
Serhs Distribució i Logística, S.L.	-	62,241	482	74	-	159	-
Euroestrellas Badalona S.L.	-	6,655	22	7	-	8	-
Dehesa de Santa María, S.L.	-	61	98	-	-	572	-
Comergrup S.L.	3,719	-	167	165	-	-	-
Grupo Cacaolat S.L.	2,401	6	-	822	477	-	22,950
Quality Corn S.A.	4,348	-	17	-	-	-	-
United States Beverages L.L.C.	-	2,149	2,388	-	38	-	1,437
Ebro Foods, S.A.	5,334	-	-	-	-	8,330	-

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 2017 and 2016.

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 2017 the following gross amounts:

	Thousand euros	
	2017	**2016**
Fixed remuneration	1,100	1,000
Variable remuneration	-	-
Payments as per the Articles of	8,000	8,000
Allowances	1,053	1,134
	10,153	**10,134**

In addition, the members of the Board of Directors of the Parent Company have received EUR 375 thousand by way of payment as per the Articles of Association and EUR 790 thousand by way of allowances under their membership of other boards of directors of companies of the Group.

As of 31 December 2017 and 2016 the Parent Company had not entered into pension plans or life insurance policies obligations for former or current members of the Board of Directors. That notwithstanding, and for the members of the Board that resigned from their office under certain conditions, the Parent Company recognises certain provisions arising from annuities to its Directors (see Note 3.14).

The amount paid in financial year 2017 by way of professional liability insurance for the Directors has been EUR 45 thousand (was EUR 53 million in 2016)

29.3. Senior Management remuneration

Total remuneration for years 2017 and 2016 amounted to EUR 4,251 thousand and EUR 4,320 thousand respectively.

In addition, several Senior Managers are included in the outsourced policy mentioned in Notes 3.14 and 18.2. The amount of post-employment benefits paid during financial years 2017 and 2016 for certain Senior Managers amounted to EUR 43 thousand and EUR 37 thousand respectively.

30. Information regarding conflicts of interests of the Directors

At the end of financial year 2017 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 2017 the Group had suretyships arising from its activities and arrangements for the amount of EUR 35.4 million (was EUR 32.6 million in 2016).

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 43.3 million (was EUR 42.6 million in 2016).

In addition, during financial year 2017, 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 4.5 million (was EUR 4.8 million in 2016).

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 2017 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 2017 follows: (see table)

