

IMPORTANT NOTICE

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Confirmation of Your Representation: By accessing the attached Offering Memorandum you have confirmed to UBS Limited (the “**Bookrunner**”), Corporación Económica Delta, S.A. (the “**Issuer**”) and Sociedad Anónima Damm (the “**Guarantor**” or “**Damm**”) that (i) you understand and agree to the terms set out herein, (ii) you are outside the United States and not a U.S. Person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), (iii) you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S under the Securities Act) and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia, (iv) you consent to delivery by electronic transmission, (v) you will not transmit the attached Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Bookrunner, and (vi) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the bonds described in the attached Offering Memorandum (the “**Bonds**”).

You are reminded that the attached Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the attached Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Offering Memorandum, electronically or otherwise, to any other person and in particular to any US address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

You are reminded that no representation or warranty, expressed or implied, is made or given by or on behalf of the Bookrunner, nor any person who controls them or any director, officer, employee or agent of them, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in the attached Offering Memorandum and such persons do not accept responsibility or liability for any such information or opinions.

The Bookrunner is acting exclusively for the Issuer and the Guarantor and no one else in connection with the offer. It will not regard any other person (whether or not a recipient of the attached document) as its client in relation to the offer and will not be responsible to anyone other than the Issuer and the Guarantor for providing the protections provided to its clients nor for giving advice in relation to the offer or any transaction or arrangement referred to in the attached document.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION OR IN THE ATTACHED OFFERING MEMORANDUM CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE BONDS IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER WITHOUT THE PRIOR WRITTEN CONSENT OF THE BOOKRUNNER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

The attached Offering Memorandum is not being distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, the communication of the attached Offering Memorandum as a financial promotion is only being made to those persons falling within Article 12, Article 19(5) or Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or to other persons to whom the attached Offering Memorandum may otherwise be distributed without contravention of section 21 of the Financial Services and Markets

Act 2000. This communication is being directed only at persons having professional experience in matters relating to investments and any investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

The attached Offering Memorandum does not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Bookrunner or any affiliate of the Bookrunner is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Bookrunner or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

The attached Offering Memorandum has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Bookrunner, any person who controls the Issuer, the Guarantor, or the Bookrunner, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Bookrunner. Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this document is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Corporación Económica Delta, S.A.

(incorporated under the laws of the Kingdom of Spain as a public limited company)

Euro Fixed Rate Secured Guaranteed Exchangeable Bonds due 2023
exchangeable for Ordinary Shares of Ebro Foods, S.A.
unconditionally and irrevocably guaranteed by Sociedad Anónima Damm

Issue Price 100 per cent.

Base Issue Size €200,000,000

Subject to an increase option of up to €50 million.

The Euro Fixed Rate Secured Guaranteed Exchangeable Bonds due 2023 (the “**Bonds**”) will be issued by Corporación Económica Delta, S.A. (the “**Issuer**”) and will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Sociedad Anónima Damm (the “**Guarantor**” or “**Damm**”) pursuant to a trust deed (the “**Trust Deed**”) dated on or around the Issue Date (as defined below) entered into between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch in its capacity as trustee (the “**Trustee**”). Subject to the Issuer’s right to make a Cash Election (as defined in the terms and conditions of the Bonds (the “**Conditions**”)), the Bonds are exchangeable at the option of the relevant holder for the Exchange Property per Bond (as defined in the Conditions) as at the relevant Exchange Date during the Exchange Period (each as defined in the Conditions). See “*Terms and Conditions of the Bonds – Exchange Rights and Exchange Period*”. The Exchange Property shall initially comprise certain existing ordinary shares of Ebro Foods, S.A. (“**Ebro**”), and shall be subject to adjustment as set out in the Conditions. See “*Terms and Conditions of the Bonds – Exchange Property Adjustments*”. At the date hereof, the Ebro shares (the “**Ebro Shares**”) are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (the “**Spanish Stock Exchanges**”) for trading through the Spanish automated quotation system (the “**AQS**”) of the Spanish Stock Exchanges.

Interest on the Bonds will be payable semi-annually in arrear in equal instalments. Interest will accrue from and including the date on which the Bonds are issued, which is expected to be on or around 1 December 2016 or such later date, not being later than 14 days after such date (the “**Issue Date**”). Payments on the Bonds will be made without deduction for or on account of taxes of the Kingdom of Spain, to the extent described under “*Terms and Conditions of the Bonds – Taxation*”.

The Bonds will mature on the seventh anniversary of the Issue Date (the “**Maturity Date**”) but may be redeemed before then in whole (but not in part), at their principal amount together with accrued interest, at the option of the Issuer (i) at any time on or after the date falling 21 days after the fifth anniversary of the Issue Date, provided that the Value (as defined in the Conditions) of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of Bonds on each of not less than 20 Trading Days (as defined in the Conditions) in any period of 30 consecutive Trading Days ending not earlier than the seventh Trading Day prior to the date on which the relevant notice of redemption is given by the Issuer to the Bondholders shall have exceeded 130 per cent. of such principal amount; or (ii) at any time if, prior to the date on which the relevant notice of redemption is given, Exchange Rights (as defined in the Conditions) shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued; or (iii) in the event of an Offer (as defined in the Conditions) relating to the Equity Share Capital (as defined in the Conditions) where the Offer Consideration (as defined in the Conditions) consists wholly of cash, at any time on or after the date falling 30 days after the Offer Consideration Date. In addition, the Issuer may, at its option, redeem all, but not some only, of the Bonds at any time at their principal amount plus accrued interest to the date fixed for redemption in the event of certain changes affecting taxes of the Kingdom of Spain. The Bonds may also be redeemed before maturity at the option of the relevant Bondholder at their principal amount at the Optional Put Date (as defined in the Conditions) and at their principal amount together with accrued interest following a Put Event (as defined in the Conditions). See “*Terms and Conditions of the Bonds – Redemption and Purchase*”.

Pursuant to a pledge agreement dated on or around the Issue Date (the “**Pledge Agreement**”) entered into between the Issuer, the Guarantor, Bankinter, S.A. as custodian (the “**Custodian**”) and the Trustee, the Issuer will grant a first ranking Spanish law governed pledge (the “**Pledge**”) over Ebro Shares comprising the initial Exchange Property (as defined in the Conditions).

The Bonds will constitute direct, unconditional, unsubordinated and, subject to Condition 4(c), secured obligations of the Issuer and will rank *pari passu* amongst themselves. See “*Terms and Conditions of the Bonds – Form, Denomination, Title, Status of the Bonds and the Guarantee*” and “*Description of the Security*”.

Application is expected to be made to the Frankfurt Stock Exchange for the Bonds to be admitted to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (the “**Freiverkehr**”) which is not a regulated market for the purposes of Directive 2004/39/EC. There can be no assurance that any such application will be successful or that any such admission to trading will be granted or maintained.

The authorised denominations of the Bonds will be €100,000.

The Bonds will be evidenced on issue by interests in the global bond in registered form (the “**Global Bond**”) which will be deposited on the Issue Date with, and registered in the name of the common depository (or its nominee) (the “**Common Depository**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). Beneficial interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participants. Individual bonds in registered form (“**Individual Bonds**”) will only be available in certain limited circumstances as described herein.

Prospective investors should have particular regard to the factors described under the section headed “Risk Factors” on pages 13 to 27 of this Offering Memorandum. Ebro has not participated in the preparation of this Offering Memorandum and this Offering Memorandum does not purport to include sufficient information with regard to Ebro or the Ebro Shares to enable prospective investors in the Bonds to make an informed decision regarding an investment in the Bonds or the Ebro Shares. Prospective investors should consult the publicly available information of Ebro prior to making a decision to invest in the Bonds.

The Bonds, the Guarantee and the Ebro Shares to be delivered upon exchange of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act) (“**Regulation S**”).

The Issuer may be a “covered fund” for purposes of section 13 of the U.S. Bank Holding Company Act of 1956, as amended (the “**Volcker Rule**”). If the Issuer is deemed to be a “covered fund”, then, in the absence of regulatory relief, the provisions of the Volcker Rule may impact the ability of certain banking institutions to acquire or retain an “ownership interest” in the Issuer, including by purchasing or holding any Bonds.

Global Coordinator and Bookrunner

UBS Investment Bank

The date of this Offering Memorandum is 17 November 2016

This Offering Memorandum has been prepared for the purpose of giving information with regard to the Issuer, the Guarantor and their respective consolidated subsidiaries (the “**Group**”) and the Bonds which, according to the particular nature of the Issuer, the Guarantor, the Group and the Bonds, is believed by the Issuer and the Guarantor to be necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor. This Offering Memorandum is not a prospectus within the meaning of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended (the “**Prospectus Directive**”) and has not been, and will not be, submitted to the approval of any EU competent authority (as defined in the Prospectus Directive) or the Freiverkehr.

Save for the Ebro information, each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer and the Guarantor, which have each taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Ebro has not participated in the preparation of this Offering Memorandum or in establishing the terms of the Bonds. This Offering Memorandum does not purport to include sufficient information with regard to Ebro or the Ebro Shares to enable prospective investors in the Bonds to make an informed decision regarding an investment in the Bonds or the Ebro Shares. Prospective investors should consult the publicly available information of Ebro prior to making a decision to invest in the Bonds.

The publicly available information of Ebro was not prepared in connection with the offering of the Bonds and none of the Issuer, the Guarantor or the Bookrunner has made any investigation or enquiry with respect to such information. None of the Issuer, the Guarantor or the Bookrunner accepts responsibility for such information. The reference herein to the publicly available information of Ebro shall not create any implication that there has been no change relating to Ebro or the Ebro Shares since the date such information was published or that such information is current as at any time subsequent to its date. None of the Issuer, the Guarantor or the Bookrunner has had access to Ebro’s books, records or other non-public information. Therefore, information concerning Ebro or the Ebro Shares that has not been made public is not available to the Issuer, the Guarantor or the Bookrunner. None of the Issuer, the Guarantor or the Bookrunner has been involved in the preparation of Ebro’s publicly available information and, for the foregoing reasons, none of the Issuer, the Guarantor or the Bookrunner is in a position to verify any such information or pass judgement on its completeness. None of the Issuer, the Guarantor or the Bookrunner makes any representations or warranties as to the accuracy, completeness or sufficiency of Ebro’s publicly available information.

Consequently, there can be no assurance that all events occurring in relation to Ebro or the Ebro Shares prior to the date hereof, that would affect the trading price of the Ebro Shares (and, therefore, the trading price of the Bonds), have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of, or failure to disclose, material future events concerning Ebro and the Ebro Shares could affect the trading price of the Ebro Shares and, consequently, affect the value of the Cash Alternative Amount or the Exchange Property payable or deliverable upon exchange of the Bonds. In turn, the trading price of the Bonds could also be affected.

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, Ebro or the Bookrunner to subscribe for or purchase any of the Bonds. None of the Issuer, the Guarantor, Ebro or the Bookrunner makes any representation to any investor in the Bonds regarding the legality of its investment under any applicable laws. Any investor in the Bonds should be able to bear the economic risk of an investment in the Bonds for an indefinite period of time.

The distribution of this Offering Memorandum and the offering and sale of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Guarantor, Ebro and the Bookrunner to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, Ebro or the Bookrunner represents that this Offering Memorandum may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, Ebro or the

Bookrunner which is intended to permit a public offering of the Bonds or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The Bonds, the Guarantee and the Ebro Shares to be delivered upon exchange of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S). The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

For a description of further restrictions on offers and sales of the Bonds and distribution of this Offering Memorandum, see “*Subscription and Sale*” below.

No person is authorised to give any information or to make any representation not contained in this Offering Memorandum and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor, Ebro or the Bookrunner. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantor or Ebro since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantor or Ebro since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Memorandum nor any other information supplied in connection with the issue of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, Ebro or the Bookrunner that any recipient of this Offering Memorandum or any other information supplied in connection with the issue of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor and Ebro. Furthermore, no comment is made or advice given by the Issuer, the Guarantor, Ebro or the Bookrunner in respect of taxation matters relating to any Bonds or the legality of the purchase of Bonds by an investor under applicable laws. The Bookrunner does not undertake to review the financial condition or affairs of the Issuer, the Guarantor or Ebro during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Bonds of any information coming to its attention.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Memorandum;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND FINANCIAL ADVISER AS TO TAX, LEGAL, FINANCIAL AND RELATED MATTERS CONCERNING THE PURCHASE OF THE BONDS.

To the fullest extent permitted by law, the Bookrunner accepts no responsibility whatsoever for the contents of this Offering Memorandum, or for any other statement made or purported to be made by it or on its behalf in connection with the Issuer, the Guarantor, Ebro or the issue and offering of the Bonds. The Bookrunner accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement. No representation or warranty, expressed or implied, is made or given by or on behalf of the Bookrunner, nor any person who controls it or any director, officer, employee or agent of it, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions. The Bookrunner has not independently verified the information contained herein.

Except as described in this Offering Memorandum, beneficial interests in the Global Bond will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream, Luxembourg. Except as described in this Offering Memorandum, owners of beneficial interests in the Global Bond will not be entitled to have the Bonds registered in their names, will not receive or be entitled to receive physical delivery of Individual Bonds evidencing the Bonds in definitive form and will not be considered Bondholders under the Global Bond and the Trust Deed.

Unless otherwise indicated or the context requires otherwise, references to a "**Member State**" are references to a Member State of the European Economic Area and all references to "**€**", "**EUR**", "**euro**" or "**euros**" are to the single currency of the participating Member States introduced at the third stage of the European and Economic Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.

NOTICE TO INVESTORS

THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF BONDS OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains "forward-looking statements" regarding the Issuer's and the Guarantor's financial position, business strategy, management plans and objectives for future operations. The words "believe", "expect", "intend", "estimate", "aim", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's and/or the Guarantor's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Issuer's and the Guarantor's present and future business strategies and the environment in which the Issuer and the Guarantor expect to operate in the future. Important factors that could cause the Issuer's and/or the Guarantor's actual results, performance or achievements to

differ materially from those in the forward-looking statements include, among other factors referenced in this Offering Memorandum:

- The deterioration of global and local economic conditions in Spain;
- Seasonal consumption cycles and adverse weather conditions;
- Product liability claims, product recalls and the resulting damage to the reputation of the Guarantor's brands;
- Changes in consumer preferences and tastes;
- Changes in the availability, price or quality of raw materials;
- The competitive nature of the industry in which the Guarantor operates;
- Global issues such as water scarcity and climate change, including the legal, regulatory, or market responses to such issues; and
- Negative publicity against consumption of alcoholic beverages and soft drinks, perceived health risks and associated government regulations.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Forward-looking statements speak only as of the date of this Offering Memorandum and the Issuer and the Guarantor expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Offering Memorandum to reflect any change in its expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Issuer and the Guarantor cannot assure you that projected results or events will be achieved and the Issuer and the Guarantor caution you not to place undue reliance on these statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Guarantor maintains its financial books and records in euros. The financial information which has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union ("**IFRS**") and appended to this Offering Memorandum includes:

- (i) Audited Consolidated Financial Statements for the Guarantor (as parent company of the Damm Group) for the year ended 31 December 2014; and
- (ii) Audited Consolidated Financial Statements for the Guarantor (as parent company of the Damm Group) for the year ended 31 December 2015.

The Audited Consolidated Financial Statements include the notes thereto and have been audited by Deloitte, S.L. as independent auditors for the Group. Deloitte, S.L. has its registered office at Plaza Pablo Ruiz Picasso 1, 28020 Madrid, Spain.

In addition, this Offering Memorandum presents selected unaudited consolidated financial information for the Guarantor (as parent company of the Damm Group) for the six month period ended 30 June 2016 (the "**H1 2016 Selected Financial Information**") and for the nine month period ended 30 September 2016 (the "**9M 2016 Selected Financial Information**", and together with the H1 2016 Selected Financial Information, the "**2016 Selected Interim Financial Information**").

The 2016 Selected Interim Financial Information has been prepared by the Guarantor on a basis consistent with the accounting policies normally adopted by the Guarantor and applied in preparing the Audited Consolidated Financial Statements. The 2016 Selected Interim Financial Information has not been audited or reviewed by Deloitte, S.L. and the

Guarantor is under no obligation (legal, regulatory or otherwise) to compile or publish subsequent interim financial information or trading statements.

Non-IFRS measures

References to “**EBITDA**” are to operating profit plus amortisation, impairment and disposals from non-current assets. In addition, references to “**Net Financial Debt**” are to corporate debt, which is calculated by adding “Debt with financial institutions”, other financial liabilities included under the captions “Other non-current liabilities” and “Other current liabilities”, less “Cash and cash equivalents”, “Other financial current assets” and “Treasury shares and equity interests” of the consolidated balance sheet at 31 December 2015 and 2014.

TABLE OF CONTENTS

Page

OVERVIEW	8
RISK FACTORS	13
TERMS AND CONDITIONS OF THE BONDS.....	28
SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM.....	80
DESCRIPTION OF THE ISSUER.....	83
DESCRIPTION OF THE GUARANTOR AND ITS GROUP.....	85
DESCRIPTION OF EBRO.....	116
DESCRIPTION OF THE SECURITY	128
USE OF PROCEEDS	130
TAXATION.....	131
SUBSCRIPTION AND SALE	146
GENERAL INFORMATION.....	148
INDEX TO FINANCIAL STATEMENTS	149

OVERVIEW

This overview must be read as an introduction to this Offering Memorandum and any decision to invest in the Bonds should be based on a consideration of this Offering Memorandum as a whole, including the full Conditions as set out herein. This overview does not contain all the information investors may consider important in making their investment decision. Therefore, investors should read this entire Offering Memorandum carefully, including, in particular, the section entitled “Risk Factors”.

The Bonds

Words and expressions defined in “*Terms and Conditions of the Bonds*” shall have the same meanings in this overview.

Description of the Bonds:	Euro Fixed Rate Secured Guaranteed Exchangeable Bonds due 2023 to be issued by the Issuer on the Issue Date.
Issuer:	Corporación Económica Delta, S.A..
Guarantor:	Sociedad Anónima Damm.
Guarantee:	In accordance with Condition 2(d) and the Trust Deed, Sociedad Anónima Damm will guarantee, among other things, the payment of all amounts payable by the Issuer in relation to the Bonds. The obligations of the Guarantor under the Guarantee will constitute direct, unconditional, unsubordinated and (subject to Condition 4(c)) unsecured obligations of the Guarantor and will at all times rank at least <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations that may be preferred by provisions of law that are both mandatory and of general application.
Issue Price:	100 per cent..
Issue Date:	Expected to be on or around 1 December 2016.
Global Coordinator and Bookrunner:	UBS Limited.
Trustee:	The Bank of New York Mellon, London Branch.
Principal Paying, Transfer and Exchange Agent:	The Bank of New York Mellon, London Branch.
Registrar:	The Bank of New York Mellon (Luxembourg) S.A.
Calculation Agent:	Conv-Ex Advisors Limited.
Custodian:	Bankinter, S.A., domiciled at Paseo de la Castellana 29, 28046 Madrid (Spain), is a Spanish commercial bank supervised by the Bank of Spain and the Spanish <i>Comisión Nacional del Mercado de Valores</i> and registered under number 0128 in the Official Banks and Bankers Register of the Bank of Spain. Bankinter, S.A. was incorporated in 1965, has been listed on the Spanish Stock Exchanges since 1972 with a market capitalisation of over €6 billion as of 7 November 2016. Bankinter, S.A. is rated BBB- (outlook positive) by Standard and Poor’s, Baa2 (outlook stable) by

Moody's and BBB (high) (outlook positive) by DBRS.