DAMM GROUP SUBSIDIARIES

Company	Registered Address	Activity	Accounting method used	Effective Interest		Thousand Euros				
						Investee Details				
				Holder	%	Assets	Liabilities	Equity	Profit / (Loss)	Revenue
Agora Europe, S.A. (*)	Samaniego s/n MADRID	Logistic activities performance and sale by electronic or telematic means	Full Consolidation	S.A.Damm Damm Innovacion , S.L.	7.87% 92.13%	2,649	711	1,938	464	42
Agora Americas SRL de capital variable	C/ Lago Alberto No. Ext. 319 Piso 6 Granada C.P. 11520 Mexico City	Consulting Services	Full Consolidation	Agora Europe, S.A. Damm Innovación, S.L.	99.00% 1.00%	259	119	140	173	
Agora Latam SRL de capital variable	C/ Lago Alberto No. Ext. 319 Piso 6 Granada C.P. 11520 Mexico City	Staff services	Full Consolidation	Agora Europe, S.A. Damm Innovación, S.L.	99.00% 1.00%	140	194	(54)	(13)	-
Aguas de San Martín de Veri, S.A. (*)	Ctra. A Pont de Suert s/n BISAURRI (Huesca)	Water bottling and selling	Full Consolidation	Compañía Damm de Aguas, S.L.	99.59%	14,325	1,354	12,971	1,450	11,777
Alada 1850 S.L. (*)	Ronda de Santa Maria nº16 08210 Barberà del vallés (Barcelona)	Own premises management, management of the trademark "Jamaica Coffee Shop" rights on franchisees and management of securities and real estate	Full Consolidation	Rodilla Sanchez S.L.	100.00%	1,474	615	859	262	5,144
Alfil Logistics, S.A. (*)	Ríos Rosas, 44 MADRID	Logistic activities operation and sale	Full Consolidation	S.A.Damm	60.00%	32,147	21,694	10,453	3,317	-
Artesania de la Alimentación S,L. (*)	C/ Secoya nº 19 , Madrid	Manufacture and sale of food products for Rodilla stores chain	Full Consolidation	Rodilla Sanchez S.L.	100.00%	4,281	1,598	2,683	1,097	7,563
Barnadís Logística 2000, S.L.	La Máquina nº 23, GAVA (BARCELONA)	Wholesale of any kind of beverages and food	Full Consolidation	Distridam, S.L.	100.00%	307	98	209	11	-
Cafés Garriga 1850 S.L (*)	Ronda Santa María ,16 BARBERÁ DEL VALLES (Barcelona)	Coffee, tea and subsitutes preparation and sale	Full Consolidation	Damm Restauración S.L	100.00%	4,189	3,021	1,168	285	2,951
Cafeteros desde 1933 S.L. (*)	Poligono Industrial Fuente del Rey. Carretera de la Isla Menor km 0,5 nave 1D, Dos Hermanas (Sevilla)	Restaurants, bars and cafeterias operation or lease. Management of the brand "Café de Indias" rights and managment of securities and real estate	Full Consolidation	Rodilla Sanchez S.L.	100.00%	3,209	3,556	(347)	(406)	1,987
Carbóniques Becdamm, S.L.(**)	Avda. Enclar 142, Santa Coloma Parròquia de Andorra la Vella	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	50.50%	1,966	1,620	346	266	5,513
Cerbedam, S.L. (**)	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	2,085	1,755	330	73	5,620
Cerbeleva, S.L. (**)	Mayor, 171 ESPINARDO (Murcia)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	70.00%	14,124	12,031	2,093	146	19,805
Cervezas Calatrava S.L. (**)	Carlos Morales s/n POBLETE (CIUDAD REAL)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	60.00%	2,733	1,389	1,344	(141)	1,692
Cervezas Damm Internacional, S.L.	Rossellón, 515 BARCELONA	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	S.A.Damm	100.00%	152	-	152	2	-
Cervezas Victoria Málaga, S.L. (**)	Leopoldo Lugones 28 (P.I.Guadalorce) MÁLAGA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	1,179	1,241	(62)	(47)	3,439
Cervezas Victoria 1928, S.L.	Veracruz 62 (Edificio Paris - P.I. San Luis) MÁLAGA	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100.00%	1,799	2,387	(588)	(493)	55
Comercial Distribuidora de Cervezas del Noroeste, S.L. (**)	Rossellón, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	85.00%	3,151	979	2,172	(109)	1,189
Comercial Mallorquina de Begudes, S.L. (*)	Rossellón, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	34,949	33,349	1,600	600	40,336
Compañía Cervecera Damm, S.L. (*)	Rosellón, 515 Barcelona	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100.00%	257,177	44,724	212,453	14,853	205,378
Compañía Damm de Aguas, S.L.	Rosselló, 515 BARCELONA	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	S.A.Damm	100.00%	27,966	3,637	24,329	(413)	-
Compañía de Explotaciones Energéticas, S.L. (*)	Rosselló, 515 BARCELONA	Electricity cogeneration	Full Consolidation	S.A.Damm	100.00%	24,031	3,335	20,696	2,059	8,174
Corporación Económica Delta, S.A. (*)	Rosselló, 515 BARCELONA	Lease, use and operation of real estate and holding of securities and financial assets	Full Consolidation	S.A.Damm	99.99%	524,285	432,655	91,630	8,511	-
Crouchback Investments, LTD	3rd. Floor, 20-23 Greville Street LONDON (UK)	Securities and financial assets holding	Full Consolidation	Corporación Económica Damm, S.A.	100.00%	2,494	4	2,490	620	-

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

DAMM GROUP SUBSIDIARIES

Damm Atlántica S.A. (*)	Rosselló, 515 BARCELONA	Corporate services provision	Full Consolidation	S.A.Damm	100.00%	3,526	3,028	498	32	-
Damm Brewery UK, L.T.D	166 Piccadilly, LONDON	Corporate services provision	Full Consolidation	S.A.Damm	100.00%	604	308	296	228	-
Damm Brewery Sweden AB	Regeringsgatan 30, 11153 Stockholm, Sweden	Corporate services provision	Full Consolidation	S.A.Damm	100.00%	58	33	25	8	-
Damm Brewery (Australia) PTL LTD	Level 27, AMP Center, 50 Bridge Street, SYDNEY	Corporate services provision	Full Consolidation	S.A.Damm	100.00%	61	46	15	16	-
Damm Cuba S.L.	Rosselló, 515 BARCELONA	Wholesale and retail of any kind of beverages and food	Full Consolidation	S.A.Damm	100.00%	677	16	661	(243)	
Damm Distribución Integral, S.L.	Rosselló, 515 BARCELONA	Securities and financial assets holding	Full Consolidation	S.A. Damm Corporación Económica Damm, S.A.	99.10% 0.89%	77,060	66,362	10,698	1,247	-
Damm Innovación, S.L.	Rosselló, 515 BARCELONA	Securities holding	Full Consolidation	S.A.Damm	100.00%	7,757	6	7,751	499	-
Damm Portugal Unipersonal L.D.A	Quinta da Mafarra, SANTAREM (Portugal)	Wholesale of any kind of beverages and food and exploitation of mineral water sources	Full Consolidation	S.A.Damm	100.00%	3,106	3,907	(801)	107	4,608
Damm Restauración, S.L.	Rosselló, 515 BARCELONA	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	S.A.Damm	100.00%	36,580	2,808	33,772	(7,813)	-
Damm Services Corporation	160 Mine Lake Court, Suite 200 Raleigh Wake County North Carolina 27615	Inspection and repair of wood pallets	Full Consolidation	S.A.Damm	100.00%	4	-	4	-	-
Derivats Lactis Mallorquins, S.L. (*)	Rosselló, 515 BARCELONA	Exploitation of all kind of dairy business and manufacturing and selling all kind of food and beverages	Full Consolidation	S.A.Damm	100.00%	14,393	14,723	(330)	(380)	8,026
Dismenorca S.L. (**)	Calle Sabaters 16, 07760 Ciutadella de Menorca (Balears)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	51.00%	5,496	1,016	4,480	432	5,520
Distridam, S.L. (**)	La Máquina nº 23, GAVA (BARCELONA)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	68.40%	15,516	7,847	7,669	2,114	44,985
Distrialmo, S.L. (**)	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	90.00%	2,366	1,660	706	38	5,714
Distriduidora de Begudes Movi, S.L. (**)	Calle Fenosa s/n, naves 1-2 Pol. Ind. Can Roca (Martorelles)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	55.06%	922	1,109	(187)	56	3,542
Envasadora Mallorquina de Begudes, S.L. (*)	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Compañía Damm de Aguas, S.L.	100.00%	4,906	4,811	95	44	3,003
Estrella Damm Chile SpA	Isidora Goyenechea nº347, Santiago (Chile)	Wholesale of any kind of beverages and food	Full Consolidation	Cervezas Damm Internacional, S.L.	100.00%	61	37	24	6	-
Estrella Damm Consulting (Shanghai) Co. Ltd.	Room 730, 7th floor nº 3, Lane 1473 Zhenguang Road Putuo District Shanghai (China)	Corporate services provision	Full Consolidation	S.A.Damm	100.00%	246	91	155	117	-
Estrella Damm Services Canada, Inc.	666 Burrard Street VANCOUVER (Canada)	Corporate services provision	Full Consolidation	S.A.Damm	100.00%	64	26	38	17	-
Estrella Damm Trading Co, Ltd	Wuding Road Number 969, Building 6 Room 601, Shanghai (China)	Wholesale of any kind of beverages and food	Full Consolidation	S.A.Damm	100.00%	9	93	(84)	(86)	-
Estrella Damm US Corporation	1500 San Remo Avenue, Suite 125 Coral Gables FL 33146 Florida	Corporate services provision	Full Consolidation	S.A.Damm	100.00%	106	77	29	31	-
Estrella de Levante Fábrica de Cerveza, S.A.U. (*)	Mayor, 171 ESPINARDO (Murcia)	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100.00%	42,021	27,503	14,518	654	61,403
Expansión DDI Alimentación 2, S.L	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	5	-	5	-	-
Expansión DDI Alimentación Cantábrica, S.L.	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	1,500	-	1,500	-	-