- Maturity:** Unless previously exchanged, redeemed or purchased and cancelled the Bonds will, subject to the Issuer's right to exercise its Share Settlement Option, be redeemed at their principal amount on the seventh anniversary of the Issue Date.
- Share Settlement Option:** Upon redemption at maturity or on the Optional Put Date, the Issuer will have the right to elect to settle all or part of the redemption value in Ebro Shares comprised in the Exchange Property, in accordance with Condition 14(h).
- Interest:** The Bonds will bear interest from and including the Issue Date at a fixed rate per annum. Interest on the Bonds will be payable semi-annually in arrear in equal instalments in each year.
- Initial Exchange Property:** The Exchange Property is expected to initially comprise a certain number of existing ordinary shares of Ebro, the exact number of which will be determined at pricing of the Bonds.
- Exchange Right:** Unless previously redeemed or purchased and cancelled, and subject as provided in "*Cash Alternative Election*" below, each Bond will be exchangeable at the option of the Bondholder during the Exchange Period for a *pro rata* share of the Exchange Property. Shares and other Exchange Property deliverable on exercise of Exchange Rights will be aggregated per Bondholder on the basis of the number of Bonds in respect of such exercise and rounded down (if necessary) to the nearest full Share or other unit of Exchange Property, and there will be no compensation for fractions of Shares or other units of Exchange Property.
- Exchange Period:** The period commencing 41 days following the Issue Date and ending on the earlier of (i) the close of business on the 50 days prior to the Maturity Date and (ii) if the Bonds have been called for redemption by the Issuer prior to the Maturity Date, the tenth day preceding the relevant redemption date.
- Cash Alternative Election:** Upon delivery of an Exchange Notice, the Issuer may elect to pay the Cash Alternative Amount instead of delivering all, or some only, of the relevant *pro rata* share of the Exchange Property.
- Optional Redemption by the Issuer:** As further described in Condition 14(b), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 22 and to the Trustee (which notice shall be irrevocable), at their principal amount together with any accrued but unpaid interest to the Optional Redemption

Date:

- (i) at any time on or after the date falling 21 days after the fifth anniversary of the Issue Date, provided that the Value of the *pro rata* share of the Exchange Property in respect of a Bond on each of not less than 20 Trading Days in any period of 30 consecutive Trading Days ending not earlier than the seventh Trading Day prior to the date on which the relevant notice of redemption is given by the Issuer to the Bondholders shall have exceeded 130 per cent. of such principal amount; or
- (ii) at any time if, prior to the date on which the relevant notice of redemption is given, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued; or
- (iii) in the event of an Offer relating to the Equity Share Capital where the Offer Consideration consists wholly of cash, at any time on or after the date falling 30 days after the Offer Consideration Date.

Optional Redemption by the Issuer for Taxation Reasons:

Pursuant to, and as further set out in, Condition 14(c), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to Bondholders in accordance with Condition 22 and to the Trustee (which notice shall be irrevocable), at their principal amount, (together with accrued but unpaid interest to the date fixed for redemption), if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 17.

Optional Redemption by Bondholders on 1 December 2021

Pursuant to, and as further set out in, Condition 14(d)(i), and subject to Condition 14(h), the holder of each Bond will have the right to require the Issuer to redeem that Bond on 1 December 2021 at its principal amount.

Optional Redemption by Bondholders upon a Put Event:

Pursuant to, and as further set out in, Condition 14(d)(ii), if a Change of Control in respect of the Issuer or the Guarantor, a Free Float Event or a Delisting Event occurs, the Issuer shall, at the option of the Bondholder, redeem such Bond on the Put Date at its principal amount together with any accrued interest to but excluding the Put Date.

Negative Pledge:

The Conditions will contain a negative pledge, as further described in Condition 4(c).

Events of Default:

For a description of the events that will permit the Bonds to become immediately due and repayable at the Relevant

Amount, see Condition 18.

Status of the Bonds:

The Bonds will constitute direct, unsubordinated and unconditional obligations of the Issuer secured in the manner provided in Condition 3 and the Pledge Agreement. The Bonds rank *pari passu* without preference or priority amongst themselves.

Withholding Tax:

Pursuant to Condition 17, all payments in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain, or any political subdivision or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond in the limited circumstances set out in Condition 17.

Meetings of Bondholders:

The Conditions and the Trust Deed will contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. The Conditions will likewise allow Bondholders to take action on those matters by way of written resolutions.

Admission to trading:

Application is expected to be made to the Frankfurt Stock Exchange for the Bonds to be admitted to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange.

Governing Law:

The Bonds and any non-contractual obligations arising out of, or in relation to, the Bonds (other than Conditions 2(c) and 2(e), which shall be governed by Spanish law), will be governed by, and construed in accordance with, English law. The Pledge Agreement will be governed by Spanish law.

Form and Denomination:

The Bonds will be in registered form, in denominations of €100,000. The Bonds will be initially evidenced by interests in the Global Bond. The Global Bond will be deposited on the Issue Date with, and registered in the name of the Common Depositary on behalf of Euroclear and Clearstream, Luxembourg.

The provisions governing the exchange of interests in the Global Bond for Individual Bonds are described in “*Summary of Provisions Relating to the Bonds while in Global Form*”.

Selling Restrictions:

Private placements to qualified institutional investors only.

Reg S only, Category 2, no Rule 144A, no TEFRA restrictions, no sales into the U.S. or to U.S. persons. May be deemed to be the securities of a covered fund for purposes of the Volcker Rule.

No sales into Australia, Canada, Japan or South Africa. No placements in Spain. Standard selling restrictions applicable in the UK and EEA jurisdiction-specific restrictions (if any) as per market practice and applicable securities laws. See “*Subscription and Sale*” below.

Use of Proceeds:

The Issuer will apply the net proceeds of the offering of the Bonds towards repaying the Issuer’s outstanding intragroup indebtedness with the Guarantor and lending any surplus to the Guarantor, and the Guarantor will in turn use the net proceeds of such debt repayment and intragroup loan for pursuing inorganic growth opportunities, paying down or refinancing outstanding liabilities and other general corporate purposes of the Guarantor’s Group.

Risk Factors:

There are certain factors that may affect the Issuer’s and/or the Guarantor’s ability to fulfil their respective obligations under the Bonds. These are set out under “*Risk Factors*”. **Prospective investors should refer to the publicly available information of Ebro for a discussion of risks relating to Ebro and the Ebro Shares.**

Ratings:

The Bonds are not expected to be rated. None of the Issuer, the Guarantor or Ebro is rated.

RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Bonds. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Bonds are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer, or failing whom the Guarantor, to pay interest, principal or other amounts on or in connection with the Bonds, or to perform their obligations under the Bonds may occur for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should consider carefully the risks and uncertainties described below, together with all other information contained in this Offering Memorandum before making a decision to invest in the Bonds.

Ebro has not participated in the preparation of this Offering Memorandum and, as such, there may be additional risks relating to Ebro and/or the Ebro Shares which could affect the trading price of the Ebro Shares and, therefore, the trading price of the Bonds. Prospective investors should consult the publicly available information of Ebro in order to assess these risks prior to making a decision to invest in the Bonds.

RISKS RELATING TO THE ISSUER

Limitations to the Issuer's ability to fulfil its obligations under the Bonds

The Issuer's main asset is its shareholding of 15,426,438 shares in Ebro, although it also holds smaller investments in other listed and unlisted companies as well as cash and cash equivalents. Therefore, its main income currently derives from the dividends declared and paid by Ebro on its shares, which in 2015 amounted to €0.2 million.

In addition, since the Issuer intends to apply the net proceeds of the offering of the Bonds towards repaying the Issuer's €92.5 million intragroup indebtedness with the Guarantor and lending any surplus to the Guarantor, going forward the Issuer will receive periodic interest payments from the Guarantor under such intragroup indebtedness.

Therefore, the Issuer's ability to make payment on the Bonds will be dependent, among other factors, on the dividends received from the Ebro Shares and on the interest payments received from the Guarantor in respect of the aforementioned intragroup loan, as well as on the income the Issuer may generate from the holding or trading of other financial assets it holds.

Consequently, the financial soundness of the Guarantor may have an impact on the Issuer's ability to make payments on the Bonds. In this regard, in the event of insolvency of the Guarantor, the Guarantor may not be able to repay such intragroup loan and the Issuer's credit *vis-à-vis* the Guarantor thereunder would be subordinated to privileged and ordinary creditors. This could materially adversely affect the financial condition of the Issuer and would limit its ability to meet its obligations under the Bonds.

RISKS RELATING TO THE GUARANTOR AND ITS GROUP

The deterioration of global and local economic conditions in Spain could adversely affect the Damm Group's business and financial results

The global economy significantly deteriorated in 2007 and 2008 as a result of an acute financial and liquidity crisis. Concerns over geopolitical issues, the availability and cost of credit, sovereign debt and the instability of the euro have contributed to increased volatility since then and diminished expectations for the global economy and global capital markets in the future. These factors, combined with declining global business and consumer confidence and rising unemployment, precipitated an economic slowdown and led to a recession and weak economic growth in many economies. This crisis had a global impact, particularly affecting the Spanish economy, the country in which the Damm Group conducts most of its operations.

The performance of the Damm Group businesses may be affected by the economic cycle in Spain and, in particular, in each of the regions to which it is more exposed. Normally, robust economic growth results in greater demand for products, while slow economic growth or economic contraction adversely affects demand for most of the Damm Group's products and otherwise adversely affects the Damm Group's sales. During the period from 2008 to 2011,

people reduced their consumption of beer and soft drinks. In addition, economic forces may cause consumers to purchase more private-label brands (which is also a business in which the Damm Group is present), which are generally sold at a price point lower than the Damm Group's branded products, or to defer or forego purchases of beverage products altogether. Additionally, consumers who do purchase the Damm Group's products may choose to shift away from purchasing higher-margin products and packages.

Adverse economic conditions could also increase the likelihood of customer delinquencies and bankruptcies, which would increase the risk of collection of certain accounts. Each of these factors could adversely affect the Damm Group's revenue, price realisation, gross margins, and/or the Damm Group's overall financial condition and operating results.

While economic growth, consumer confidence and private consumption both in the EU as a whole and in Spain in particular have recovered since the height of the global crisis (e.g. Spain's GDP grew 3.2 per cent. in 2015 and the International Monetary Fund forecasts a 3.1 per cent. GDP growth for Spain in 2016), economic recovery remains fragile (e.g. Spanish fiscal deficit - although converging to the 3 per cent. target - remains high (5 per cent. in 2015) and the unemployment rate is still very high although it has been dropping since 2013), and there are concerns and uncertainty about the ultimate resolution of the Eurozone crisis and the national political scenario, which may also have an impact on consumer confidence.

Continuing disruptions in the global economy and in the global markets and, in turn, in the Spanish economy, may, therefore, have a material adverse effect on the Damm Group's business, results of operations and financial condition.

In addition to the international economic situation, political uncertainty could also affect the Damm Group. In Spain, general elections were held on 20 December 2015 and 26 June 2016. The purpose of the general elections was to form a parliament that would elect a prime minister (*Presidente del Gobierno*), who in turn, would form a government. No political party obtained a sufficient majority in parliament in either election to successfully designate a prime minister (*Presidente del Gobierno*) and so a prime minister from the prevailing minority party (the Popular Party) has been recently elected and a government has been formed only after the main opposition party (the Socialist Party) accepted to abstain and the prevailing party received the support of a third emerging party (the Citizens Party) in the parliamentary vote to elect the prime minister. The continuing uncertainty around the ability of the new government backed by the Popular Party to continue to gather the support of other parties in Parliament to drive legislative action during the upcoming legislature may have a material adverse effect on the Spanish economy and, in turn, could negatively affect the Damm Group. Moreover, the growth of anti-EU political parties, as well as emerging political forces in Member States with alternative economic policies and priorities, and concerns about independence movements within the EU, could affect the economic situation in Spain and could have an adverse effect on the Damm Group's business, results of operations, financial condition and cash flows. In addition, the Spanish economy may be materially adversely affected by the referendum held in the United Kingdom on 23 June 2016 with respect to its continuing membership of the EU, which resulted in a decision to leave the EU. The full effects of the vote by the United Kingdom to exit the EU are impossible to predict at this time and will depend on any agreements the United Kingdom makes to retain access to EU markets either during a transitional period or more permanently. This may result in significant market volatility and adversely affect the United Kingdom, European economies and, in turn, the demand for the Damm Group products and, consequently, may have a material adverse effect on the Damm Group's business, financial conditions, results of operations and prospects.

Changes in the stability of the euro could significantly impact the Damm Group's financial results and ultimately hinder its competitiveness in the marketplace

There remain concerns regarding the short and long-term stability of the euro and its ability to serve as a single currency for a number of individual countries, including Spain. These concerns could lead individual countries, including Spain, to revert, or threaten to revert, to local currencies, or, in more extreme circumstances, to exit from the EU, and the Eurozone may in such extreme circumstances be dissolved entirely. Should this occur, the assets the Damm Group holds in Spain could be subject to significant changes in value. Nevertheless, in such a scenario low gearing ratios could eventually limit the impact of a devaluation of the national currency and, additionally, a lower value of the national currency versus other currencies could propel the export of Sociedad Anónima Damm products.

Furthermore, the full or partial dissolution of the euro, the exit of one or more Member States from the EU, including Spain, or the entire dissolution of the EU could cause significant volatility and disruption to the global economy, which could impact the Damm Group's financial results, including its ability to access capital at acceptable financing costs.

Seasonal consumption cycles and adverse weather conditions may result in fluctuations in demand for the Damm Group's products

The Damm Group's sales may be significantly influenced by weather conditions in the markets in which it operates. In particular, due to the seasonality of the Damm Group's business, cold or wet weather during the summer months may have a negative impact on the demand for the Damm Group's products, which may lead to lower sales, and which, in turn, could adversely affect the Damm Group's financial results.

Global or regional catastrophic events could impact the Damm Group's business and financial results

The Damm Group's business may be affected by large-scale terrorist acts, especially those directed against Spain or other major industrialised countries, the outbreak or escalation of armed hostilities, major natural disasters, or widespread outbreaks of infectious disease. Such events in the geographic regions in which the Damm Group does business could have a material impact on the Damm Group's sales volume, cost of sales, earnings, and overall financial condition.

The Damm Group may be affected by the impact of global issues such as water scarcity and climate change, including the legal, regulatory, or market responses to such issues

Water, which is one of the primary ingredients used in all of the Damm Group's products, is vital to its manufacturing processes and is needed to produce the agricultural ingredients that are essential to its business. While water is generally regarded as abundant in Europe, it is a limited resource in many parts of the world, affected by overexploitation, growing population, increasing demand for food products, increasing pollution, poor management and the effects of climate change. Water scarcity and deterioration in the quality of available water sources in Spain, or its supply chain, even if temporary, may result in increased production costs or capacity constraints, which could adversely affect its ability to produce and sell its beverages and increase its manufacturing costs.

Political and scientific consensus indicates that increased concentrations of carbon dioxide and other greenhouse gases ("GHG") in the atmosphere are leading to a gradual increase in global average temperatures. This is influencing global weather patterns and extreme weather conditions around the world. Climate change may also exacerbate water scarcity and cause a further deterioration of water quality in affected regions. Decreased agricultural productivity in certain regions of the world as a result of changing weather patterns may limit the availability, or increase the cost, of key raw materials that the Damm Group requires to produce its products. Additionally, increased frequency of extreme weather events linked to climate change, such as storms or floods in Spain, could have an adverse impact on the Damm Group's facilities and distribution network, leading to an increased risk of business disruption.

Concern over climate change, including global warming, has led to legislative and regulatory initiatives directed at limiting GHG emissions. The territories in which the Damm Group operates have in place a variety of GHG regulations. Proposals that would impose mandatory restrictions on GHG emissions and impose certain reporting requirements continue to be considered by policy makers. Furthermore, climate laws that, directly or indirectly, affect the Damm Group's production, distribution, packaging, cost of raw materials, fuel, ingredients, and water could impact the Damm Group's business and financial results.

The Damm Group is reliant on the reputation of its brands

The Damm Group success depends on its ability to maintain and enhance the image and reputation of its existing products and to develop a favourable image and reputation for new products. An event, or a series of events (product quality issues, real or perceived, or allegations of product contamination, even if false or unfounded, among others), that materially damages the reputation of one or more of the Damm Group's brands could tarnish the image of the affected brand and cause customers to choose other products which, in turn, may have an adverse effect on the value of that brand and subsequent revenue from that brand or business. Restoring the image and reputation of the Damm Group's brand products may be costly and may not be possible.

Negative publicity against consumption of alcoholic beverages and soft drinks, perceived health risks and associated government regulations may adversely affect the Damm Group

Coverage in the media and publicity generally regarding the consumption of alcoholic beverages and soft drinks can exert a significant influence on consumer behaviour and actions. If the social acceptability of beer, other alcoholic beverages or soft drinks was to decline significantly, sales of the Damm Group's products could materially decrease. In recent years, increased public and political attention has been directed at the alcoholic beverage and soft drink industries. This attention is the result of health concerns related to the harmful effects of certain alcohol consumption behaviours, including drunk driving, excessive, abusive and underage drinking, drinking while pregnant as well as health concerns such as obesity and diabetes related to the overconsumption of soft-drinks. Negative publicity regarding beer, other alcoholic beverages or soft drink consumption, publication of studies that indicate a significant health risk from the consumption of beer, other alcoholic beverages or soft drinks, or changes in consumer perceptions in relation to beer, other alcoholic beverages or soft drinks generally could adversely affect the sale and consumption of the Damm Group's products and, since approximately two thirds of the volume sold by the Group in 2015 were beer, it could harm the Damm Group's business, results of operations, cash flows or financial condition as consumers and customers change their purchasing patterns.

Concerns over alcohol abuse and underage drinking could lead governmental authorities to consider introducing measures such as increased taxation on alcoholic beverages (including beer), implementation of minimum alcohol pricing and other restrictions which could adversely affect the Group's business and financial condition and its results of operations.

If product liability claims or product recalls are brought against the Damm Group, the Damm Group's business, financial results, and brand image may be negatively affected

The Damm Group takes precautions to ensure that its beverage products are free from contaminants and that its packaging materials (such as bottles, cans and other containers) are free of defects. Such precautions include quality-control programmes and various technologies for primary materials, the production process and its final products. In addition, production processes and raw material and packaging material selection processes are externally audited. The Group has established procedures to correct problems detected and the quality department carries out regular checks before allowing the distribution of any production batch.

Although the Damm Group has not had any material problems in the past with respect to the contamination of any of its products, in the event that contamination or a defect is discovered in the future, it may lead to business interruptions, product recalls or other liability issues for the Damm Group. A significant product liability or other product-related legal judgment against the Damm Group or a widespread recall of its products, could negatively impact the Damm Group's business, financial results, prospects and its brand image.

Demand for the Group's products may be adversely affected by changes in consumer preferences and tastes

The Damm Group relies on its ability to satisfy consumer preferences and tastes. Consumer preferences and tastes can change in unpredictable ways for a variety of reasons, such as changes in demographics, consumer health and wellness, concerns about obesity or alcohol consumption, product attributes and ingredients, changes in travel, vacation or leisure activity patterns, weather, negative publicity resulting from regulatory action or litigation against the Damm Group or comparable companies or a downturn in economic conditions. Consumers also may begin to prefer the products of the Damm Group's competitors or may generally reduce their demand for products in the category. Failure by the Damm Group to anticipate or respond adequately, either to changes in consumer preferences and tastes, or to developments in new forms of media and marketing, could adversely impact its business, results of operations and financial condition.

The Damm Group may be impacted by changes in the availability, price or quality of raw materials

The supply and price of raw materials used to produce the Damm Group's products are affected by a number of factors beyond its control, including the level of crop production around the world, export demand, government regulations and legislation affecting agriculture, adverse weather conditions, economic factors affecting growth decisions, various plant diseases and pests.

The Damm Group cannot predict the future availability or the prices of the raw materials it requires to produce its products. The relevant commodities markets have experienced, and may in the future experience, shortages and significant price fluctuation. This may in turn affect the price and availability of the raw materials that the Damm Group requires to produce its products. The Damm Group may not be able to increase its prices to offset these increased costs or increase its prices without suffering reduced volume, revenue and operating income which may limit, amongst other consequences the Damm Group's ability to implement a full pass-through of such increased costs to its customers. To some extent, derivative financial instruments and the terms of supply agreements may be able to provide protection against increases in materials and commodities costs in the short term. However, derivatives and supply agreements expire and upon expiry are subject to renegotiation and therefore cannot provide complete protection over the medium or longer term. To the extent the Damm Group fails to adequately manage the risks inherent in such volatility, including in the case that its hedging and derivative arrangements do not effectively or completely hedge against changes in commodity prices, its results of operations may be adversely impacted.