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

DAMM GROUP SUBSIDIARIES

Font Salem, S.L. (*)	Partida Frontó, s/n SALEM (Valencia)	Production, bottling and sale of soft drinks and beer	Full Consolidation	S.A.Damm Crouchback Investments, LTD	96.30% 3.70%	169,100	53,039	116,061	18,849	229,066
Font Salem Holding, S.L.	Partida Frontó, s/n Polígono 2 SALEM (Valencia)	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	Font Salem, S.L.	100.00%	37,391	21,176	16,215	(234)	-
Font Salem Investimentos SGPS Unipessoal LDA	Quinta da Mafarra, SANTAREM (Portugal)	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	Font Salem Holding, S.L.	100.00%	43,860	36,805	7,055	2,991	-
Font Salem Portugal, S.A. (**)	Quinta da Mafarra, SANTAREM (Portugal)	Brewery and sale of beer and derivatives	Full Consolidation	Font Salem Investimentos SGPS Unipessoal LDA	100.00%	68,700	24,961	43,739	2,992	95,519
Friosevinatural, S.L.	P.I. Fuente del Rey Nave 1-D Ctra. Isla Menor, Km 0,5. 41700 Dos Hermanas (Sevilla)	Product distribution for own stores and franchisees	Full Consolidation	Cafeteros desde 1933, S.L.	100.00%	473	330	143	(169)	-
Fundación Damm	Rosellón, 515 Barcelona	Foundation	Full Consolidation	S.A.Damm	100.00%	3,231	62	3,169	3	-
Gestión Fuente Liviana, S.L. (*)	Ctra. de Cañete, s/n HUERTA DEL MARQUESADO (Cuenca)	Mineral water and spirits marketing	Full Consolidation	Compañía Damm de Aguas, S.L.	100.00%	12,414	2,386	10,028	1,315	11,143
Goethe, S.L. (**)	Ctra. De Sa Pobla a Muro km.1, Pobla (Illes Balears)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	6,395	3,871	2,524	(375)	17,742
Holding Cervecero Damm, S.L. (*)	Rosellón, 515 Barcelona	Acquisition, management, transfer, disposal, operation and holding of securities, shares , interest and other capital or equity securities	Full Consolidation	S.A.Damm	100.00%	270,105	13,000	257,105	16,952	-
Licavisa, S.L. (**)	Polígono industrial Aimair Parcela C-3-D, San Martin de la Vega (Madrid)	Beverages retail of any kind	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	5,959	1,728	4,231	605	14,962
Maltería la Moravia, S.L. (*)	Rosellón, 515 Barcelona	Preparation and sale of malt and derivatives	Full Consolidation	Holding Cervecero Damm, S.L.	100.00%	18,198	2,956	15,242	664	25,791
Neverseen Media S.L.	Río Bullaque 2 MADRID	Contents production, edition, design, acquisition and operation	Full Consolidation	S.A. Damm	100.00%	607	1,670	(1,063)	(1,078)	-
Osiris Tecnología y Suministros Hosteleros, S.L.	Rosselló, 515 BARCELONA	Creation and operation of a virtual market in catering industry and advice, consulting and brokerage services therefor	Full Consolidation	S.A.Damm Damm Innovacion , S.L.	37.20% 62.80%	1,500	1,685	(185)	(70)	-
Pallex Iberia, S.L. (*)	Rosellón, 515 Barcelona	Administrative, accounting and business management support services, and logistic and transport ancillary services	Full Consolidation	S.A.Damm	100.00%	3,641	2,813	828	559	-
Plataforma Continental, S.L.	Samaniego, s/n MADRID	and sale of beer, residues and derivatives	Full Consolidation	S.A.Damm	100.00%	14,360	19,689	(5,329)	(907)	-
Pumba Logistica S.L.	Rio Bullaque 2, MADRID	Transport activities operation and management	Full Consolidation	Corporación Económica Damm, S.A. Compañía de Explotaciones Energéticas, S.L.	99.90% 0.10%	7,073	9,658	(2,585)	(739)	-
Representaciones Reunidas Ulbe, S.L.	La Máquina nº 23, GAVA (BARCELONA)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	427	204	223	30	-
Rodilla Sanchez, S.L. (*)	Preciados, 25 MADRID	Sandwiches catering and sale / Catering	Full Consolidation	Damm Restauración S.L	100.00%	32,102	6,632	25,470	4,218	37,698
Setpoint Events S.A.	Rosselló, 515 BARCELONA	Organization of tournaments and sport or cultural events of any kind. Creation and marketing of artistic and cultural contents of any kind	Full Consolidation	Neverseen Media S.L.	100.00%	5,154	11,565	(6,411)	(2,655)	(331)
Sociedad Anónima Distribuidora de Gaseosas, S.A.	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Comercial Mallorquina de Begudes, S.L.	100.00%	215	105	110	37	-
Soluciones Tecnológicas para la Alimentación, S.L.	Rosselló, 515 BARCELONA	Creation and operation of a virtual market in internet	Full Consolidation	Osiris Tecnología y Suministros Hosteleros, S.L.	100.00%	24	1,999	(1,975)	(7)	-

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

DAMM GROUP ASSOCIATES AND JOINT ARRANGEMENTS

Company	Registered Address	Activity / Subset	Accounting method used	Effective Interest		Thousand Euros				
						Investee Details				
				Holder	%	Assets	Liabilities	Equity	Profit / (Loss)	Revenue
Bizkai Izarra Zerbituak, S.A. (**)	Pol Ind. Granada, manzana D-D2 ORTUELLA (Bizkaia)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	1,822	2,137	(315)	(44)	3,921
Carbòniques Castellví, S.L.	C/ de l'Agricultura, 3-4, Vilafranca del Penèdes (Barcelona)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribución Integral, S.L.	100%	1,827	1,205	622	58	6,130
Comergrup, S.L. (**)	Narcis Monturiol, Nº24 Sant Quirze del Vallés	Marketing and distribution of any kind of food and beverages, market research and advice / Distribution	Equity Method	Damm Distribución Integral, S.L. Dist. De Begudes Movi, S.L.	10,15% 8,12%	4,656	4,045	611	1	14,117
Dehesa de Santa María, S.L. (**)	Avda Princesa Sofía, 34 MÉRIDA (Badajoz)	Food and beverages chain specialized in tapas / Catering	Equity Method	Damm Restauración S.L	50.00%	2,326	856	1,470	716	3,875
Ebro Foods, S.A. (***)	Paseo de la Castellana, 20 MADRID	Manufacture, preparation, marketing, investigation, import, export of all kind of food and dietary products / Food	Equity Method	Corporación Económica Delta S.A.	11.51%	3,660,700	1,538,775	2,121,925	220,600	2,506,969
Estrella del Sol Services, S.A. (**)	Aptado de Correos Nº 195 FUENGIROLA (Málaga)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	1,974	1,231	742	515	7,589
Estrella Disagrup, S.L. (**)	Polígono Industrial I-Dos C/ Jornalers, 77 - ALBERIC (Valencia)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	1,306	1,007	299	(49)	3,790
Estrella Huelva Services, S.A. (**)	Polígono Tartesos nave 25-26, calle C HUELVA	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	861	743	118	56	1,737
Estrella Iruña Services , S.A. (**)	Polig. Ind. Talluntxe I, calle 4 34, NOAIN (Navarra)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	1,312	395	917	28	2,366
Estrella Vega Baja Services, S.L. (**)	Tauro, 20 - Pol. Ind. Llano Espartal Travesia nº2 ALICANTE	Wholesale of any kind of beverages and food / Distribution	Equity Method	Jap Alacant Serveis, S.A.	100.00%	1,508	977	532	-	-
Estrella Indal Services, S.A. (**)	San Rafael 13, Políg. Ind. San Rafael, HUERCAL DE ALMERÍA (Almería)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	2,165	1,619	545	215	5,119
Estrella Madrid Services, S.A. (**)	Uranio 16, Políg. Ind. Aimayr, SAN MARTIN DE LA VEGA (Madrid)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	4,713	3,085	1,627	295	9,662