As of the date of this Offering Memorandum, the Damm Group uses call options to hedge exposure to increases in the purchase price of barley. The hedging risk of the Group is limited to losing the price paid for the call option (premium) in the event the price of barley falls below the relevant strike price.

The production and distribution of the Damm Group's products consume a material amount of energy, including the consumption of hydrocarbons, natural gas, biomass, natural gas based on cogeneration, solar energy and electricity. Energy prices which have been subject to significant price volatility in the past few years and may remain volatile and changes in the regulated output tariff for solar and cogeneration facilities could have an adverse on Damm's financial performance.

Although the Damm Group produces its own energy to run its factories using the cogeneration system and solar energy, high energy prices over an extended period of time, as well as changes in energy taxation and regulation in certain geographies, may have an adverse effect on the Damm Group's operating income. There is no guarantee that the Damm Group will be able to fully pass on increased energy costs to its customers.

The Damm Group is dependent on its senior management and may fail to identify, develop and retain its current and future management capability

In order to develop, support and market its products, the Damm Group must hire and retain skilled employees with particular expertise. Failure to maintain this capacity at a high level or maintain its effective organisational leadership, which is able to share learning and leverage synergies and expertise, could jeopardise its growth potential.

In addition, various aspects of the Damm Group's business depend on the continuing services and skills of key individuals of the Damm Group, in particular, its senior management and executive directors, all of which have extensive experience in the sector in which the Group operates. If one or more of these key individuals retires, or is unable or unwilling to continue in their present positions, the Damm Group may not be able to replace them easily (or at all). The Damm Group's business, results of operations and financial condition could therefore be materially adversely affected if such key individuals either cease to be employed by the Damm Group or their services cease to be available to the Damm Group.

In order to mitigate this risk, the Damm Group has implemented several programmes aimed to develop its employees' aptitudes and capacities and to retain the talent in-house. In this regard, over the past ten years rotation at mid and high level management positions has been particularly low not exceeding 2 per cent. per annum.

Changes in the Damm Group's relationships with large customers may adversely impact the Damm Group's financial results

Approximately fifty-five per cent. of the Damm Group's production is sold through large retail chains. While at present no one customer of the Damm Group individually represents more than five per cent. of its sales, off-trade distributors are becoming more concentrated and may, at times, seek to use their purchasing power to improve their profitability through lower prices, increased emphasis on generic and other private-label brands (a sector in which the Damm Group separately operates), and/or increased promotional programmes.

Additionally, hard-discount retailers and online retailers continue to challenge traditional retail outlets, which can increase the pressure on customer relationships and the Damm Group's supply terms. These factors, as well as others, could have a negative impact on the availability of the Damm Group's products for their purchase by end-consumers, as well as on the Damm Group's profitability.

Changes in interest rates could harm the Damm Group's financial results and financial position

The Damm Group is exposed to interest rate risk in connection with its financial indebtedness. The interest rate according to which the Damm Group's financial indebtedness is measured is based on a spread over EURIBOR. As a result, the interest expenses associated with such indebtedness will be subject to the potential impact of any fluctuations in EURIBOR. Although any increase in EURIBOR could positively impact the Group's interest earnings via deposits and current accounts, it could also increase the Damm Group's financing costs if not effectively hedged.

The Damm Group is exposed to the risk of litigation

Although currently there is no significant outstanding litigation, trade-related or other, from which relevant contingent assets could arise for any of the companies of the Damm Group, the Damm Group could face legal proceedings and claims in the future which could have a material adverse effect on the Damm Group's business and financial condition. Given the inherent uncertainty of litigation, it is possible that the Damm Group might incur liabilities as a consequence of any proceedings and claims brought against it, including those that are not currently in reasonable contemplation.

Additional taxes levied on the Damm Group could harm the Damm Group's financial results

In Spain, the Damm Group has faced regular tax inspections in connection with Corporate Income Tax payments for the tax years 2006 to 2008 and 2009 to 2011. The scope of the inspections has been limited to the verification of the tax credits for supporting programmes of exceptional public interest events (*programas de apoyo a acontecimientos de excepcional interés público*) applied in those years.

These tax inspections resulted in tax assessments of €14,669,000 (delayed interest included) to be paid by the Damm Group to the Spanish tax authorities, due to the divergent interpretations of the Spanish tax administration and the Damm Group as to how to compute the base for these tax credits.

An appeal was lodged by the Damm Group against such assessments before the Central Economic Administrative Court (*Tribunal Económico-Administrativo Central*), which dismissed the appeal.

More recently, the Damm Group has lodged two appeals against the rulings of the Central Economic Administrative Court before the National Court (*Audiencia Nacional*). The Damm Group and its tax advisors consider that the arguments alleged in both appeals have solid pleas that back the Group's thesis, based on both substantive and procedural matters and the Damm Group expects to receive a judicial decision favourable to its interests. Recently the National Court (*Audiencia Nacional*) has resolved a number of case rulings for other Spanish corporate taxpayers in similar cases, based on the same arguments put forward by the Damm Group and which constitute a significant precedent. For additional information, see "*Description of the Guarantor and its Group—Litigation*". Nevertheless, the result of such appeals and any further tax inspections carried out in the future may give rise to tax liabilities and could affect the Damm Group's financial results.

Moreover, changes in tax laws, regulations, court rulings, related interpretations, and tax accounting standards in Spain or in Portugal may also adversely affect the Damm Group's financial results.

The Damm Group's operations are subject to environmental regulations, which could expose it to significant compliance costs and litigation relating to environmental issues

The Damm Group's operations are subject to environmental regulations. Failure to comply with such regulations could result in liability which may adversely affect the Damm Group's operations.

While the Damm Group has insurance policies and safety plans that provide comprehensive coverage with respect to any possible contingency arising from its environmental activity, there can be no assurance that it will not incur substantial environmental liability, or that applicable environmental laws and regulations will not change or become more stringent in the future.

Legislative or regulatory changes (including changes to tax laws) that affect the Damm Group’s products, distribution, or packaging could reduce demand for its products or increase the Damm Group’s costs

The Damm Group’s business model depends on the availability of its various products and packaging in multiple channels and locations to satisfy the needs and preferences of its customers and consumers. Laws that restrict the Damm Group’s ability to distribute products in certain channels and locations, as well as laws that require deposits for certain types of non-recyclable packaging, or those that limit the Damm Group’s ability to design new packaging or market certain packaging, could negatively impact the Damm Group’s financial results. In addition, taxes or other charges imposed on the sale of certain of the Damm Group’s products could increase costs or cause consumers to purchase fewer of the Damm Group’s products.

The Damm Group’s future capital needs may require that it seeks debt financing or refinancing of existing facilities which may not be available or may be materially more expensive

The Damm Group may be required to raise additional funds for its future capital needs or to refinance its current funding through public or private financing, strategic relationships or other arrangements. Given the current macroeconomic environment in the Eurozone, there can be no assurance that the funding, if needed, will be available on attractive terms, or at all. In addition, additional debt financing or a refinancing may be materially more expensive.

Therefore, the Damm Group’s failure to raise capital when needed could have an adverse effect on its business, financial condition and/or results of operations.

The Damm Group operates in a very competitive business environment

Competition in the Spanish beer market is intense. The Damm Group faces substantial competition, with the top three manufacturing companies by volume being Grupo Mahou-San Miguel (the leader by market share in Spain in 2015 with a 34.4 per cent. market share), followed by Heineken España (29.5 per cent. market share in Spain in 2015) and then the Damm Group (25.0 per cent. market share in Spain in 2015) (Source: Cerveceros de España website: http://www.cerveceros.org/ingles/pdf/CE_Informe_socioeconomico_2015_v2.pdf (the “**Spanish Beer Producers Dossier (2015)**”))

The Damm Group’s larger competitors in Spain may be able to obtain a more favourable negotiation position with retailers, distributors and suppliers. This can put pressure on the Damm Group’s existing distribution and supply channels. Moreover, larger companies can benefit from economies of scale and devote greater resources to the promotion and sale of their products than the Damm Group can.

If the Damm Group is not successful in retaining and strengthening its position or otherwise is unable to compete, these competitive disadvantages could lead to the Damm Group experiencing higher costs relative to the costs of its competitors and thus to relatively higher prices, which could reduce demand for its products, which, in turn, could have an adverse effect on its business, financial condition and/or results of operations.

Public advertising of beer and other alcoholic products could be limited or prohibited

In the alcoholic beverages sector, public advertising must comply with more onerous regulatory requirements than those required for products in other sectors. For instance, audio-visual advertising of certain types of spirits is forbidden during specific time slots, if considered to encourage immoderate consumption of alcoholic beverages or if it links the consumption of alcohol to enhanced physical performance, social success or health. These limitations and their potential extension to other channels such as online media or other alternatives to traditional media or a further tightening of the conditions required to be met in order to advertise alcoholic beverages could materially hamper Damm’s ability to market new or existing products.

RISKS RELATING TO THE BONDS

Risks relating to the exercise of Exchange Rights

Investors should be aware that the Bonds, which, subject to the Conditions and the Issuer’s right to make a Cash Election, are exchangeable for the Exchange Property per Bond, bear certain additional risks to vanilla debt securities. At any point when the Bonds are outstanding, depending on the performance of the underlying Ebro Shares (or any

other securities or assets comprising the Exchange Property from time to time), the value of the Exchange Property may be substantially lower than when the Bonds were initially purchased. In addition, because there will be a delay between when Exchange Rights are exercised and when Exchange Property or the Cash Alternative Amount (as defined in the Conditions), as the case may be, is delivered, the value of the Exchange Property or the Cash Alternative Amount to be delivered may vary substantially between the date on which Exchange Rights are exercised and the date on which such Exchange Property or Cash Alternative Amount is delivered.

The Bonds may be redeemed prior to maturity

The Conditions provide that the Bonds are redeemable at the Issuer's option in certain limited circumstances. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally may not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

In accordance with the Conditions, the Issuer has a right to redeem the Bonds in certain circumstances. If the Bonds are redeemed, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption prior to maturity for tax reasons

If the Issuer were obliged under the Conditions to pay additional amounts in respect of the Bonds due to any change in or amendment to the laws or regulations of the Kingdom of Spain or any political subdivision or any authority therein or thereof having the power to tax, or any change in the application or official interpretation of such laws and regulations, the Issuer may be entitled to redeem all outstanding Bonds in accordance with the Conditions subject to Bondholders' right to elect that their Bonds not be redeemed *provided that* no additional amounts will be payable by the Issuer in respect of any payments on such Bonds which fall due after the relevant redemption date. It may not be possible for an investor to reinvest the redemption proceeds at an effective rate of return as high as the return on the Bonds and reinvestment of the redemption proceeds may only be possible at a significantly lower rate.

There is a limited period during which the Bondholders may exchange their Bonds

Subject as provided in the Conditions, Exchange Rights under the Conditions may only be exercised in certain circumstances (subject to any applicable fiscal or other laws or regulations and as further provided in the Conditions) from and including 41 days after the Issue Date until the earlier of (a) the close of business on the date falling 50 days prior to the Maturity Date; or (b) if the Bonds shall have been called for redemption by the Issuer before the Maturity Date, the close of business on the 10th day prior to the date fixed for redemption. If the Exchange Rights are not exercised by Bondholders during the Exchange Period, the Bonds will, subject to the Issuer's right to exercise its Share Settlement Option, be redeemed at their principal amount on the Maturity Date unless the Bonds are previously purchased and cancelled or redeemed in accordance with the Conditions.

A Bondholder exercising Exchange Rights must pay certain capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) arising on exchange. See "*Terms and Conditions of the Bonds – Settlement – Exchange Expenses*".

Bondholders have limited anti-dilution protection

The composition of the Exchange Property will be adjusted in the event that there is a sub-division, consolidation, reclassification, rights issue, bonus issue, capital distribution, reorganisation or certain payments, which affects the Ebro Shares, but only in the situations and only to the extent provided under Condition 12. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Exchange Property. Events in respect of which no adjustment is made may adversely affect the value of the Exchange Property and, therefore, adversely affect the value of the Bonds.

The Issuer and the Guarantor may not be able to fund repayments of the Bonds in full under certain events like Change of Control or Delisting of Ebro

Bondholders may require the early repayment of the Bonds upon the occurrence of an Event of Default or in the event of a Change of Control of the Guarantor or the Issuer, or a Free Float Event or a Delisting Event in respect

of Ebro, as such events are defined and further described in the Conditions. Should Bondholders require the early repayment of the Bonds in such a scenario, there can be no assurance that the Issuer (or, if the case may be, the Guarantor) will be able to fund the repayment of the full amount of the Bonds presented for redemption. The Issuer's (and, if the case may be, the Guarantor's) ability to fund the repayment of the Bonds will depend on its financial situation and that of the Guarantor at the time and may be restricted by applicable laws or by the terms of its indebtedness or other agreements in force at this time, which may replace, supplement or amend its existing or future indebtedness.

Bondholders bear the risk of fluctuation in the price of the Ebro Shares and other securities or assets comprising the Exchange Property from time to time

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Exchange Securities and it is impossible to predict whether the price of the Exchange Securities (as defined in the Conditions) will rise or fall. The share price of companies, including those admitted to the Spanish Stock Exchanges can be highly volatile and their shares may have limited liquidity. Investors may be unable to recover their original investment. In addition, equity market conditions may affect the price and market liquidity for Exchange Securities regardless of the performance of Ebro or the Relevant Company, as the case may be. Equity market conditions are affected by many factors, such as the general economic, political or regulatory outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the Exchange Securities by other investors, such as large purchases or sales of Exchange Securities may also affect the share price. Accordingly, the market price of Exchange Securities may not reflect the underlying value of the Relevant Company's investments and the price at which investors may dispose of their Exchange Securities at any point in time may be influenced by a number of factors, only some of which may pertain to the Relevant Company while others may be outside the Relevant Company's control. Investors should not expect that they will necessarily be able to realise, within a period that they would otherwise regard as reasonable, their investment in Exchange Securities delivered on exchange of the Bonds. The results and prospects from time to time of Ebro or the Relevant Company may be below the expectations of market analysts and investors. Any decline in the market price of the Exchange Securities from time to time, may have an adverse effect on the market price of the Bonds.

In addition, the future issue of further shares by Ebro or the Relevant Company or the disposal of Exchange Securities by any substantial shareholders of the Relevant Company or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds and the Exchange Securities. There is no restriction on Ebro's ability to issue further shares, and there can be no assurance that Ebro or the Relevant Company from time to time will not issue further shares or that any substantial shareholder will not dispose of, encumber, or pledge its Exchange Securities or related securities.

Bondholders have no shareholder rights before exchange

Bondholders will neither be holders of the Ebro Shares nor of other Exchange Securities. Bondholders will not have any voting rights, any right to receive dividends or other distributions or any other rights with respect to the Exchange Securities until such time, if any, as Exchange Rights are exercised and (to the extent applicable) such Bondholder becomes registered as the holder of the Exchange Securities.

RISKS RELATING TO THE SECURITY

Bondholders are unable to enforce the Pledge directly.

The Pledge is granted in favour of the Trustee for the benefit of itself and the Bondholders and may only be enforced by the Trustee.

Enforcement of a Spanish law Pledge.

The Pledge Agreement is subject to Spanish law and to the exclusive jurisdiction of the courts of the city of Madrid (Spain).

In order to enforce the Pledge, the Trustee may choose between any of the procedures available to it in accordance with the Pledge Agreement, including, without limitation: (i) the enforcement procedure for financial collateral security

established under Royal Decree-law 5/2005, of 11 March 2005, on urgent measures to promote productivity (“**RDL 5/2005**”), which implemented in Spain the EU Directive 2002/47/EC of the European Parliament and of the Council, of 6 June 2002, on financial collateral arrangements (the “**Collateral Directive**”); (ii) the enforcement proceedings for mortgaged and pledged assets established under Articles 681 to 698 of Spanish Act 1/2000, of 7 January 2000, on Civil Procedure; (iii) the special procedure established under Articles 322 *et seq.* of the Spanish Commercial Code; (iv) by set-off, as provided in the Pledge Agreement, for the first ranking financial pledge granted by the Issuer in respect of the Cash Account; and (v) the out-of-court procedure provided in Article 1,872 of the Spanish Civil Code, as well as any other procedure available at the time of enforcement.

The use of one type of procedure shall not be deemed to constitute a waiver of the use of other procedures so long as the secured obligations have not been irrevocably and unconditionally paid or performed and discharged in full or otherwise cancelled.

There is no assurance that any such procedures would be successful. In addition any such steps may result in substantial legal costs and expenses that may not be recovered from the Issuer or the Guarantor nor through the enforcement of the Pledge.

The Pledge may not benefit from the provisions of the Collateral Directive.

The Pledge granted to the Trustee by the Issuer pursuant to the Pledge Agreement is intended to fall within the scope of RDL 5/2005, which provides a fast, effective and uniform means of enforcing security over shares and other financial instruments. RDL 5/2005 introduced, among others, the possibility to enforce security by appropriation *provided that* the parties have agreed to such appropriation in the applicable pledge agreement and on a valuation mechanics in respect of the relevant assets. Therefore, the Trustee can attempt to enforce its rights of appropriation without the need for the more burdensome enforcement steps that would otherwise apply at law, as explained above, typically involving the courts and which may require that the secured debt be for an amount in cash and that the enforcement of the Pledge be performed through the sale of the pledged assets in the market or in a public auction.

Furthermore, RDL 5/2005 introduced a number of other relevant advantages for creditors, in particular insolvency privileges. Pursuant to RDL 5/2005, the commencement of an insolvency proceeding will not result in the financial collateral arrangement or the provision of collateral (such as the Pledge) being declared void or rescinded by means of the exercise of a claw-back action, except if the insolvency administrator proves that they were entered into with fraudulent misconduct (“*en fraude de acreedores*”). In addition, the enforcement of the Pledge would not be subject to the time limit explained in the section “*Risks relating to the Spanish Insolvency Act*”.

If a Spanish court concluded that the Pledge Agreement does not fall within the scope of RDL 5/2005, (i) the creation of the Pledge and its enforcement would not benefit from the insolvency privileges described in the paragraph above; (ii) the court may conclude that the only valid secured obligation under the Pledge Agreement is an obligation to pay a cash amount; and (iii) the enforcement of the Pledge may need to be carried out through any other of the procedures that are available to the Trustee pursuant to the Pledge Agreement, namely through the sale of the pledged property in the market or in a public auction, thus with the lack of flexibility and terms of enforcement contained in the Collateral Directive, as implemented in Spain by the RDL 5/2005.

RISK FACTORS RELATING TO THE BONDS GENERALLY

Modification and waivers

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. The Conditions likewise allow Bondholders to take action on those matters by way of written resolutions. The Conditions also provide that the Trustee may, without the consent of Bondholders and without regard to the interests of particular Bondholders, agree to (i) any modification of any of the provisions of the Trust Deed or any other Transaction Document (as defined in the Conditions) or the Bonds or the Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, and any other modification to the Trust Deed or any other Transaction Document or the Bonds or the Conditions (except as

mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, or any other Transaction Document or the Bonds or the Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders; or (ii) determine without the consent of the Bondholders that any Event of Default (as defined in the Conditions) or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, in the circumstances described in Condition 20.

Change of law

The Conditions and the Transaction Documents are based on English law in effect as at the Issue Date (other than Conditions 2(c) and 2(e), and the Pledge Agreement which are governed by Spanish law and are based on Spanish law in effect as at the Issue Date). No assurance can be given as to the impact of any possible judicial decision or change to English law or Spanish law or administrative practice after the date of issue of the Bonds.

No obligation on the part of Ebro with respect to the Bonds

Ebro is not involved in the offering of the Bonds. Ebro has no obligations with respect to the Bonds or amounts to be paid to the Bondholders, including any obligation to take into consideration the needs of the Issuer, the Guarantor or the Bondholders, for any reason. Accordingly, a Bondholder can look only to the Issuer, or failing whom, the Guarantor, as the case may be, for repayment of the Bonds, payment of amounts thereunder and the exercise of Exchange Rights and Bondholders will have no recourse against Ebro in respect of the Bonds.