Estrella Moncayo Services, S.A. (**)	Benjamin Franklin 14, Políg. Cogullada ZARAGOZA	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	2,205	1,087	1,118	142	4,826
Euroestrellas Badalona, S.L. (**)	C/ Luxemburgo s/n BADALONA (Barcelona)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribución Integral, S.L.	10.00%	3,036	1,406	1,630	220	10,195
Grupo Cacaolat, S.L. (**)	Avda. Països Catalans 32 ESPLUGUES DE LLOBREGAT (Barcelona)	Milkshakes and dairy manufacture and sale / Beverages	Equity Method	S.A.Damm	50.00%	137,943	100,802	37,141	3,305	61,797
Jap Alacant Serveis, S.A. (**)	Tauro, 20 - Pol. Ind. Llano Espartal Travesia nº2 ALICANTE	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50.00%	5,669	4,323	1,346	277	7,334
Logística y Bebidas del Bajo Aragón, S.L.	Polígono La Estación, Nave 15-16, Alcañiz (Teruel)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribución Integral, S.L.	5.00%	-	-	-	-	-
Plataforma Logistica Madrid S.L.	San Martín de la Vega (Madrid), calle Uranio, numero 16 Polígono Industrial Aimayr	Distribution of all kind of beverages and all kind of food, bricolage and drugstore products	Equity Method	Licavisa, S.L. Estrella Madrid Services, S.A.	50.00% 50.00%	42	21	21	0	-
Quality Corn, S.A. (**)	Finca Ariéstolas s/n ALMUNIA DE SAN JUAN (Huesca)	Cereal and derivatives preparation and sale / Beverages	Equity Method	S.A.Damm	20.10%	9,307	7,071	2,236	373	13,797

(*) Companies audited by the auditor of the Parent Company.
(**)Companies audited by other auditor
(***) Data from Interim Financial Information for the Second Quarter of 2017.

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Sein Izarra Zerbituak, S.L. (**)	Lanbarren Poligonoa, S/N Bajo Pabellón A-4, OIARTZAUN (Guipuzkoa)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	49.10%	5,534	3,430	2,104	424	12,622
Serhs Distribució i Logística, S.L. (**)	C/ Garbí, 88-90 08397 Pineda de Mar. Barcelona	Distribution of all kind of beverages and all kind of food, bricolage and drugstore products	Equity Method	Damm Distribución Integral, S.L.	6.34%	78,802	60,400	18,402	3,362	167,254
Trade Eurofradis, S.L. (**)	Edison, 1 MANRESA (Barcelona)	Administrative management services / Distribution	Equity Method	Damm Distribución Integral, S.L.	50.00%	2,156	161	1,995	277	249
United States Beverages LLC (**)	700 Canal Street, STAMFORD	Beer and other spirits distribution / Distribution	Equity Method	S.A.Damm	40.83%	5,338	2,924	2,414	609	23,014
Vidal Sabaté, S.L.	Ctra. T-331 Km 17. 43570 Santa Bárbara (Tarragona)	Distribution of softdrinks, beverages and food	Equity Method	Damm Distribución Integral, S.L.	10.00%	1,289	842	447	40	6,368

(*) Companies audited by the auditor of the Parent Company.
(**)Companies audited by other auditor
(***) Data from Interim Financial Information for the Second Quarter of 2017.

DAMM GROUP DIRECTORS' REPORT

1. Business evolution and position of the Group

Consolidated revenue for financial year 2017 reached EUR 1,163 million, 11.3% more than 2016, in an economic background that showed a certain improvement in the economy with internal consumption recovery based in the creation of employment and low interest rates, factors that have grounded a 3.1% average annual growth of GDP. It is worth mentioning that the weather during the summer, for a period that represents about 40% of the Group's activity, as well as the rest of the year, has been very favourable for the products marketed by the Group.

The behaviour of Damm Group has been certainly positive with sale increases in all its channels and markets. The large diversity of the portfolio of trademarks, products and activities allows the Group to adapt its offer to changing and increasing market requirements.

In 2017 the Group has expanded the activities in its bench markets by purchasing several distribution, water, milk and milkshakes manufacturing business in the Balearic Islands, one of its main markets.

The results of the internationalization process of the Group also contribute significantly to this growth. Currently the Group's brands and activities are present in more than 100 countries, with significant increases in volume and notoriety year after year, boosted by the establishment of own sales teams in United Kingdom, United States of America, Canada, Sweden, Chili and Australia.

As for production costs, they have increased accordingly to the increase in revenue, also as a result of larger costs of raw materials and energy prices that are not offset by the improvement in the energy efficiency ratios of certain plants of the Group. Such increase in the costs of materials is mainly due to a higher cost of packaging materials resulting from the increase of non-returnable production and the introduction of new formats which means a higher consumption of materials per packaged hectolitre although the decrease of the price of barley as compared to previous year partially offsets the aforesaid increases. Likewise, logistics costs have increased due to more scattered and international destinations and the storage costs arising from higher production.

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

The Group personnel, all business included, is at the end of financial year 2017 4,012 persons (was 3,421 at the end of financial year 2016).

Finally, the Group has increased its interest in Ebro Foods, S.A. up to 11.51% (was 11.45% in 2016).

2. Profit for financial year 2017

The combination of all the above factors place Operating Profit (EBIT) close to EUR 146.1 million, 21.6% more than the previous year, and the Result Attributed to the Parent Company of the Group is EUR 112.5 million, 11.1% more than 2016. The comparison of consolidated results for years 2017 and 2016 (in thousands of euros) follows:

Consolidated results	2017	2016	DIFFERENCE
Consolidated revenue	**1,163,284**	**1,044,971**	**11.3%**
EBITDA – Operating profit + Amortization + Impairment and PPE disposal	**218,558**	**189,504**	**15.3%**
EBIT – Operating profit	**146,149**	**120,166**	**21.6%**
NET PROFIT ATTRIBUTED TO THE PARENT COMPANY	**112,467**	**101,265**	**11.1%**
EARNINGS PER SHARE	**0.46**	**0.42**	**9.5%**

Additionally, the main figures of the consolidated balance sheet at the end of financial years 2017 and 2016 are the following (in thousands of euros):

MAIN FIGURES	2017	2016	DIFFERENCE
NET EQUITY	837,599	750,550	11.6%
NET FINANCIAL DEBT	93,835	54,006	73.7%
INVESTMENTS	112,913	83,005	36.0%

Financial position

The Group holds a solid financial position largely thanks to the resources generated by the business activities. Financial Investments, Treasury existing as of 31 December 2017 and the sustainability of the business cash generation fairly allow the achievement of debt servicing, shareholders' remuneration by way of dividend and the development of new products.