Risks relating to the Spanish Insolvency Act

Spanish Act 22/2003, of 9 July 2003, on Insolvency (the “**Spanish Insolvency Act**”) regulates court insolvency proceedings (*concurso de acreedores*), as opposed to out of court liquidation (which is only available when the debtor has sufficient assets to meet its liabilities), which may lead either to the restructuring of the debts of a Spanish debtor through the implementation of an agreement entered into by the creditors and the debtor or to the liquidation of its assets.

Under the Spanish Insolvency Act, a debtor is insolvent when it cannot comply with its current obligations on a regular basis or when it expects that it will shortly be unable to do so (*insolencia inminente*). Insolvency proceedings are available as a type of legal protection that the debtor may request to avoid foreclosure of its assets by its creditors. In the event of insolvency of a debtor, insolvency proceedings can be initiated either by the debtor or by its creditors. If filed by the debtor, the insolvency is deemed “voluntary” (*concurso voluntario*) and, if filed by a third party, the insolvency is deemed “mandatory” (*concurso necesario*).

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, and only in the specific circumstances contemplated by the Spanish Insolvency Act, in order to protect the interests of the debtors and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorised to handle any enforcement proceedings and related proceedings affecting the debtor's assets (whether based upon civil, labour or administrative law). Creditors holding security *in rem* are also subject to certain restrictions in their ability to initiate separate enforcement proceedings (or to continue with such proceedings, if they were being carried out), when the secured asset is necessary to the continuation of the debtor's activities. Enforcement by the creditor is subject to a waiting period ending on the earliest of (i) the approval of a company voluntary agreement (*convenio*) which does not affect the right to enforce; (ii) one (1) year has elapsed from the declaration of insolvency provided the liquidation phase has not started; or (iii) the judge conducting the insolvency proceeding declaring that the asset is not necessary for the continuation of the debtor's activities in accordance with the Spanish Insolvency Act.

A judge's insolvency order contains an express request for creditors to declare debts owed to them within one month from the publication of the declaration of insolvency in the Spanish Official Gazette (*Boletín Oficial del Estado*). Based on the documentation provided by the creditors and that held by the debtor, the insolvency administrator draws up a list of acknowledged claims and classifies them according to established categories, which are: (i) debts against the insolvency estate (*créditos contra la masa*), (ii) claims benefiting from special privileges (*créditos con privilegio especial*), (iii) claims benefiting from general privileges (*créditos con privilegio general*), (iv) ordinary claims (*créditos ordinarios*) and (v) subordinated claims (*créditos subordinados*).

The ranking of claims owed by a debtor that is the subject of Spanish insolvency proceedings is set out in the Spanish Insolvency Act. The insolvency court would not recognise any contractual ranking of claims, save in respect of claims that are, by contract, subordinated to all claims owed by the debtor. Upon the insolvency of an entity under the Spanish Insolvency Act, ordinary creditors rank ahead of subordinated creditors but behind creditors with claims benefiting from general privileges. Debts against the insolvency estate are claims that are not subject to ranking and which will be paid when due, according to their own terms and out of the insolvent company's assets (other than those attached to the claims benefiting from special privileges) with preference over any other debt. Claims benefiting from special privileges represent attachments on certain assets and are given preferential rights in respect of the underlying secured assets. It is intended that claims against the Issuer under the Bonds will be classified as claims benefiting from special privileges with regard to the pledged shares and to the extent of the value of the Pledge and ordinary claims for the rest (excluding certain claims for interest, as explained below, which will be a subordinated claim), and claims against the Guarantor under the Bonds will be classified as ordinary claims. However, certain actions or circumstances which are beyond the control of the Issuer and the Guarantor may result in these claims being classified as subordinated claims. For example, pursuant to Article 92.5 of the Spanish Insolvency Act, the claims of those parties closely related to the insolvent debtor will be classified as subordinated claims. In the case of individuals, this includes certain relatives. In the case of a legal entity, the following shall be deemed as "specially related parties" pursuant to Article 93 of the Spanish Insolvency Act:

- (1) shareholders with unlimited liability;
- (2) limited liability shareholders holding 5 per cent. or more (with respect to issuers of securities listed on a regulated market) or 10 per cent. or more (if otherwise) of the relevant debtor's share capital at the time the claim arises;
- (3) actual or shadow directors (including those who acted as such in the two years leading up to the debtor's declaration of insolvency); and
- (4) companies pertaining to the same group of companies as the debtor and their common shareholders, provided such common shareholders meet the minimum shareholding requirements set out in (2) above.

Furthermore, any person who acquires claims from any one of the above persons is also presumed to be closely related to the relevant debtor if the acquisition takes place in the two years leading up to the relevant debtor's declaration of insolvency. This presumption is rebuttable.

The claims of Bondholders under the Bonds *vis-a-vis* the Issuer or the Guarantor may, therefore, be subordinated to the extent the Bondholders are considered closely related to them as a result of the application of the provisions of the Spanish Insolvency Act. Bondholders should be aware of this subordination risk and take those precautions they consider appropriate to ensure that their claims are not subordinated.

The Spanish Insolvency Act also provides, among other things, that (i) any claim may in some circumstances become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency in the Spanish Official Gazette, (ii) actions deemed detrimental for the insolvency estate of the insolvent debtor carried out during the two-year period preceding the date of its declaration of insolvency may be set aside by means of a claw-back action (*acción de reintegración*), (iii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, (iv) accrual of interest (other than interest accruing under secured liabilities up to an amount equal to the value of the security) shall be suspended as from the date of the declaration of insolvency and any amount of interest accrued up to such date and unpaid (other than any interest accruing under secured liabilities up to an amount equal to the value of the security) shall become subordinated and (v) set-off is not permitted once a declaration of insolvency has been made, although certain financial netting agreements (for example, ISDA or CMOF) and any agreements subject to foreign law (if the relevant law permits off-setting in the event of insolvency), are exempt from such prohibition.

A substantial reform of the Spanish Insolvency Act approved in 2014 focused on pre-insolvency instruments, refinancing agreements and creditors' agreements (*convenios*). The key issues addressed by such reform are as follows:

- (1) No enforcement of security in pre-insolvency scenarios: the Spanish Insolvency Act already included a notification system for distressed companies when negotiations with creditors had been started for the purposes

of agreeing a restructuring agreement, which suspended the obligation of the insolvent company to file for insolvency for a period of four months (three months plus one month rule). A limitation was introduced on the enforcement of security over assets that are needed for the continuation of the debtor's business activity. The same restriction applies for financial creditors in respect of any asset, if 51 per cent. of the debtor's financial creditors by value have supported the start of negotiations for a restructuring agreement and committed not to initiate individual enforcements while negotiations were ongoing. Secured creditors can initiate the enforcement of security but it will be automatically suspended.

- (2) Protected restructuring agreements: protected restructuring agreements were introduced in the Spanish Insolvency Act in 2011 in order to establish a “safe harbour” for restructuring processes, so that the claw-back actions set out under the Spanish Insolvency Act did not affect them and the transactions carried out under these restructuring agreements were not subject to scrutiny and potential annulment when the company became insolvent. However their success has been limited given certain constraints previously included in the law. The reform carried out was aimed to further encourage the use of these pre-insolvency agreements.
- (3) Spanish “schemes of arrangement”: the restructuring agreements described above are designed to protect the actions carried out pursuant to them from the claw-back period upon insolvency of the company, but were only applicable to those creditors who were party to them. The amendments of the Spanish Insolvency Act approved in 2014 allow the cram-down of dissenting creditors within refinancing agreements when meeting certain requirements, mainly regarding majority thresholds.
- (4) Creditors' agreements: their content is now broader and expressly includes the ability to convert debt into equity (or any debt instrument) or the compulsory assignment of assets by way of payment. Proposals of creditors' agreements must contain proposals for write-off and/or grace periods on payment, but the limits that had applied since the Spanish Insolvency Act came into force (50 per cent. and five years, respectively) have been lifted. In exchange, qualified majorities are needed for arrangements where these limits are exceeded. In addition, it is now possible to bind secured and preferential creditors provided that a particular percentage of such creditors of the same class vote in favour of the arrangement.

The Issuer’s right to receive payments in respect of the intragroup loan to the Guarantor may be subordinated in the event of insolvency of the Guarantor.

Under the Spanish Insolvency Act, the Issuer would be a related party to the Guarantor and, accordingly, the intragroup loan would be characterised as a subordinated obligation and would be subordinated in an insolvency proceeding of the Guarantor to the Guarantor’s preferential and ordinary claims, as well as to certain other subordinated claims. Accordingly, the Issuer would not receive payments under the intragroup loan until all the Guarantor’s preferential and ordinary debts have been paid in full, thus potentially having a negative impact on the ability of the Issuer to comply with its payment obligations in respect of the Bonds.

RISK FACTORS RELATING TO THE MARKET

The secondary market generally

The Bonds will have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds.

The Global Bond will be held by or on behalf of Euroclear and Clearstream, Luxembourg

The Global Bond will be deposited with the Common Depositary. Except in certain circumstances described in the Global Bond, investors will not be entitled to receive Bonds in definitive form. Euroclear and Clearstream, Luxembourg

will maintain records of the beneficial interests in the relevant Global Bond. While the Bonds are represented by a Global Bond, investors will be able to trade their beneficial interests in such Global Bond only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by making payments to the Common Depository for Euroclear and Clearstream, Luxembourg for distribution to their Accountholders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under his or her Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds in euros and the Guarantor will make any payments under the Guarantee in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Fixed interest rate risks

Investment in fixed rate securities, including the Bonds, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

RISKS RELATING TO THE SPANISH TAX REGIME

The Issuer and the Guarantor are required to receive certain information relating to the Bonds. If such information is not received by the Issuer or the Guarantor, as the case may be, in a timely manner, the Issuer will be required to apply Spanish withholding tax to any payment of interest or income in respect of the relevant Bonds.

Royal Decree 1065/2007, as amended, provides that any payment of interest or income made under securities that comply with the requirements set forth in Spanish Law 10/2014 and which are originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country, will be made with no withholding or deduction from Spanish taxes *provided that* the relevant paying agent submits in a timely manner a certificate containing certain information about the securities to the issuer.

In the opinion of the Issuer and the Guarantor, payments in respect of the Bonds will be made without deduction or withholding of taxes in Spain *provided that* the relevant information about the Bonds is submitted to them in a timely manner by the Principal Paying, Transfer and Exchange Agent.

This information about the Bonds must be provided by the Principal Paying, Transfer and Exchange Agent to the Issuer and the Guarantor, before the close of business on the business day (as defined in the Terms and Conditions of the

Bonds) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Bonds (each a “**Payment Date**”) is due.

The Issuer, the Guarantor and the Principal Paying, Transfer and Exchange Agent have certain procedures in place to facilitate the collection of information concerning the Bonds. If, notwithstanding these procedures, the relevant information is not received by the Issuer and the Guarantor on each Payment Date, the Issuer will withhold tax at the then-applicable rate (as at the date of this Offering Memorandum, 19 per cent.) from any payment in respect of the relevant Bonds. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

The Agency Agreement provides that the Principal Paying, Transfer and Exchange Agent will, to the extent applicable, comply with the relevant procedures to deliver the required information concerning the Bonds to the Issuer and the Guarantor in a timely manner. See “*Taxation in the Kingdom of Spain — Information about the Bonds in Connection with Payments*”.

These procedures may be modified, amended or supplemented, among other reasons, to reflect a change in applicable Spanish law, regulation, ruling or an administrative interpretation thereof. Neither the Issuer nor the Guarantor assumes any responsibility thereof.

The above is without prejudice to any information obligations that the Issuer may have under general provisions of Spanish tax legislation, by virtue of which identification of Spanish tax resident investors may be required to be provided to the Spanish tax authorities.

TERMS AND CONDITIONS OF THE BONDS

The following, save for the paragraphs in italics, is the text of the Conditions of the Bonds which (subject to modification and except for the wording in italics) will be endorsed on any certificates in definitive form representing the Bonds (if issued):

1 General

(a) Description

The issue of the €[●] [●] per cent. Secured Guaranteed Exchangeable Bonds due 2023 (the “**Bonds**”) of Corporación Económica Delta, S.A. (the “**Issuer**”) and the grant of the pledge pursuant to the Pledge Agreement (as defined below) were authorised by resolutions passed by the Board of Directors of the Issuer on 24 October 2016 and by the shareholders of the Issuer acting at the Extraordinary General Meeting held on 29 August 2016. The giving of the guarantee (the “**Guarantee**”) by Sociedad Anónima Damm (the “**Guarantor**”) on the terms contained in the Trust Deed referred to below was authorised by a resolution of the Board of Directors of the Guarantor passed on 24 October 2016. The Bonds are constituted by a trust deed (as modified and/or restated from time to time in accordance with its terms) (the “**Trust Deed**”) dated 1 December 2016 and made between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the “**Trustee**”, which term shall, where the context so permits, include all other persons for the time being appointed as trustee for the Bondholders) as trustee for the Bondholders. The Issuer and the Guarantor have entered into a paying, transfer and exchange agency agreement (the “**Agency Agreement**”) dated 1 December 2016 with the Trustee, The Bank of New York Mellon (Luxembourg) S.A. as registrar, The Bank of New York Mellon, London Branch as principal paying, transfer and exchange agent and the other paying, transfer and exchange agents named therein. The registrar, the principal paying, transfer and exchange agent and the other paying, transfer and exchange agents for the time being are referred to below, respectively, as the “**Registrar**”, the “**Principal Paying, Transfer and Exchange Agent**” and the “**Paying, Transfer and Exchange Agents**” (which expression shall include the Principal Paying, Transfer and Exchange Agent and any successor).

The statements in these terms and conditions of the Bonds (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds.

The Issuer and the Guarantor have also entered into a calculation agency agreement (the “**Calculation Agency Agreement**”) dated 1 December 2016 with Conv-Ex Advisors Limited (the “**Calculation Agent**”, which expression shall include any successor as calculation agent under the Calculation Agency Agreement) whereby the Calculation Agent has been appointed to make certain calculations for the purposes of these Conditions.

Copies of the Trust Deed, the Agency Agreement, the Calculation Agency Agreement and the Pledge Agreement referred to below are available for inspection by Bondholders at the registered office of the Trustee being at the date hereof at One Canada Square, London E14 5AL, United Kingdom and at the specified office(s) of the Paying, Transfer and Exchange Agents. The Bondholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement, the Pledge Agreement and the Calculation Agency Agreement applicable to them.

Capitalised terms used but not defined in these Conditions shall have the meanings attributable to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

The Issuer, as required by Spanish law, has executed a public deed (*escritura pública*) in relation to the issue of the Bonds before a Spanish notary public. The public deed, which has been registered with the Commercial Registry of Barcelona, contains, among other information, these Conditions.

(b) Exchange

Upon an exercise of Exchange Rights as provided in these Conditions, Bondholders shall, subject to the right of the Issuer to make a Cash Election pursuant to Condition 9, be entitled to receive their respective

entitlements to the Exchange Property as provided in these Conditions. The Exchange Property initially comprises [●] ordinary shares of Ebro of €0.60 par value each as at the Issue Date (“**Ebro Shares**”).

2 **Form, Denomination, Title, Status of the Bonds and Guarantee**

(a) **Form and Denomination**

The Bonds are in registered form in the denomination of €100,000 each (the “**authorised denomination**”).

(b) **Title**

Title to the Bonds passes by transfer and registration as described in Condition 5. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, or theft or loss of it or that of the related certificate, as applicable, or anything written on it or the certificate representing it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder.

*The Bonds will on issue be represented by a global bond in registered form (the “**Global Bond**”), which will be registered in the name of the common depositary (or its nominee) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). The Global Bond will be held by a depositary for Euroclear and Clearstream, Luxembourg. Interests of participants in Euroclear and Clearstream, Luxembourg in the Bonds will be represented by book entries in the records of Euroclear and Clearstream, Luxembourg.*

Individual Bonds in respect of book-entry interests in any Bonds will not be issued in exchange for an interest in the Global Bond, except in the very limited circumstances described in the Global Bond.

Title to book-entry interests in the Bonds represented by the Global Bond will pass by book-entry registration of the transfer in the records of Euroclear or Clearstream, Luxembourg, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg.

(c) **Status of the Bonds**

The Bonds constitute direct, unsubordinated and unconditional obligations of the Issuer, secured in the manner provided in Condition 3 and in the Pledge Agreement. The Bonds rank *pari passu* without preference or priority among themselves.

(d) **Guarantee**

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all its obligations pursuant to these Conditions and the Trust Deed (the “**Guarantee**”).

(e) **Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to Condition 4(c)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations that may be preferred by provisions of law that are both mandatory and of general application.

3 **Security Arrangements**

(a) **Security**

The obligations of the Issuer under the Bonds and the Trust Deed (including any costs, expenses and liabilities the Trustee may incur in connection with the enforcement of the Security) (the “**Secured**

Obligations”) are secured in favour of the Trustee for the benefit of itself and the Bondholders (subject as provided in these Conditions and the Transaction Documents) by a first ranking financial pledge granted by the Issuer in respect of the Pledged Property pursuant to a pledge agreement (governed by Spanish law) dated on or about the Issue Date between the Issuer, the Guarantor, the Trustee and the Custodian (the “**Pledge Agreement**”).

For such purposes, on the Issue Date, the Issuer and the Guarantor have (i) duly authorised and executed the Pledge Agreement, (ii) undertaken all necessary steps to ensure that the Pledge Agreement becomes effective on the Issue Date and (iii) procured a confirmation in writing by the Custodian that the number of Ebro Shares initially comprised in the Exchange Property and constituting the initial Pledged Property are registered in the Securities Account and that the pledge over the Ebro Shares, the Securities Account and the Cash Account are registered/annotated in the Securities Account and/or in the relevant book-entry register (“*registro contable*”) and the Cash Account, as applicable, on the Issue Date pursuant to the terms of the Pledge Agreement.

The property specified above, including any and all rights, property and assets derived from the Pledged Property and together with any other property or assets held by and/or charged in favour of and/or pledged to the Trustee pursuant to the Trust Deed, the Pledge Agreement and/or any deed or document supplemental thereto is referred to in these Conditions as the “**Secured Property**” and the security created thereby, is referred to as the “**Security**”.

As soon as reasonably practicable following any change in the composition of the Exchange Property (other than the release of any Exchange Property and other cash or assets from the Security as provided in these Conditions or any of the Transaction Documents), the Issuer and the Guarantor will ensure that such further Ebro Shares and/or other Exchange Securities are credited to the Securities Account so that at all times the number of Ebro Shares and/or other Exchange Securities in the Securities Account and constituting Secured Property are sufficient to reflect any such adjustment to the Exchange Property and to enable the redemption and exchange of all the Bonds to be satisfied in full by reference to the Exchange Property per Bond from time to time.

At the Issue Date, the Secured Property comprises [●] Ebro Shares, being equal to the number of Ebro Shares comprised in the Exchange Property on the Issue Date.

(b) **Further Security**

Forthwith following any changes in the composition of the Secured Property and/or any other property that is subject of the Security (other than the release of any Exchange Property and other cash or assets from the Security as provided in these Conditions or any of the Transaction Documents), the Issuer and the Guarantor will procure that security interests are created over any such property in favour of the Trustee for the benefit of itself and the Bondholders in accordance with the provisions of the Pledge Agreement or in such other manner as may be approved by the Trustee.

(c) As used in these Conditions:

“**Cash Account**” means the cash account IBAN ES79 0128 0892 5401 0000 7841 in the name of the Issuer held with the Custodian.

“**Custodian**” means Bankinter, S.A..

“**Pledged Property**” means

- (a) the Ebro Shares registered in the Securities Account (which shall be equal to [●] Ebro Shares);
- (b) all other securities which are registered in the Securities Account from time to time as further described under the Pledge Agreement;
- (c) any and all rights, property and assets derived from the Ebro Shares and any other securities registered in the Securities Account from time to time (including without limitation any Dividends and any subscription rights) as further described under the Pledge Agreement; and

(d) all amounts standing to the credit of the Cash Account from time to time.