In that sense, the Group presents the following figures for net financial debt under "Cash and cash equivalents", "Other financial current assets", "Debt with financial institutions", "Obligations and other negotiable assets", "Other non-current liabilities" and "Other current liabilities" of consolidated balance sheet at 31 December 2017 and 2016:

	Leverage Thousand euros	
	2017	**2016**
Long term loans and credits	(230,549)	(250,994)
Long term finance lease debts	(766)	(760)
Total long term debt with financial institutions	**(231,315)**	**(251,754)**

Short term loans and credits	(30,996)	(40,346)
Short term finance lease debts	(397)	(359)
Hedging instruments debts	(130)	(9)
Total short term debt with financial institutions	**(31,523)**	**(40,714)**
Total debt with financial institutions	**(262,838)**	**(292,468)**
Obligations and other negotiable assets	(191,881)	(190,588)
Other hedging instruments debts	(4,274)	(7,790)
Other financial liabilities (*under "Other non-current liabilities" and "Other current liabilities"*)	(27,446)	(34,032)
Cash and cash equivalent	291,421	236,028
Other financial current assets	653	92,391
Treasury shares and equity investments	100,530	142,453
Net financial debt	**(93,835)**	**(54,006)**
Net financial debt / Ebitda	**0.43x**	**0.29x**

Additionally, as of 31 December 2017 the Group companies had undrawn credit facilities for the amount of EUR 241 million.

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

3. Expected development of the Group

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

Sustainable shareholders' yield

One of the Group main objectives is still maximizing the shareholders' yield. In that sense, earnings per share is EUR 0.46 per outstanding share, and as for dividends, income allows the distribution of dividends with a pay-out close to 50%.

Growth in sales and results

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

Likewise, stable prices are expected for the next financial year, in line with 2014 – 2018 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.

Results for financial year 2017 confirm these tendencies already envisaged in 2014 – 2018 business plan.

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

– Profitable and sustainable growth,

– Maximize the return on industrial investments to increase capacity made within the framework of the Strategy Plan, increasing productivity and efficiency,

– A clear customer orientation (both to internal and external customers) that allows maximizing the quality in all and every Group activity,

– Operative excellence in all the company areas (production, logistic and sales/commercial),

– Commitment with constant innovation and creativity to make a difference in all business segments of the Group,

– Progress in the Group internationalization process. Currently our brands are present in more than 100 countries, with a significant growth in volume and brand notoriety in the last few years,

– Penetration in beer business in geographical areas in which our presence currently is low, fostering own brands, with a special emphasis in the commitment to reach international markets by reaching agreements with first rate multinational companies,

– Development of the distribution business in cooperation with our wholesale partners,

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

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

Industrial investments

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

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

Environment

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

The Group has invested in renewable and energetically efficient sources (cogeneration, trigeneration, solar photovoltaic) and currently a large part of the Group energy requirements are feed from these sources. Additionally, the Group renewed three years ago the energy cogeneration assets with an improvement in energy costs efficiency.

4. Events after the balance sheet date

There are no significant events after the balance sheet date.

5. Main risks associated to the activity

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

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

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

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

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

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

6. Main financial risks and use of financial instruments

Main financial risks

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

In that sense it is worth mentioning that part of the debt accrues a fixed interest rate (convertible bonds).

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

7. Activities related to research and development and technological innovation

The Group research and development and technological innovation activities during financial year 2017 fall in the following categories: New products development, Containers and packaging design, Improvement of industrial processes, Commodities and materials consumption improvement.

The Group has invested in research and development and technological innovation in these fields a total amount of EUR 5.6 million.

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

8. Acquisition of own shares

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