“**Securities Account**” means the securities account IBAN ES45 0128 0892 5300 1000 1911 in the name of the Issuer held with the Custodian and into which the [●] Ebro Shares comprised in the Exchange Property on the Issue Date and such other Exchange Securities comprising the Secured Property from time to time shall be deposited.

(d) **Release of Secured Property**

Secured Property shall be released from the Security as provided below:

- (i) Any Cash Dividend (other than to the extent comprising a Capital Distribution) standing to the credit of the Cash Account, for delivery to the Issuer and which the Issuer shall be entitled to retain;
- (ii) Exchange Property required to be delivered to a Bondholder on the exercise of Exchange Rights, for delivery to such Bondholder;
- (iii) Exchange Property required to be delivered to a Bondholder on the exercise of the Share Settlement Option by the Issuer, for delivery to such Bondholder;
- (iv) Exchange Securities or other securities or options, warrants or rights comprised in the Exchange Property for the purposes of enabling compliance with the provisions of Condition 12(b)(ii);
- (v) securities and/or cash amounts comprised in the Exchange Property for the purpose of compliance by the Issuer with its obligations, and carrying out its rights, under Condition 12(c);
- (vi) Equity Shares comprising Exchange Property for the purposes of acceptance by the Issuer of an Offer or participation in a scheme of arrangement, in each case in respect of such Equity Shares, subject to and in accordance with Condition 13;
- (vii) upon payment of the Cash Alternative Amount pursuant to these Conditions on the exercise of Exchange Rights, the Exchange Property that in the absence of the exercise of the Cash Election, would have been required to be delivered to the relevant Bondholder in respect of the relevant Bonds (all as determined by the Calculation Agent), which the Issuer shall be entitled to retain;
- (viii) the Exchange Property per Bond as at the date of cancellation in respect of Bonds purchased and cancelled pursuant to Conditions 14(f) and (g), which the Issuer shall be entitled to retain; and
- (ix) the Exchange Property per Bond as at the Optional Redemption Date, the Tax Redemption Date, the Optional Put Date or, as the case may be, the Put Date in respect of Bonds redeemed by the Issuer pursuant to Condition 14(b), (c) or (d), which the Issuer shall be entitled to retain.

(e) **Enforcement of Security**

The Pledge Agreement and the enforcement of the pledge thereunder are each subject to Spanish law. As at the date of this document, there is no case law in the Kingdom of Spain of which the Issuer is aware as regards the enforcement of a pledge in a bond issue and, in particular, enforcement pursuant to the provisions of Royal Decree-law 5/2005, of 11 March 2005, on urgent measures to promote productivity, which implemented in the Kingdom of Spain the EU Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements.

The Security over the Secured Property shall become enforceable if the Trustee shall have given an Acceleration Notice to the Issuer as provided in Condition 18.

If the Security becomes enforceable, the Trustee may at its discretion and without further notice or formality and shall, if so requested in writing by Bondholders holding at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) enforce all or any of the Security. The Trustee shall be obliged to act on the first such request or direction received pursuant to this Condition 3(e) and shall have no liability to any person for so doing. To do this, the Trustee may at its discretion

appoint a receiver to take possession of and realise all or any part of the Secured Property and/or take any step, action or proceedings against any person in respect of all or any part of the Secured Property and/or the Agency Agreement and/or in respect of any rights in relation to the Pledge Agreement and/or the Cash Account and/or the Securities Account and take any step, action or proceedings provided for in or pursuant, and/or subject to, the Transaction Documents, but without any liability to any person as to the consequences of such step, action or proceedings and without having regard to the effect of such step, action or proceedings on the Issuer or the Guarantor or individual Bondholders, and provided that the Trustee shall not be required to take any, step, action or proceedings without first being indemnified and/or secured and/or prefunded to its satisfaction.

Pursuant to the Trust Deed, the Trustee shall apply all moneys or other property received by it under the Transaction Documents in connection with the realisation or enforcement of the Secured Property on trust to apply them as follows:

- (i) first, in payment or satisfaction of the liabilities incurred by, and the fees, costs, charges and expenses properly incurred by or payable to, the Trustee or any receiver or agent or other Appointee of the Trustee in preparing, executing and performing the trusts constituted by and in carrying out or exercising its rights, powers, duties, authorities and functions under the Trust Deed and/or the other Transaction Documents (including holding and enforcing the Security and including any taxes imposed on the Trustee in connection with the preparation, execution and performance of the trusts constituted by and its rights, powers, duties, obligation, authorities and functions under the Trust Deed and/or the other Transaction Documents, the costs of realising any Secured Property and the remuneration and other amounts payable to the Trustee under the Trust Deed and/or the other Transaction Documents and any receiver or any agent or other Appointee appointed by it under the Trust Deed and the other Transaction Documents);
- (ii) secondly, in or towards payment or discharge or satisfaction, *pari passu* of all amounts due, incurred by, or payable to, (A) the Custodian under the Pledge Agreement; (B) each Paying, Transfer and Exchange Agent and the Registrar under the Agency Agreement, including in any such case any fees, costs, charges, expenses and liabilities incurred by or payable to them or any of them under the Agency Agreement; (C) to the Calculation Agent under the Calculation Agency Agreement, any fees, costs, charges, expenses and liabilities incurred by or payable to it under the Calculation Agency Agreement;
- (iii) thirdly, in or towards payment or discharge or satisfaction *pari passu* of all amounts due and obligations to the Bondholders in respect of the Bonds and pursuant to the Trust Deed; and
- (iv) fourth, in payment and/or delivery of any balance to the Issuer.

4 **Covenants, Undertaking and Negative Pledge**

(a) **Covenants**

So long as any Bond remains outstanding (as defined in the Trust Deed), save with the prior written consent of the Trustee or as approved by any Extraordinary Resolution of the Bondholders or pursuant to, or as expressly permitted in, any of the Transaction Documents:

- (i) the Issuer will not:
 - (1) create or permit to subsist any mortgage, pledge, lien, security interest, charge or encumbrance or any arrangement having a like or similar effect (a “**Security Interest**”) upon all or any of the Secured Property;
 - (2) transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of the Secured Property except where the sale is expressly made conditional upon prior satisfaction in full of the Secured Obligations and

provided the same does not constitute or give rise to a Security Interest or any other proprietary or similar rights over or in respect of all or any of the Secured Property; and

- (3) permit any of the Transaction Documents to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise of any powers of consent or waiver pursuant to any of the Transaction Documents, or permit any party to any of the Transaction Documents or any other person whose obligations form part of the security to be released from such obligations;

(ii) the Issuer shall procure that:

- (1) the Ebro Shares and all other securities from time to time constituting Exchange Property are delivered to, and/or held on behalf of, the Custodian and credited to the Securities Account; and
- (2) all cash amounts received by it in respect of the Exchange Property are credited to the Cash Account,

in each case subject to the terms of the Pledge Agreement and subject to the security constituted by the Trust Deed; and

(iii) the Guarantor will hold, own and control at least 50.01 per cent. of the issued and outstanding shares in the capital of the Issuer.

In giving any consent to the foregoing, the Trustee may require the Issuer and the Guarantor to make such modifications or additions to the provisions of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Bondholders.

(b) Undertaking

- (i) Each of the Issuer and the Guarantor undertakes to use all reasonable endeavours to obtain, by no later than 90 days following the Issue Date and thereafter maintain, the admission to trading of the Bonds on the Open Market (*Freiverkehr*) segment of the Frankfurt Stock Exchange or such other internationally recognised, regularly operating, stock exchange or securities market which complies with the requirements of Article 2(e) of the first additional provision of Law 10/2014 (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) as of the date hereof (and as amended from time to time following the date hereof) such that the issue of the Bonds is eligible for the application of the tax regime established therein as the Issuer and the Guarantor may determine, and the Issuer and the Guarantor will forthwith give notice to the Bondholders in accordance with Condition 22 (other than any initial admission to trading on the Open Market (*Freiverkehr*) segment of the Frankfurt Stock Exchange) of the listing or delisting of the Bonds by any of such stock exchanges or securities markets.
- (ii) If the appointment of an Independent Adviser is required by these Conditions or if these Conditions relate to any matter to be determined by an Independent Adviser, the Issuer and the Guarantor shall procure that the relevant appointment is made as soon as practicable (at the Issuer's expense, failing whom at the expense of the Guarantor) and, in any event, in time to enable the proper operation of the relevant provisions of these Conditions.

(c) Negative Pledge

So long as any of the Bonds remain outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to subsist, and the Guarantor will ensure that none of its Material Subsidiaries will create or permit to subsist, any mortgage, charge, lien, pledge or other form of encumbrance or security interest (each a "**Security Interest**") upon the whole or any part of its present or future property or assets (including any uncalled capital) to secure any Relevant Indebtedness or any guarantee of or indemnity in respect of any Relevant Indebtedness unless in any such case, before or at the

same time as the creation of the Security Interest, any and all action necessary shall have been taken to ensure that:

- (i) all amounts payable by, and all other obligations of, the Issuer or the Guarantor in respect of the Bonds are secured equally and rateably with the Relevant Indebtedness or guarantee or indemnity, as the case may be; or
- (ii) such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by, and other obligations of, the Issuer or the Guarantor in respect of the Bonds as the Trustee shall in its absolute discretion deem not materially prejudicial to the interests of Bondholders or as shall be approved by an Extraordinary Resolution of Bondholders.

5 **Registration and Transfer of Bonds**

(a) **Registration**

The Issuer will cause a register (the “**Register**”) to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and exchanges of Bonds.

(b) **Transfer**

Bonds may, subject to the terms of the Agency Agreement and to Conditions 5(c) and 5(d), be transferred in an authorised denomination (or integral multiples thereof) by lodging the certificate in respect of the relevant Bond(s) (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Exchange Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days, in the place of the specified office of the Registrar, of any duly made application for the transfer of a Bond, register the relevant transfer and deliver a new certificate in respect of that Bond to the transferee (and, in the case of a transfer of part only of a Bondholder’s aggregate holding, deliver a certificate for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) **Formalities Free of Charge**

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar (and as initially set out in the Agency Agreement).

(d) **Closed Periods**

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (i) during the period of 15 days ending on and including the day immediately prior to the Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 14(b) or 14(c); (ii) in respect of which an Exchange Notice has been delivered in accordance with Condition 8; or (iii) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the Bonds; or (iv) in respect of which the holder has exercised its right to require redemption pursuant to Condition 14(d).

6 Interest

(a) Fixed Rate Interest

Each Bond bears interest on its principal amount at the rate of [●] per cent. per annum (the “**Fixed Interest Rate**”), payable semi-annually in arrear in equal instalments on 1 June and 1 December of each year (each a “**Fixed Interest Payment Date**”) commencing on 1 June 2017. The amount of fixed rate interest payable in respect of each Bond in the principal amount of €100,000 on each Fixed Interest Payment Date is €[●] (the “**Fixed Interest Amount**”).

The period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Interest Payment Date, and each successive period beginning on (and including) a Fixed Interest Payment Date and ending on (but excluding) the next successive Fixed Interest Payment Date, is called a “**Fixed Interest Period**”.

The amount of interest payable in respect of any period which is not a Fixed Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days in the Fixed Interest Period in which the relevant period falls and the number of Fixed Interest Periods normally ending in any year.

(b) Accrual of Interest

Each Bond will cease to bear interest (1) where the Exchange Right shall have been exercised in respect thereof, from, and including, the Fixed Interest Payment Date immediately preceding the relevant Exchange Date or, if none, the Issue Date (subject in any such case as provided in Condition 6(c)) or (2) where such Bond is redeemed or repaid pursuant to Condition 14 or Condition 18, from, and including, the due date for redemption or repayment unless, upon due presentation thereof, payment of the full amount due is improperly withheld or refused, or, following any election by the Issuer to exercise the Share Settlement Option, the Issuer fails duly to perform its obligations to deliver the Relevant Exchange Property and make payment of the Cash Settlement Amount (if any) in accordance with Condition 14(h), in which event such Bond shall continue to bear interest at the Fixed Interest Rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (b) the day seven days after the Trustee or the Principal Paying, Transfer and Exchange Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is any subsequent default in payment to the relevant Bondholder) or, as the case may be, until such delivery of the Relevant Exchange Property and payment of the Cash Settlement Amount (if any) shall have been made in accordance with Condition 14(h).

(c) Interest on Exchange prior to Early Redemption

If:

- (i) any notice requiring the redemption of the Bonds is given pursuant to Condition 14(b) or (c) on or after (or within 15 days before) the record date or other due date for the establishment of entitlement in respect of any dividend, distribution or interest payable in respect of the Ebro Shares (or other Exchange Securities comprising more than one quarter of the Value of the Exchange Property on such date);
- (ii) such notice specifies a date for redemption falling on or before (or within 14 days after) the Fixed Interest Payment Date next following such record date; and
- (iii) the Exchange Date in respect of any Bond which is the subject of any such notice (a “**Relevant Bond**”) falls after such record date or other due date for the establishment of entitlement in respect of any such dividend, distribution or interest and on or before the Fixed Interest Payment Date next following such record date or other due date for the establishment of entitlement in respect of any such dividend, distribution or interest,

then interest shall accrue on each Relevant Bond at the Fixed Interest Rate from, and including, the preceding Fixed Interest Payment Date (or, if the relevant Exchange Date falls on or before the first Fixed Interest Payment Date, from, and including the Issue Date) to, but excluding, the relevant Exchange Date.

Any such interest shall be paid by the Issuer not later than 14 days after the relevant Exchange Date by transfer to a euro account with a bank in a city in which banks have access to the TARGET System in accordance with instructions given by the relevant Bondholder in the relevant Exchange Notice.

7 Exchange Rights and Exchange Period

(a) Exchange Rights

Subject to the right of the Issuer to make a Cash Election, each Bondholder shall have the right to exercise its option to exchange all or any of its Bonds for the Exchange Property per Bond as at the relevant Exchange Date. Such exchange of a Bond for the Exchange Property per Bond (and/or, as the case may be, for payment of the Cash Alternative Amount) is referred to herein as an “**exchange**” and the right of a Bondholder to exercise its right to require an exchange is herein referred to as the “**Exchange Right**”. Upon exercise of Exchange Rights, the Issuer shall (subject to the right of the Issuer to make a Cash Election) deliver or procure the delivery of the relevant Exchange Property per Bond as provided in these Conditions.

Other than where a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, upon a due exercise of Exchange Rights the relevant Bondholder shall be entitled to receive the Exchange Property per Bond calculated by the Calculation Agent as at the relevant Exchange Date.

(b) Exchange Period

(i) Subject to applicable law and as provided in Condition 7(b)(ii) and save as provided in these Conditions, the Exchange Right relating to any Bond may be exercised by the holder thereof, at any time during the period from (and including) 11 January 2017 up to (and including) the close of business (at the place where the Bond is deposited for exchange) on the date which falls 50 days prior to the Maturity Date or if such Bond is to be redeemed at the option of the Issuer pursuant to Condition 14(b) or 14(c) prior to the Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the date which falls 10 days prior to the date fixed for redemption thereof, unless there shall be default in making payment in respect of such Bond on such date fixed for redemption, in which event the Exchange Right shall extend (the “**Extension Period**”) up to (and including) the close of business (at the place aforesaid) on the later of the date on which the full amount of such payment has been received by the Trustee or the Principal Paying, Transfer and Exchange Agent and the date when notice thereof has been duly given to the Bondholders in accordance with Condition 22 or, if earlier, the Maturity Date, provided that, in each case, if such final date for the exercise of Exchange Rights is not a business day at the place aforesaid, then the period for exercise of Exchange Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Exchange Rights may not be exercised in respect of a Bond where the holder shall have exercised its right to require redemption pursuant to Condition 14(d) unless there is default by the Issuer in redeeming the relevant Bonds. In such circumstances Exchange Rights in respect of such Bond shall extend for the Extension Period in the manner *mutatis mutandis* prescribed in this Condition 7(b)(i).

- (ii) Exchange Rights may not be exercised by Bondholders following the giving of an Acceleration Notice pursuant to Condition 18(b).
- (iii) The period during which Bondholders shall be entitled to exercise Exchange Rights pursuant to these Conditions is referred to as the “**Exchange Period**”.

8 Procedure for exercising Exchange Rights

Subject to the provisions of this Condition 8, each Bondholder may exercise Exchange Rights pursuant to Condition 7 by delivering the certificate in respect of the relevant Bond or Bonds together with a duly executed exchange notice in, or substantially in, the form set forth in the Agency Agreement (each an “**Exchange Notice**”) to the specified office of any Paying, Transfer and Exchange Agent.

The Exchange Notice will be considered to be delivered on the Barcelona business day immediately following the date on which the certificate in respect of the relevant Bond or Bonds and the Exchange Notice is delivered to the specified office of the relevant Paying, Transfer and Exchange Agent, provided that if any such notice is delivered after 14.00 hours on a business day in the city where the relevant Paying, Transfer and Exchange Agent’s specified office is located or is delivered on a day which is not a business day in such place, the relevant Exchange Notice shall be deemed to be delivered on the next following business day in such place. The date on which such Exchange Notice shall have so been delivered (or deemed to be delivered) shall be the “**Exchange Date**”.

The Exchange Notice shall:

- (i) specify the name and address of the Bondholder;
- (ii) specify the number and aggregate principal amount of Bonds being exchanged;
- (iii) specify the Bondholder’s account at Euroclear or Clearstream, Luxembourg to be debited with such Bonds, and contain an irrevocable authorisation to Euroclear or Clearstream, Luxembourg to effect such debit;
- (iv) contain a representation and warranty from the Bondholder that the Bonds to be exchanged are owned by it (or a person for whose account it holds the Bonds) free from all liens, charges, encumbrances and other third party rights;
- (v) specify in the case of Exchange Property comprising securities, the number and account name of the security account(s) at Iberclear, Euroclear, Clearstream, Luxembourg or such other clearing system through which such securities are cleared and which is to be credited with any such Exchange Property or, in the case of any securities comprised in the Exchange Property that are not cleared through a clearing system, the address to which any Exchange Securities are to be sent, uninsured and at the risk of the relevant Bondholder;
- (vi) specify a euro account with a bank in a city in which banks have access to the TARGET System to which any Exchange Property comprising cash in euros, and to which any Cash Alternative Amount and any other amount payable by the Issuer in euro, is to be paid by or on behalf of the Issuer;
- (vii) if any amounts are payable by the Issuer in a currency other than euro, specify an appropriate account;
- (viii) contain a representation and warranty from the Bondholder that, at the time of signing and delivery of the Exchange Notice, (A) it is not a “U.S. person” within the meaning of Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), (B) it understands that the Ebro Shares and/or any other part of the Exchange Property to be transferred upon redemption of the Bonds have not been registered under the Securities Act and (C) it is located outside the United States (within the meaning of Regulation S), is acquiring the Ebro Shares and/or any other part of the Exchange Property to be transferred upon redemption of the Bonds in an “offshore transaction” (as defined in Regulation S) in accordance with Rule 903 or 904 of Regulation S and understands that the Ebro Shares and/or any other part of the Exchange Property may not be delivered within the United States upon redemption of the Bonds and may not be resold in the United States except pursuant to an exemption from the registration requirements of the Securities Act; and
- (ix) contain an authorisation from the Bondholder authorising the production of such Exchange Notice in any applicable administrative or legal proceedings.

Exchange Rights may only be exercised in respect of an authorised denomination or integral multiples thereof. Where Exchange Rights are exercised in respect of some only of the Bonds represented by a single certificate, the old certificate shall be cancelled and a new certificate for the balance thereof shall be issued in lieu thereof without charge but upon payment by the holder of any taxes, duties and other governmental charges payable in connection therewith and the Registrar will within seven business days, in the place of the specified office of the Registrar, following the relevant Settlement Date deliver such new certificate to the relevant Bondholder at the specified office of the Registrar or (at the risk and, if mailed at the request of the Bondholder otherwise than by ordinary mail, at the expense of the Bondholder) mail the new certificate by uninsured mail to such address as the Bondholder may request.

Once delivered to a Paying, Transfer and Exchange Agent, an Exchange Notice will be irrevocable. Any determination as to whether any purported Exchange Notice has been duly completed and properly delivered shall be made by the relevant Paying, Transfer and Exchange Agent and shall, save in the case of a manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Paying, Transfer and Exchange Agents and the relevant Bondholder.

9 **Cash Alternative Election**

In the case of an Exercise of Exchange Rights by a Bondholder and provided that an Event of Default or Potential Event of Default shall not have occurred and be continuing, the Issuer may make an election (a “**Cash Election**”), by giving notice (a “**Cash Election Notice**”) to the relevant Bondholder by no later than the Cash Election Exercise Date to satisfy all or part of its obligation to deliver Exchange Property in respect of the Bonds on such exercise of Exchange Rights by making payment, or procuring that payment is made, to the relevant Bondholder or Bondholders of the Cash Alternative Amount in respect of the Exchange Property specified in the relevant Cash Election Notice as being the Cash Settled Exchange Property. Where the Cash Settled Exchange Property is less than the Reference Exchange Property in respect of the relevant exercise of Exchange Rights, the Issuer shall deliver such Exchange Property as is equal to the Reference Exchange Property minus the Cash Settled Exchange Property, as provided in these Conditions, together with any other amounts payable by the Issuer to such Bondholder or Bondholders pursuant to these Conditions in respect of, or relating to, the relevant exercise of Exchange Rights.

A Cash Election Notice shall be irrevocable and shall be given to the relevant Bondholder to the address specified in the relevant Exchange Notice or (if a fax number or email address is provided in the relevant Exchange Notice) to the fax number or email address as provided in the relevant Exchange Notice and to the Principal Paying, Transfer and Exchange Agent, the Trustee and the Calculation Agent.

A Cash Election Notice shall specify the Reference Exchange Property and the Cash Settled Exchange Property (which shall be equal to or less than the Reference Exchange Property).

All Bondholders shall be treated equally where the Exchange Date falls on the same date and if a Cash Election is made in respect of any such exercise of Exchange Rights, the same Cash Election shall be made in respect of all exercise of Exchange Rights with the same Exchange Date.

The Issuer will pay to each relevant Bondholder its Cash Alternative Amount, together with any other amount as aforesaid, by no later than the Cash Alternative Payment Date by transfer to a euro account maintained with a bank in a city in which banks have access to the TARGET System in accordance with instructions contained in the relevant Exchange Notice delivered by such Bondholder.

For the purposes of these Conditions:

“**Cash Alternative Payment Date**” means the date falling 5 TARGET Business Days after the last day of the Cash Alternative Calculation Period.

“**Cash Election Exercise Date**” means, in respect of an exercise of Exchange Rights by a Bondholder, the fifth Barcelona business day following the relevant Exchange Date.

“**Cash Settled Exchange Property**” means, in respect of an exercise of Exchange Rights by a Bondholder, such Exchange Property (which shall be a whole number of the relevant unit of property and shall not exceed the

Reference Exchange Property in respect of such exercise) as determined by the Issuer and notified to the relevant Bondholders in the relevant Cash Election Notice.

“**Reference Exchange Property**” means, in respect of the exercise of Exchange Rights by a Bondholder, the aggregate of the Exchange Property per Bond as at the relevant Exchange Date in respect of the Bonds the subject of such exercise.

10 Settlement

(a) Exchange Expenses

The Issuer (failing whom, the Guarantor) will pay any stamp, registration, documentary, transfer or other similar taxes or duties (including penalties) arising on the transfer or delivery of any Exchange Property to or to the order of a Bondholder pursuant to an exercise of Exchange Rights which are payable or imposed in the Kingdom of Spain and/or the jurisdiction in which the relevant Exchange Property is situated (and for this purpose any securities in registered form comprising Exchange Property shall be deemed to be situated in the jurisdiction in which the register (or in the case of more than one register, the principal register) on which title to and transfers of such securities are recorded or maintained is located) or imposed or payable by virtue of the place of incorporation, domicile or tax residence of the issuer of any Exchange Securities comprised in the relevant Exchange Property per Bond, and all other costs, fees and expenses in connection with the transfer or delivery of Exchange Property on exercise of Exchange Rights, including the costs, fees and expenses of any custodian, depository, agent or other entity facilitating the relevant transfer or delivery (together “**Exchange Expenses**”).

Subject to the above, a Bondholder exercising Exchange Rights must pay directly to the relevant authorities any other taxes and capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) arising in any jurisdiction not mentioned above on exchange and/or on the transfer, delivery or other disposition of Exchange Property arising on exercise of Exchange Rights or, as the case may be, on exercise of the Share Settlement Option.

If the Issuer or the Guarantor shall fail to pay any Exchange Expenses for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer and the Guarantor, as a separate and independent stipulation, jointly and severally covenant to reimburse each such Bondholder in respect of the payment of such Exchange Expenses and any penalties payable in respect thereof.

Neither the Trustee, the Registrar nor any Paying, Transfer and Exchange Agent shall be responsible for determining whether any Exchange Expenses are payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer or the Guarantor to pay such Exchange Expenses.

(b) Delivery of Exchange Property

Save in respect of any Exchange Property in respect of which a Cash Election has been made, the Issuer shall cause the Exchange Property per Bond (or, as the case may be, portion thereof in the case of a partial Cash Election as aforesaid) due in respect of all Bonds the subject of an exercise of Exchange Rights, to be transferred or delivered to the relevant Bondholders on or before the relevant Settlement Date (subject as provided in these Conditions) as follows:

- (1) in respect of Ebro Shares or other Exchange Securities deliverable through Iberclear, by delivery through Iberclear to the account specified in the relevant Exchange Notice;
- (2) in respect of other Exchange Securities that are deliverable through a clearing system (other than Iberclear), by delivery through that clearing system to the account specified in the relevant Exchange Notice;
- (3) in respect of Exchange Securities not falling within (1) or (2) above, procure that forms of transfer and certificates (if certificates for such Exchange Securities are then generally being issued) together with all other documents of title and evidence of ownership and all other documents necessary to

transfer or evidence the transfer of or entitlement to such Exchange Securities will be despatched by mail, and free of charge (but uninsured and at the risk of the person entitled thereto) to such address, subject to applicable securities laws, as the Bondholder may specify in the relevant Exchange Notice; and

- (4) procure that such documents of title and evidence of ownership of any other Exchange Property to be delivered in respect of the relevant exercise of Exchange Rights shall be despatched and that payment of any part of the Exchange Property comprising cash to be delivered in respect of such Exchange (converted if necessary into euros at the Relevant Rate on the relevant Exchange Date) shall be made, in each case in accordance with directions given by the relevant Bondholder in the relevant Exchange Notice.

Notwithstanding the above, if Iberclear or, as the case may be, the relevant clearing system through which delivery of Ebro Shares or other Exchange Property is to be made as provided above, has been closed for a continuous period of two or more days (excluding Saturdays and Sundays and save by reason of holidays, statutory or otherwise) in the period between the relevant Exchange Date and the relevant Settlement Date, the Issuer will notify the relevant Bondholder in accordance with Condition 22 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) and the date for such delivery shall be the later of the Settlement Date and the earliest practicable date on which the relevant Exchange Property may be delivered by or through Iberclear or, as the case may be, the relevant clearing system.

If the Exchange Property has changed in whole or in part as a result of acceptance of an Offer or as a result of the compulsory acquisition of any Exchange Securities, in each case as provided in Condition 13, then the Issuer will deliver the relevant Exchange Property due to Bondholders as soon as reasonably practicable.

11 Miscellaneous Provisions

(a) Settlement Disruption Event

If delivery of any Exchange Securities is required under the Conditions and a Settlement Disruption Event occurs on the relevant Settlement Date, and delivery of any Exchange Securities cannot be effected on such Settlement Date, then solely for purposes of this Condition 11(a), such Settlement Date will be postponed until the first succeeding calendar day on which delivery can take place through a national or international settlement system or in any other commercially reasonable manner. “**Settlement Disruption Event**” means an event beyond the control of the Issuer as a result of which any relevant central securities depository or clearing system cannot settle the book-entry transfer of such Exchange Securities on such date.

(b) Exchange Property Record Date

- (1) Unless a Cash Election is made and in respect of the Exchange Property to which such Cash Election relates, a Bondholder shall upon exchange of each Bond, be deemed as between it and the Issuer to be, on the relevant Exchange Date the holder of record of all Exchange Securities and/or the owner of any other property or assets included in the Exchange Property and comprised in the Exchange Property per Bond due to be delivered or transferred to such Bondholder, and in each case shall be, subject as provided herein, entitled to receive all dividends, interest and other income payments and distributions and rights in respect thereof declared paid, made or granted by reference to a record date or other due date for the establishment of entitlement in respect thereof falling on or after such Exchange Date.

Subject as provided herein, the Exchange Property delivered in respect of an exercise of Exchange Rights shall not include any dividends, interest or other income payments and distributions and rights thereon or in respect thereof declared, paid, made or granted by reference to a record date or other due date for the establishment of the relevant entitlement falling prior to the relevant Exchange Date.

- (2) Without prejudice to Condition 9, if:
- (A) the relevant Exchange Date in respect of any Bond shall be on or after the date of any public announcement affecting the composition of any part of the Exchange Property (other than Ebro Shares or other securities in registered form (“**Registered Securities**”) in circumstances where the relevant entitlement is determined by reference to a record date or other date for establishment by entitlement in respect thereof), but before the date on which such change is effective; or
 - (B) the relevant Exchange Date in respect of any Bond shall be on or after the record date or other due date for the establishment of the relevant entitlement in respect of any Adjustment Event in respect of any Registered Securities comprising Exchange Property but before the date on which the relevant adjustment of the Exchange Property becomes effective; or
 - (C) the relevant Exchange Date in respect of any Bond shall be before the record date or other due date for the establishment of the relevant entitlement in respect of any Adjustment Event in respect of any Registered Securities comprising Exchange Property in circumstances where the Registration Date in respect of such Registered Securities is after such record date or other due date for the establishment of the relevant entitlement and the relevant Bondholder would not otherwise receive the relevant entitlement but the Issuer has received or is entitled to receive such entitlement,

then (unless the Issuer is able to confer on or deliver to the relevant Bondholder such entitlement to or in respect of the Additional Exchange Property and other than where a Cash Election applies to the relevant exercise of Exchange Rights and in respect of the Exchange Property to which such Cash Election relates) the relevant Bondholder, on exchange of Bonds, shall be entitled to receive, in respect of the relevant exercise of Exchange Rights, such pro rata amount or, as the case may be, further pro rata amount, of the Exchange Property (“**Additional Exchange Property**”) as would have been receivable by it had the relevant Exchange Date occurred immediately after the date on which such change in the composition of the Exchange Property or adjustment of the Exchange Property became effective or, as the case may be, had the relevant Registration Date in respect of such Registered Securities been immediately before such record date or other due date for establishment of entitlement, all as determined by the Calculation Agent, and the Issuer will deliver, or procure the delivery of, such Additional Exchange Property to the relevant Bondholders in accordance with instructions contained in the relevant Exchange Notice as soon as reasonably practicable following the relevant adjustment to the Exchange Property.

- (3) If the record date or other due date for the establishment of the relevant entitlement for the payment of any dividend, interest or other income, payment or distribution or rights on or in respect of such Exchange Property falls on or after the relevant Exchange Date but before the relevant Settlement Date (or any other date from which the relevant Bondholder or person designated in the relevant Exchange Notice is treated as the owner of, or entitled to all rights and entitlement to, such Exchange Property) with the effect that the relevant Bondholder or such person is not entitled to such Dividend, interest or other income, payment or distribution or rights, the Issuer will (unless it is able to confer on or deliver to the relevant Bondholder or such person an irrevocable entitlement to receive such Dividend, interest or other income, or distribution or rights or unless and to the extent that the same is taken into account for the purposes of Condition 11(b)(2) relating to entitlement to Additional Exchange Property):
- (a) (in the case of a dividend in cash) pay, or procure the payment to, the relevant Bondholder in lieu thereof, an amount equal to the amount of any such Dividend in cash in respect of the Exchange Property to which the relevant Bondholder is entitled, all as determined by the Calculation Agent and converted (if not in euros) into euros at the Relevant Rate on the date of receipt thereof by the Issuer (the “**Equivalent Amount**”). The Issuer will pay the Equivalent Amount, or procure that it is paid, to the relevant Bondholder to the account

designated in the relevant Exchange Notice as by whichever is the later of (1) 10 TARGET Business Days after the date of receipt of the relevant Dividend in cash and (2) the relevant Settlement Date to such account as is specified in the relevant Exchange Notice; and

- (b) (in the case of Non-Cash Dividends, or other income or distributions or rights to be satisfied or made otherwise than in cash (a “**Non-Cash Amount**”)) deliver, or procure the delivery of, the same to the relevant Bondholder no later than 10 TARGET Business Days after whichever is the later of (1) the date the relevant Non Cash Amount is received by the Issuer and (2) the relevant Settlement Date.

For the purposes of the above, if the Issuer is entitled to choose whether to receive the relevant entitlement in the form of a cash amount or otherwise than in cash, the entitlement shall be treated as being paid or made in cash, and accordingly the provision of (a) above shall apply.

(c) **Reduction in Exchange Property**

Upon delivery of the full amount of the Exchange Property required to be delivered and/or payment of the Cash Alternative Amount pursuant to these Conditions on an exercise of Exchange Rights or upon any redemption or purchase and cancellation of the Bonds, the Exchange Property per Bond (determined as at the date for determining the Exchange Property per Bond in respect of the relevant exercise of Exchange Rights or, in the case of a redemption of the Bonds, as at the relevant Optional Redemption Date, Tax Redemption Date, Optional Put Date or Put Date (as the case may be) or, in the case of a purchase and cancellation, as at the date of cancellation of the relevant Bonds) in respect of the relevant Bonds (all as determined by the Calculation Agent) shall cease to be part of the Exchange Property and the Exchange Property shall be reduced accordingly.

(d) **No Charges**

Neither the Issuer, the Guarantor nor any Paying, Transfer and Exchange Agent will impose any charge on Bondholders on the exercise of Exchange Rights.

(e) **Fractions Arising on Exchange**

No fraction of an Exchange Security or any other property comprising the Exchange Property which is not divisible shall be delivered on exchange of the Bonds and no payment will be made to Bondholders in respect of any such fraction, and any such fraction will be rounded down to the nearest whole multiple of an Exchange Security or unit of any such other property. The Exchange Property and/or any Cash Alternative Amount to be delivered to any Bondholder shall, for the purposes of determining whether any fractional Exchange Property arises, be calculated by the Calculation Agent on the basis of the aggregate number of Bonds in respect of which Exchange Rights shall have been exercised by such Bondholder pursuant to the relevant Exchange Notice.

12 **Exchange Property Adjustments**

The following provisions shall govern the composition of the Exchange Property as of any date of determination. If at any time the Exchange Property falls to be adjusted pursuant to Condition 12(b) or Condition 12(c), the Calculation Agent shall determine what adjustment (if any) shall be made in accordance with the provisions of this Condition 12.

(a) **Initial Exchange Property**

The “**Exchange Property**” as at the Issue Date comprises [●] Ebro Shares, and shall from time to time include such other Exchange Securities and other property as may be deemed or required to comprise all or part of the Exchange Property pursuant to these Conditions, but excluding any such property as may be deemed to have ceased to form part of the Exchange Property and excluding any Cash Dividend to the extent not constituting a Capital Distribution and excluding any other income and other benefits, rights and entitlements derived from the Exchange Property except to the extent forming or to form part of or giving rise to an adjustment to the Exchange Property pursuant to these Conditions.

The Exchange Property is subject to adjustment in accordance with Condition 12(b) and 12(c).

All Exchange Property transferred or delivered upon exercise of Exchange Rights shall be transferred or delivered with full title guarantee and free from any and all security interests or other adverse interests.

Based on the initial Exchange Property as at the Issue Date as aforesaid, the Exchange Property per Bond as at the Issue Date is [●] Ebro Shares.

(b) **Adjustment Events**

The composition of the Exchange Property will be adjusted as follows under the following circumstances (an “**Adjustment Event**”):

(i) *Sub-division, Consolidation or Reclassification*

If any Exchange Securities comprising the Exchange Property shall be sub-divided or consolidated, re-classified or redenominated or in any other manner have their par value changed (“**Sub-division, Consolidation or Redenomination**”) then the securities resulting from such Sub-division, Consolidation or Redenomination so far as attributable to the Exchange Property, shall be included in the Exchange Property with effect from the date such Sub-division, Consolidation or Redenomination takes effect.

(ii) *Rights Issues*

If further Exchange Securities or other securities, or options, warrants or rights to subscribe or purchase further Exchange Securities (or any of them) or other securities, shall be offered by way of rights to holders of Exchange Securities (or any of them) or other securities comprising the Exchange Property (a “**Rights Issue**”), then:

- (a) if such rights are capable of being publicly traded and can be sold by the Issuer under applicable law and/or the terms of the Rights Issue), by not later than the latest day for accepting or taking up any such rights (the “**Election Date**”), the Issuer may elect either:
 - (A) to procure on an arm’s length basis in good faith the sale by a reputable independent broker or investment bank with appropriate expertise selected by the Issuer (which may be the Custodian) of sufficient rights to enable the whole of the balance of such rights to be taken up and procure the application of the proceeds of sale, after the deduction of Permitted Expenses in the taking up of such rights (with any excess proceeds of sale being added to and forming part of the Exchange Property); or
 - (B) to add or procure that there is added to the Exchange Property such number (rounded down, if necessary to the nearest whole number) of Ebro Shares or other securities or options, warrants or rights as aforesaid as determined by dividing (x) the Fair Market Value as at the Determination Date of such number of rights as would have been required to be sold (assuming for this purpose the proceeds of such sale to be the Fair Market Value of such rights as at the Determination Date, but without any deduction) to enable the whole of the balance of such rights to be taken up by (y) the exercise, subscription or purchase price (or the like) payable upon exercise of such rights.

In the absence of any such election being notified to the Bondholders in accordance with Condition 22 and to the Trustee by not later than the Election Date, paragraph (B) immediately above shall apply.

- (b) If such rights are not capable of being publicly traded and/or sold by the Issuer under applicable law and/or the terms of the Rights Issue, by not later than the latest day for accepting or taking up any such rights (the “**Election Date**”), the Issuer may elect either:
 - (A) based on advice from an Independent Adviser appointed by the Issuer with a view to realising the value (if any) of such rights, to use any part of the Exchange Property

comprising cash to take up such rights and/or, procure in good faith on an arm's length basis the sale by a reputable independent broker or investment bank with appropriate expertise selected by the Issuer (which may be the Custodian) of sufficient Exchange Securities to enable (after the deduction of the Permitted Expenses) the whole (or, where any such Exchange Securities are sold (as aforesaid) cum such rights, the balance) of such rights to be taken up (or such lower number (which may be none) of rights as may be taken up based on the advice of such Independent Adviser) as aforesaid, with, in any such case, any excess proceeds of sale, being added to and forming part of the Exchange Property; or

- (B) to add to the Exchange Property such number (if any) (rounded down, if necessary to the nearest whole number) of Exchange Securities of the class to which such rights relate or other securities or options, warrants or rights as aforesaid as is determined in good faith to be appropriate by an Independent Adviser to reflect the value (if any) of the rights that would have been capable of being realised by the Issuer pursuant to paragraph (A).

In the absence of any such election being notified to the Bondholders in accordance with Condition 22 and to the Trustee by not later than the Election Date, paragraph (B) immediately above shall apply.

- (c) Where, for the purposes of paragraph (a)(B), the Fair Market Value, is determined in a currency that is different from the currency in which the relevant exercise, subscription or purchase price (or the like) is expressed (the "**Specified Currency**"), the Fair Market Value, on any particular Trading Day for the purposes of the relevant calculation shall be converted by the Calculation Agent into the Specified Currency at the Relevant Rate on such Trading Day.
- (d) In the case of paragraphs (a)(A) and (b)(A) above, any Exchange Securities or other securities or options, warrants or rights taken up pursuant to this paragraph and any excess proceeds of sale as aforesaid shall upon receipt by the Issuer be added to and form part of the Exchange Property. In the case of paragraphs (a)(B) and (b)(B) above, the relevant addition to the Exchange Property shall be effective on the Trading Day immediately following the relevant determination by the Calculation Agent (in the case of paragraph (a)(B)) or the Independent Adviser (in the case of paragraph (b)(B)).
- (e) Any rights sold and any cost applied as provided in paragraph (a)(A) and the number of rights determined for the purpose of paragraph (a)(B)(x) shall not form or, as the case may be, shall cease to form part of the Exchange Property.
- (f) Any cash applied or Relevant Securities sold (and the proceeds of such sale) as provided in paragraph (b)(A) shall not form or, as the case may be, shall cease to form part of the Exchange Property.
- (g) "**Determination Date**" means in the case of Condition 12(b)(ii)(a)(B), the first Trading Day on which the relevant rights may be publicly traded.

(iii) *Bonus Issues, Capital Distributions, Reorganisations and Payments*

If any of the following events occurs (each a "**Relevant Event**"):

- (a) Exchange Securities or other securities are issued credited as fully paid to holders of Exchange Securities comprised in the Exchange Property by way of capitalisation of profits or reserves or otherwise by virtue of being holders of Exchange Securities (other than when such issuance is to be treated as a Cash Dividend as per the definition of Dividend in Condition 24);

- (b) a Relevant Company (or any person on behalf of or at the direction or request of a Relevant Company) purchases or redeems any Exchange Securities comprised in Exchange Property; or
- (c) any Capital Distribution is paid or made in respect of any Ebro Shares or Equity Shares comprised in the Exchange Property; or
- (d) pursuant to any scheme of arrangement, reorganisation, amalgamation, merger, demerger, reconstruction or any like or similar event of any company or companies (whether or not involving liquidation or dissolution), any further Exchange Securities or other securities, any evidence of indebtedness or assets (including cash) are issued, distributed or otherwise made available generally to holders of Exchange Securities, or
- (e) any cash amount is paid or distributed in whatever manner (including by way of payment of interest, distribution, repayment of principal or capital or redemption monies) or any securities or other property is distributed, issued, transferred or delivered in whatever manner, in each case in respect of any Exchange Securities or other property or assets of a class (other than Ebro Shares or other Equity Shares) comprised in the Exchange Property,

then (other than where the Relevant Event is determined to constitute a Capital Distribution) the further Exchange Securities, securities or other property or assets received in relation to the Relevant Event, so far as attributable to the Exchange Property or, as the case may be, the relevant Capital Distribution in respect of the Ebro Shares or Equity Share Capital comprised in Exchange Property, shall be included as part of the Exchange Property upon receipt by the Issuer (and, if applicable, applied in accordance with Condition 12(c)).

(c) **Purchase of Equity Shares etc.**

Subject as provided in the last paragraph of this Condition 12(c), if at any time Equity Share Capital is comprised in the Exchange Property and any cash amount or securities or other property is comprised in or is to be added to and form part of the Exchange Property pursuant to these Conditions (other than (i) any additional Equity Share Capital of a class already comprised in the Exchange Property or (ii) as included in the Offer Consideration) before the Exchange Rights lapse, then such cash amount shall be applied, and such securities or other property shall be sold by the Issuer on an arm's length basis and the proceeds of such sale (net of any Permitted Expenses) shall be applied, by the Issuer as soon as reasonably practicable and to the extent possible in purchasing additional Equity Share Capital of the class then comprised in the Exchange Property (and where at the relevant time the Exchange Property comprises more than one class of Equity Share Capital, in purchasing, on a *pro rata* basis further Equity Share Capital of each such class). Any such additional Equity Share Capital, together with any excess cash or cash proceeds of sale as aforesaid following such application shall be added to and form part of the Exchange Property.

However, if such purchase is not made within 10 Barcelona business days following receipt of the relevant cash amount or securities or other property as aforesaid, then there shall be deemed to be added to and form part of the Exchange Property such additional Equity Share Capital of the class or classes then comprised in the Exchange Property as aforesaid as is determined by the Calculation Agent by dividing (x) the Fair Market Value of such cash amount or other property as at the Trading Day immediately following the date on which the relevant cash amount or securities or other property would otherwise be added to the Exchange Property pursuant to these Conditions (converted, if necessary, by the Calculation Agent into the currency in which the Fair Market Value is determined pursuant to (y) below at the Relevant Rate on such Trading Day) by (y) the Fair Market Value (disregarding for this purpose last paragraph of the definition of "Fair Market Value") of the relevant Equity Share Capital as at the first Trading Day immediately following the first day on which the Fair Market Value of such cash amount or securities or other property can be determined as aforesaid.

If any cash amount is to be added to and form part of the Exchange Property in circumstances where the Exchange Property comprises solely cash, such cash amount (converted, if necessary, into euro at the

Relevant Rate prevailing on the date of receipt of such cash amount) shall be, or as the case may be, shall be added to, the Exchange Property and thereafter the Exchange Property shall comprise and remain solely cash. No interest shall accrue on or in respect of any such cash amount.

(d) **Notice**

The Issuer shall give notice to the Bondholders in accordance with Condition 22 and to the Trustee and the Principal Paying, Transfer and Exchange Agent of any change in composition of the Exchange Property per €100,000 principal amount of Bonds as soon as reasonably practicable following such change.

(e) **Determination**

Adjustments to the Exchange Property pursuant to this Condition 12 shall be determined and calculated in good faith by the Calculation Agent and/or to the extent so specified in the Conditions, in good faith by an Independent Adviser. Any calculation or determination performed or made or any matter or (in the case of the Independent Adviser) opinion considered, by the Calculation Agent or an Independent Adviser, as the case may be, for the purposes of these Conditions shall in each case be made in good faith and shall be final and binding (in the absence of manifest error) on the Issuer, the Guarantor, the Trustee, the Bondholders and the Paying, Transfer and Exchange Agents. The Calculation Agent may consult, at the expense of the Issuer and the Guarantor, on any matter, obtain the advice or engage the services of any lawyers, accountants, investment banks or other experts whose advice or services the Calculation Agent may, acting properly, deem necessary, and the Calculation Agent shall be able to rely upon, and shall not be liable and shall incur no liability as against the Issuer, the Guarantor, the Trustee or the Bondholders in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with, any written opinion so obtained. The Calculation Agent or, as the case may be, any Independent Adviser appointed by the Issuer in accordance with these Conditions, is acting exclusively as an agent for and upon the request of the Issuer and the Guarantor, and in accordance with the Conditions, and will not thereby assume any relationship of agency or trust with, and shall not incur any liability as against, the Trustee or the Bondholders. Neither the Trustee, the Paying, Transfer and Exchange Agents, the Registrar nor the Calculation Agent shall be under any duty to monitor whether any event or circumstance has happened or exists or may happen or exist and which requires or may require an adjustment to be made to the Exchange Property and will not be responsible or liable to any person for any loss arising from any failure by it to do so. Neither the Trustee, the Paying, Transfer and Exchange Agents nor the Registrar shall be responsible or liable to any person in relation to the determination or calculation of any such adjustment.

If any doubt shall arise as to whether an adjustment falls to be made to the Exchange Property, or as to the appropriate adjustment to the Exchange Property, or as to when such adjustment shall take effect or be deemed to have taken effect, and following consultation between the Issuer and an Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Issuer and the Guarantor, the Bondholders and the Trustee, save in the case of manifest error.

(f) **Voting Rights in respect of the Exchange Property**

The Issuer shall retain and be entitled to exercise or to refrain from exercising any rights (including voting rights) at its sole and absolute discretion in respect of the Ebro Shares or other property forming part of the Exchange Property. Prior to the Security becoming enforceable, the Trustee will not exercise any voting or other rights in respect of the Ebro Shares or other property forming part of the Exchange Property.

The Bondholders shall have no voting or other rights attaching to any Exchange Security or any other Exchange Property prior to delivery on exchange in accordance with these Conditions.

In exercising any rights attaching the Ebro Shares and other Exchange Securities that it may have or making any election to which it may be entitled, the Issuer is not obliged to take account of interests of the Bondholders and accordingly the Issuer may act in a manner in connection therewith which is contrary to the interests of the Bondholders.

(g) Other Adjustments to the Exchange Property and Contemporaneous Events

If (following consultation with the Calculation Agent), the Issuer determines that:

- (i) an adjustment should be made to the Exchange Property as a result of one or more events or circumstances not referred to in Condition 12(b)(i), 12(b)(ii) or 12(b)(iii), even if the relevant event is or circumstances are specifically excluded from the operation of Condition 12(b)(i), 12(b)(ii) or 12(b)(iii); or
- (ii) more than one event which gives rise or may give rise to an adjustment to the Exchange Property has occurred or will occur within such a short period of time that a modification to the operation of the adjustment provisions is required in order to give the intended result; or
- (iii) one event which gives rise or may give rise to more than one adjustment to the Exchange Property has occurred or will occur such that a modification to the operation of the adjustment provisions is required in order to give the intended result,

the Issuer (failing whom, the Guarantor) shall, at its own expense, request an Independent Adviser, to determine as soon as practicable what adjustment (if any) to the Exchange Property is fair and reasonable to take account thereof and the date on which such adjustment should take effect in accordance with such determination and upon such determination the Issuer shall procure that such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that such adjustment shall result in an increase to the Exchange Property.

13 General Offers

(a) Acceptance of Offers and Adjustment to Exchange Property

In the event of an Offer for any Equity Shares comprised in the Exchange Property, the Issuer shall have absolute discretion to accept such Offer (and as to any alternative consideration) or reject such Offer, provided that (1) the Issuer will not accept such Offer (a) prior to the Specified Date (as defined below) in respect thereof and (b) unless the value of the consideration (determined as provided below) offered for such Equity Shares pursuant to the Offer is equal to or greater than the value of such Equity Shares (determined as provided below), and (2), subject as provided in (1) above, where the terms of the Offer are such that the Issuer may be able to choose between different types of consideration, if the Issuer accepts the Offer, the Issuer shall accept the type of consideration which has the highest value (as determined below and for this purpose taking into account any liability to taxation applicable to the Issuer as determined by the Issuer (in consultation with an Independent Adviser if the Issuer, in its discretion, deems appropriate)) or if the Issuer (in consultation with an Independent Adviser if the Issuer, in its discretion, deems appropriate) shall have reasonably determined that the alternative considerations have substantially the same value, such type of Consideration as the Issuer shall determine in its absolute discretion. For the avoidance of doubt, (i) the Issuer may undertake to the relevant bidder or offeror to accept or otherwise announce its intention to accept any Offer prior to the Specified Date, and (ii) if there are two simultaneous Offers, the Issuer may accept either Offer (including the Offer which consideration has the lower value (as determined below)) or neither Offer.

The value of such Equity Shares and the value of any type of consideration will be determined by an Independent Adviser by reference to market values, where applicable, and such other considerations as the Independent Adviser shall consider appropriate (subject, as the case may be, to any adjustment required to be made thereto specifically as provided in the preceding paragraph to take into account any liability to taxation applicable to the Issuer) and any such determination (save in the case of manifest error) shall be final and conclusive.

Except for Offers made pursuant to compulsory acquisitions in accordance with applicable legislation, the Issuer will not accept any Offer in respect of such part of the Exchange Property (disregarding for this purpose, any Cash Election) which would be deliverable to those Bondholders who have exercised Exchange Rights in respect of Bonds prior to the suspension of the Exchange Rights as provided below.

If the Issuer accepts such Offer and the Offer becomes unconditional in all respects (or if all the Equity Shares not tendered in relation to the relevant Offer are subject to compulsory acquisition) then, and in relation to each Bond for which the Exchange Date has not occurred prior to the Final Acceptance Date, with effect from the Offer Consideration Date, the Equity Shares the subject of such Offer or compulsory acquisition shall be deemed no longer to form part of the Exchange Property and shall be deemed to be replaced by the consideration in respect of the Equity Shares under the Offer or pursuant to such compulsory acquisition or, if there is alternative consideration, such consideration as the Issuer may elect for the purposes of these Conditions, and if the Issuer shall fail to make such election by not later than five Barcelona business days prior to the Final Acceptance Date in respect of the relevant Offer, that consideration as shall be determined by an Independent Adviser to have the greatest value on the Final Acceptance Date (the “**Offer Consideration**”).

For the purposes of these Conditions:

“**EEA Regulated Market**” means a market as defined by Article 4.1(14) of Directive 2004/39 EC of the European Parliament and of the Council on Markets in Financial Instruments.

“**Eligible Equity Shares**” means Equity Share Capital of the offeror provided that, (i) the offeror is a limited liability company (or equivalent) incorporated in or established under the laws of a European Union member state, a state within the European Economic Area or an OECD member state; and (ii) such Equity Share Capital is listed and admitted to trading on an EEA Regulated Market or on a regulated, regularly operating, internationally recognised stock exchange in an OECD member state; and (iii) the Equity Share Free Float in respect of such Equity Share Capital shall have been not less than 15 per cent. of the issued and outstanding Equity Share Capital on each of the 30 consecutive Trading Days ending on and including the Final Date.

“**Equity Share Capital**” and “**Equity Shares**” have the meaning provided in Condition 24.

“**Equity Share Free Float**” means, in respect of any Equity Shares, the aggregate number of such Equity Shares (i) held by mutual funds, investment funds, collective investment schemes or pension funds and (ii) held by persons that own (together with any other person or persons with whom they act in concert) Equity Shares representing less than 5 per cent. of the total number of such Equity Shares issued and outstanding, as determined by an Independent Adviser acting reasonably and in good faith, in consultation with the Issuer and where (i) references to “Equity Shares” shall include Equity Shares represented by depositary or other receipts or certificates representing Equity Shares; (ii) Equity Shares held by or on behalf of a depositary or custodian or similar person in respect of any such depositary or other receipts of certificates representing Equity Shares from time to time shall be treated as being held by the holder of the relevant depositary or other receipts or certificates and not by such depositary, custodian or similar person; and (iii) Equity Shares held by or on behalf of the issuer of such Equity Shares or any subsidiary of such issuer or any person acting in concert with such issuer shall be treated as not constituting part of the Equity Share Free Float.

“**Final Acceptance Date**” means, in respect of any Offer, the final date for acceptance of such Offer which, if such Offer is extended prior to becoming unconditional, shall be the final date for acceptance of the extended Offer (but, if such Offer is or becomes unconditional, disregarding any additional or further period during which such Offer is open for acceptance).

“**Final Date**” means, in relation to any Offer, the date the Offer becomes or is declared unconditional in all respects.

“**Offer**” means an offer to the holders of any Equity Shares comprising Exchange Property, whether expressed as a legal offer, an invitation to treat or in any other way, in circumstances where such offer is available to all holders of the applicable Equity Shares (or all or substantially all such holders other than any holder to whom such offer may not be extended pursuant to applicable securities or other laws or who is, or is connected with, or is deemed to be acting in concert with, the person making such offer or to

whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any stock exchange in any territory, it is determined not to make such an offer).

“**Offer Consideration Date**” means, in relation to any Offer (or compulsory acquisition), the date upon which the Offer Consideration is made available to the holders of the Exchange Securities.

“**Offered Cash Amount**” means the cash amount in euro (or, where applicable, translated into euro at the Relevant Rate on the Final Date) comprising the whole or part of the Offer Consideration for one Equity Share in the Offer (other than cash paid in respect of fractional entitlements to the Offered Property) provided that if the Offered Property comprises securities or property other than Eligible Equity Shares, such securities or property will be deemed, for the purpose of this definition to form part of the Offered Cash Amount in an amount equal to the Fair Market Value thereof on the Final Date (converted into euro at the Relevant Rate on the Final Date).

“**Offered Property**” means the Offer Consideration for one Equity Share in the Offer excluding the Offered Cash Amount.

“**Offered Property Value**” means the Fair Market Value of the Offered Property on the Final Date (converted into euro at the Relevant Rate on the Final Date). In the case of an Offer the Offer Consideration in respect of which is entirely in cash or securities or property other than Eligible Equity Shares, the Offered Property Value shall be zero.

“**Specified Date**” means, in relation to any Offer, five Trading Days prior to the Final Acceptance Date.

(b) **Suspension of Exchange Rights**

The Exchange Rights shall be suspended during the period (the “**Suspension Period**”) from and including (i) the sixth Trading Day prior to the Specified Date (assuming the date then scheduled to be the Specified Date will in fact be the Specified Date) until the acceptance of the relevant Offer is withdrawn or the relevant Offer lapses or becomes or is declared unconditional in all respects and (ii) the date any vote is cast in relation to any applicable scheme referred to in paragraph (a) above, which is approved by the required majority, until the same is approved or rejected by any relevant judicial or other authority or otherwise is or becomes or is declared to be effective or the like.

If the Issuer accepts the relevant Offer and the Offer is or becomes unconditional in all respects. Exchange Rights will also be suspended during the period from the Final Acceptance Date, or if earlier, the Final Date until the Offer Consideration Date.

Notice of any such period of suspension (including the commencement and termination thereof) will be given by the Issuer to the Paying, Transfer and Exchange Agents, the Trustee and to the Bondholders in accordance with Condition 22.

If Exchange Rights are exercised such that the relevant Exchange Date would otherwise fall in the Suspension Period, such exercise shall be null and void.

(c) **Premium Compensation Amount**

If the Offer Consideration in relation to an Offer in respect of Equity Shares comprised in the Exchange Property consists wholly or partly of cash or other property (other than Eligible Equity Shares), such cash or such other property shall be added to and form part of the Exchange Property and if the Exchange Date in respect of any Bond falls after the Offer Consideration Date, then the relevant Bondholder shall be entitled to receive, in addition to the relevant Exchange Property per Bond pursuant to Condition 7 (or, as appropriate, any Cash Alternative Amount), an amount (the “**Premium Compensation Amount**”) in respect of each €100,000 principal amount of Bonds surrendered for exchange calculated by the Calculation Agent in accordance with the following formula:

$$PC = K2 * (\text{Principal} - IP) * (T/C) * (CB/(CB+CS))$$

Where:

PC	=	Premium Compensation Amount per Bond
K	=	the lesser of (a) IP/MP and (b) MP/IP
Principal	=	€100,000
IP	=	€[•]
CB	=	the Offered Cash Amount
CS	=	the Offered Property Value
MP	=	the Value of the Exchange Property per Bond on the Final Acceptance Date
C	=	[•], being the number of days from (but excluding) the Issue Date to (and including) the Maturity Date
T	=	the number of days from (but excluding) the Final Acceptance Date to (and including) the Maturity Date (which shall be zero if the Final Acceptance Date occurs after such date)

Any Premium Compensation Amount payable on exercise of Exchange Rights shall be paid by not later than the relevant Settlement Date by transfer to a euro account with a bank in a city in which banks have access to the TARGET System in accordance with instructions contained in the relevant Exchange Notice.

(d) **Subsequent Offers**

The provisions of this Condition 13 shall apply mutatis mutandis to any subsequent Offer, with the result that such Bondholder may become entitled to receive more than one Premium Compensation Amount.

(e) **Self Tender**

If a tender or other offer is made by or on behalf of the issuer of any Exchange Securities (or any person associated with such issuer) to purchase or otherwise acquire, redeem or exchange such Exchange Securities, the Issuer shall not tender or be entitled to be treated as having tendered any such Exchange Securities which are comprised in the Exchange Property or be treated as having accepted any such offer in respect thereof or vote in respect of any such Exchange Securities in relation to any such tender or other offer, nor shall the Issuer exercise or be treated as having exercised any option which it may have in connection therewith or otherwise to require the redemption or repayment of such Exchange Securities.

14 **Redemption and Purchase**

(a) **Final Redemption**

Unless previously exchanged, redeemed, or purchased and cancelled, the Bonds will (subject as provided in Condition 14(h)) be redeemed at their principal amount on the Maturity Date.

The Bonds may only be redeemed at the option of the Issuer prior to the Maturity Date in accordance with Condition 14(b).

(b) **Redemption at the Option of the Issuer**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with interest accrued and unpaid at the Fixed Interest Rate to the Optional Redemption Date:

- (i) at any time on or after 22 December 2021, provided that the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of Bonds on each of not less than 20 Trading Days in any period of 30 consecutive Trading Days ending not earlier than the seventh Trading Day prior to the date on which the relevant notice of redemption is given by the Issuer to the Bondholders shall have exceeded 130 per cent. of such principal amount; or

- (ii) at any time if, prior to the date on which the relevant notice of redemption is given, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued (including for this purpose, any Further Bonds); or
- (iii) in the event of an Offer relating to the Equity Share Capital where the Offer Consideration consists wholly of cash, at any time on or after the date falling 30 days after the Offer Consideration Date.

In order to exercise such option the Issuer shall give not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Bondholders in accordance with Condition 22 specifying the date for redemption, which shall be a TARGET Business Day (the "**Optional Redemption Date**").

Any Optional Redemption Notice shall be irrevocable.

On the Optional Redemption Date, the Issuer shall redeem the Bonds at their principal amount, together with interest accrued and unpaid at the Fixed Interest Rate to the relevant Optional Redemption Date.

(c) **Redemption for Taxation Reasons**

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and to the Bondholders redeem (subject to the second following paragraph) all but not some only of the Bonds for the time being outstanding on the date (which shall be a TARGET Business Day) (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at (subject as provided below) their principal amount, together with accrued and unpaid interest to such date, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 17 November 2016, on the next Fixed Interest Payment Date either (i) the Issuer would be obliged to pay additional amounts as provided or referred to in Condition 17 or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be obliged to pay such additional amounts; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by a director of the Issuer or, as the case may be, the Guarantor stating that the obligation referred to in (i) above will apply and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment has occurred and that the Issuer (or if the Guarantee were called, the Guarantor) has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept without any liability for so doing such certificate and opinion as sufficient evidence of the matters set out in (a) and (b) above in which event it shall be conclusive and binding on the Bondholders.

On the Tax Redemption Date the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with accrued and unpaid interest to such date.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bonds shall not be redeemed and that the provisions of Condition 17 shall not apply in respect of Spanish Taxes in respect of any payment of interest to be made on such Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect of Spanish Taxes pursuant

to Condition 17 and payment of all amounts of such interest on such Bonds shall thereafter be made subject to the deduction or withholding of any Spanish Taxes required to be withheld or deducted. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying, Transfer and Exchange Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Exchange Agent together with the relevant Bond on or before the day falling ten days prior to the Tax Redemption Date.

References in this Condition 14(c) to the Kingdom of Spain, shall be deemed also to refer to any jurisdiction in respect of which any undertaking or covenant equivalent to that in Condition 17 is given pursuant to the Trust Deed and references to Spanish Taxes shall be construed accordingly (except that as regards such jurisdiction the words “becomes effective on or after 17 November 2016” at paragraph 14(c)(i) above shall be replaced with the words “becomes effective after, and has not been announced on or before, the date on which any undertaking or covenant equivalent to that in Condition 17 was given pursuant to the Trust Deed”), and references in this Condition 14(c) to additional amounts payable under Condition 17 shall be deemed also to refer to additional amounts payable under any such undertaking or covenant.

(d) **Redemption at the Option of the Bondholders**

(i) *Redemption on 1 December 2021*

Subject to Condition 14(h), the holder of each Bond will have the right to require the Issuer to redeem that Bond on 1 December 2021 (the “**Optional Put Date**”) at its principal amount.

To exercise such right, the holder of the relevant Bond must deliver such Bond to the specified office of any Paying, Transfer and Exchange Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying, Transfer and Exchange Agent (the “**Optional Put Exercise Notice**”) not earlier than 90 days nor less than 45 days prior to the Optional Put Date.

Payment in respect of any such Bond shall be made by transfer to a euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Optional Put Exercise Notice.

An Optional Put Exercise Notice, once delivered, shall be irrevocable and on the Optional Put Date the Issuer shall redeem all Bonds the subject of Optional Put Exercise Notices delivered as aforesaid at their principal amount.

(ii) *Redemption following a Put Event*

On the occurrence of a Put Event, the holder of each Bond will have the right to require the Issuer to redeem the Bond on the Put Date at its principal amount, together with any accrued and unpaid interest in respect of such Bond to but excluding the Put Date. To exercise such right, the holder of the relevant Bond must deliver at any time during the Put Period, the relevant Bond, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying, Transfer and Exchange Agent (the “**Put Exercise Notice**”), to the specified office of any Paying, Transfer and Exchange Agent. The “**Put Date**” shall be the fifth TARGET Business Day after the last day of the Put Period.

The Trustee shall not be required to monitor or take any steps to ascertain whether a Put Event or any event which could lead to a Put Event has occurred or may occur and will not be responsible or liable to the Bondholders or any other person for any loss arising from any failure to do so.

Payment in respect of any such Bond shall be made by transfer to a euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Put Exercise Notice.

A Put Exercise Notice, once delivered, shall be irrevocable and on the Put Date the Issuer shall redeem all Bonds the subject of Put Exercise Notices delivered as aforesaid at their principal amount together with accrued and unpaid interest to such date.

(e) **Notices**

If more than one notice of redemption is given pursuant to this Condition 14, the first of such notices to be given shall prevail.

Any Optional Redemption Notice or Tax Redemption Notice shall specify (i) the Optional Redemption Date or the Tax Redemption Date, as the case may be, (ii) the last day on which Exchange Rights may be exercised by a Bondholder and (iii) the Value of the Exchange Property per Bond as at the most recent practicable date prior to the giving of the relevant Optional Redemption Notice or the Tax Redemption Date, as the case may be.

(f) **Purchase**

The Issuer or the Guarantor or any Subsidiary of the Guarantor may at any time purchase Bonds in the open market or otherwise at any price.

(g) **Cancellation**

Bonds purchased by the Issuer or the Guarantor or any Subsidiary of the Guarantor may be held, re-issued or sold or cancelled at any time. All Bonds redeemed or exchanged will be cancelled and may not be re-issued or resold.

(h) **Share Settlement Option**

Notwithstanding any provisions of Conditions 14(a) and 14(d)(i), the Issuer may elect to satisfy its obligation to redeem the Bonds on the relevant due date for redemption pursuant to Conditions 14(a) and 14(d)(i) by exercising its option (the “**Share Settlement Option**”) with respect to all, but not some only, of the Bonds to be redeemed on the relevant due date for redemption, provided that:

- (i) the Exchange Securities comprised in the Exchange Property are listed or traded on an EEA Regulated Market or on a regulated, regularly operating, internationally recognised stock exchange in an OECD member state as at the date of the Share Settlement Option Notice is given;
- (ii) the Equity Share Free Float in respect of each class of Equity Share Capital comprised in the Exchange Property is not less than 15 per cent. on each of the 30 consecutive Trading Days ending not earlier than five Trading Days prior to the date the Share Settlement Option Notice is given;
- (iii) no Event of Default or Potential Event of Default shall have occurred and be continuing as at the date the Share Settlement Option Notice is given;
- (iv) an Offer Period shall not be continuing as at the date the Share Settlement Option Notice is given; and
- (v) an Underlying Event of Default shall not have occurred and be continuing.

“**Offer Period**” means any period commencing on the date of first public announcement of a Qualifying Offer and ending on the date such Qualifying Offer ceases to be open for acceptance or, if earlier, on which such Qualifying Offer lapses, is withdrawn, terminates or closes.

A “**Qualifying Offer**” means an Offer in respect of Equity Shares of a class comprised in the Exchange Property and comprising the Predominant Exchange Security.

“**Underlying Event of Default**” means an event of the nature described in Condition 18(a)(iv) to (x) as if for such purposes references therein were to the issuer of any class of Equity Share Capital comprised in the Exchange Property and any of its subsidiaries.

To exercise its Share Settlement Option, the Issuer shall give a notice to such effect (the “**Share Settlement Option Notice**”) to the Bondholders in accordance with Condition 22 and to the Trustee, the Principal Paying, Transfer and Exchange Agent and the Calculation Agent. The Share Settlement Option Notice shall be given not more than 60 nor less than 45 Barcelona business days prior to the Maturity Date in the case of a redemption of Bonds pursuant to Condition 14(a), or not less than 42 days prior to the Optional Put Date in the case of a redemption pursuant to Condition 14(d)(i).

A Share Settlement Option Notice shall specify the Relevant Percentage, which shall apply in respect of each Bond.

The Issuer may not exercise the Share Settlement Option in respect of a redemption of Bonds if a Knock-out Event (as defined below) shall have occurred on or prior to the date the Share Settlement Option Notice is given (and, if given, any such exercise of the Share Settlement Option shall be null and void).

Where the Issuer shall have exercised the Share Settlement Option the Issuer shall, in lieu of redeeming the relevant Bonds in cash, effect redemption in respect of the Bonds by:

- (i) delivering to Bondholders on or prior to the Settlement Date the Relevant Exchange Property in respect of such Bond as at the Valuation Date;
- (ii) making payment in respect of each Bond on the due date for redemption of the Cash Settlement Amount; and
- (iii) making payment in respect of each Bond on the Maturity Date of the interest due and payable on such Bond on the Maturity Date;

and the Share Settlement Option Notice shall inform Bondholders accordingly.

“**Cash Settlement Amount**” means, in respect of a Bond, an amount (if any) by which the principal amount of such Bond exceeds 98 per cent. of the Cash Alternative Amount.

“**Relevant Exchange Property**” means, in respect of any Bond, on any day, the product of (x) the Relevant Percentage (as specified in the Share Settlement Option Notice) and (y) the Exchange Property per Bond in effect on such day in respect of such Bond which is to be delivered pursuant to the Share Settlement Option, as determined by the Calculation Agent.

“**Relevant Percentage**” means, in respect of any Bond, a percentage between 0 per cent. (exclusive) and 100 per cent. (inclusive) of the Exchange Property per Bond in respect of such Bond which is to be delivered pursuant to the Share Settlement Option (as specified in the Share Settlement Option Notice).

“**Valuation Date**” means the date falling five Trading Days prior to the due date for redemption of the Bonds.

“**Value**” means (for the purpose of this Condition 14(h) only), with respect to any Exchange Property on any day, the aggregate amount (calculated by the Calculation Agent) of:

- (1) the VWAP (ignoring for this purpose the final proviso to the definition thereof) of publicly-traded securities included in the Exchange Property on such day (as determined by the Calculation Agent);
- (2) in the case of any publicly-traded securities in respect of which the VWAP is not available on such day as aforesaid, the Closing Prices (ignoring for this purpose the final proviso to the definition thereof) of such securities on such day, (all as determined by the Calculation Agent);
- (3) in respect of any cash included in the Exchange Property on such day, the amount of such cash on such day; and
- (4) in the case of any other assets included in the Exchange Property on such day and in the case of any publicly traded securities for which a value cannot be determined pursuant to paragraph (1) or (2) above (or if there is a Market Disruption Event on such day), their fair market value on such day as determined by an Independent Adviser;

in each case translated (if not in euros) into euros at the Relevant Rate in effect on such day, provided that, if on any day:

- (A) any such publicly traded securities are quoted on the relevant Exchange cum any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (4) above have the benefit of, or are entitled to, or carry the right to, any dividend or other entitlement, in any such case which (i) results in an adjustment of the Exchange Property and such adjustment is in effect as at the Valuation Date or (ii) a Bondholder is not entitled to pursuant to these Conditions (including in respect thereof pursuant to any Additional Exchange Property deliverable under this Condition 14(h), but excluding an adjustment of the Exchange Property in respect thereof which is in effect as at the Valuation Date) in respect of the relevant delivery of Relevant Exchange Property, then the value of any such assets or publicly traded securities on such day shall be reduced by an amount equal to the Value as at such date of such dividend or other entitlement (or relevant portion thereof), as determined by the Calculation Agent; and
- (B) any such publicly traded securities are quoted or traded on the relevant Exchange ex any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (4) above do not have the benefit of, or are not entitled to, or do not carry the right to, any dividend or other entitlement, in any such case which a Bondholder is entitled to pursuant to these Conditions (or in respect of which the relevant Bondholder is entitled to receive any Additional Exchange Property deliverable under this Condition 14(h), but excluding an adjustment of the Exchange Property in respect thereof where such adjustment is in effect as at the Valuation Date) in respect of the relevant delivery of Relevant Exchange Property, then the value of any such assets or publicly traded securities on such day shall be increased by an amount equal to the Value as at such date of any such dividend or other entitlement (or relevant portion thereof), as determined by the Calculation Agent.

If either (a) the Issuer does not deliver a relevant Share Settlement Option Notice in the manner and by the time set out in this Condition 14(h), or (b) the Issuer does so deliver a Share Settlement Option Notice but an event or circumstance constituting a Knock-out Event occurs thereafter but on or prior to the due date for redemption (such circumstances being referred to as a “**Share Settlement Option Annulment**”) the relevant Bonds shall be redeemed for cash on the due date for redemption in accordance with the provisions of Condition 14(a) or 14(d)(i) as appropriate and payment in respect thereof shall be made in accordance with Condition 15.

For the purposes of this Condition 14(h) (a “**Knock-out Event**” shall occur if one or more of the conditions specified in sub-paragraphs (i) to (v) in the first paragraph of this Condition 14(h) is not met or satisfied.

If the Issuer elects to exercise the Share Settlement Option, the following provisions shall apply:

- (i) In order to obtain delivery of the Relevant Exchange Property upon redemption, the relevant Bondholder must deliver a duly completed notice, substantially in form set out in the Agency Agreement (the “**Share Settlement Notice**”) a copy of which may be obtained from the specified office of any Paying, Transfer and Exchange Agent, together with the relevant Bonds to the specified office of any Paying, Transfer and Exchange Agent at least 10 business days in the relevant place of delivery of such notice prior to the due date for redemption (the “**Notice Cut-off Date**”). If such delivery is made after the end of normal business hours at the specified office of the relevant Paying, Transfer and Exchange Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following business day in such place.
- (ii) Subject as provided herein, the Relevant Exchange Property will be delivered on or prior to the Settlement Date in accordance with the instructions given in the Share Settlement Notice and the Cash Settlement Amount (if any) and interest accrued and unpaid to the due date for redemption will be paid on the due date for redemption for such Bonds in accordance with Condition 15, provided that the Share Settlement Notice and the relevant Bonds are delivered not later than the Notice Cut-off Date.

- (iii) If the Share Settlement Notice and relevant Bonds are not delivered to a Paying, Transfer and Exchange Agent on or before the Notice Cut-off Date, then (1) on the due date for redemption the Relevant Exchange Property will be delivered to an independent financial institution (the “**Share Settlement Agent**” (which may be the Custodian)) selected and appointed by the Issuer and (2) on the due date for redemption the Cash Settlement Amount (if any) and, in the case of the Maturity Date, interest accrued and unpaid to the Maturity Date will be paid in accordance with Condition 15. The Issuer shall procure that all of such Relevant Exchange Property shall be sold by or on behalf of the Share Settlement Agent as soon as practicable based on advice from a reputable independent financial institution, investment or commercial bank or broker with appropriate expertise selected by the Issuer (which may be the Custodian) and (subject to any necessary consents being obtained and to the deduction by or on behalf of the Share Settlement Agent of any amount payable in respect of its liability to taxation and the payment of any capital, stamp, issue or registration and transfer taxes and duties (if any) and any fees including legal fees or costs reasonably incurred by or on behalf of the Share Settlement Agent in connection with the sale thereof) the net proceeds of such sale (converted if necessary into euro at such rate as the Share Settlement Agent shall determine to be appropriate on the basis of the middle spot rate for the relevant currency against the euro as quoted by any leading bank on the day which the relevant conversion is effected) together with all Cash Settlement Amounts (if any) shall be distributed rateably to the holders of the relevant Bonds by the Issuer (subject to the provisions of the Trust Deed) in accordance with Condition 15. The amount of such net proceeds of sale and all Cash Settlement Amounts (if any) payable to a holder pursuant to this sub-paragraph (iii) shall be treated for all purposes as the full amount due from the Issuer in respect of the relevant Bonds.
- (iv) The Trustee shall have no liability whatsoever to the Issuer, any Bondholders or any other person in respect of the selection and appointment of the Share Settlement Agent, any sale of any Relevant Exchange Property or Additional Exchange Property, whether for the timing of any such sale or sales or the price at which any of the Relevant Exchange Property or Additional Exchange Property is sold, or any inability by the Share Settlement Agent to sell any of the Relevant Exchange Property or Additional Exchange Property or the rate of exchange at which any amount is converted by the Share Settlement Agent into euro or for the timing of any distributions, or otherwise whatsoever.
- (v) Without prejudice to any Share Settlement Option Annulment, a Share Settlement Option Notice shall be irrevocable and any Share Settlement Notice shall be irrevocable. Failure properly to complete and deliver a duly completed Share Settlement Notice and the relevant Bonds may result in such notice being treated as null and void and in such circumstances the Issuer shall be entitled to effect settlement in accordance with sub-paragraph (iii) above. Any determination as to whether any Share Settlement Notice has been properly completed and delivered as provided in these Conditions shall be made by the Issuer in its sole and absolute discretion and shall be conclusive and binding on the relevant Bondholders.
- (vi) No fraction of an Exchange Security or any other property comprised in the Relevant Exchange Property which is not divisible shall be delivered pursuant to this Condition 14(h) and no payment will be made to Bondholders in respect of any such fractions, and any such fraction will be rounded down to the nearest whole multiple of an Exchange Security or unit of any such other property.

However, if one or more Share Settlement Notices and relevant Bonds are delivered not later than the Notice Cut-off Date such that the Exchange Property to be issued or transferred and delivered on redemption of Bonds are to be registered in the same name, the Exchange Property to be delivered in respect thereof and the Cash Settlement Amount (if any) shall be calculated on the basis of the aggregate principal amount of such Bonds, as determined by the Calculation Agent.

Where Exchange Property is to be delivered to the Share Settlement Agent pursuant to paragraph (iii) or (vii) below, the Exchange Property to be delivered and the Cash Settlement Amount (if any) shall be calculated by the Calculation Agent on the basis of the aggregate principal amount of Bonds in respect of which such issue or transfer and delivery is to be made.

- (vii) Neither the Trustee nor the Calculation Agent shall be required to take any steps to ascertain whether any Knock-out Event or any event which could lead to a Knock-out Event has occurred.
- (viii) As soon as practicable, and in any event not later than the Settlement Date, the Issuer shall:
 - (1) in respect of Ebro Shares or other Exchange Securities deliverable through Iberclear and, comprising the Relevant Exchange Property, effect delivery through Iberclear to the account specified in the relevant Share Settlement Notice or, as the case may be, as directed by the Share Settlement Agent;
 - (2) in respect of other Exchange Securities that are deliverable through a clearing system (other than Iberclear), effect delivery through that clearing system to the account specified in the relevant Share Settlement Notice or, as the case may be, as directed by the Share Settlement Agent;
 - (3) in respect of Exchange Securities not falling within (1) or (2) above, procure that forms of transfer and certificates (if certificates for such Exchange Securities are then generally being issued) together with all other documents of title and evidence of ownership and all other documents necessary to transfer or evidence the transfer of or entitlement to such Exchange Securities will be despatched by mail, and free of charge (but uninsured and at the risk of the person entitled thereto) to such address, subject to applicable securities laws, as the Bondholder may specify in the relevant Share Settlement Notice or, as the case may be, as directed by the Share Settlement Agent; and
 - (4) procure that such documents of title and evidence of ownership of any other Relevant Exchange Property to be delivered on exercise of the Share Settlement Option shall be despatched and the payment of any part of the Relevant Exchange Property comprising cash to be delivered on exercise of the Share Settlement Option (converted if necessary into euro at the Relevant Rate on the relevant Valuation Date) shall be made, in each case in accordance with directions given by the relevant Bondholder in the relevant Share Settlement Notice or, as the case may be, as directed by the Share Settlement Agent.

Notwithstanding the above, if Iberclear or, as the case may be, the relevant clearing system through which delivery of Ebro Shares or other Exchange Property is to be made as provided above, has been closed for a continuous period of two or more days (excluding Saturdays and Sundays and save by reason of holidays, statutory or otherwise) in the period between the relevant Valuation Date and the relevant Settlement Date, the Issuer will notify the relevant Bondholder in accordance with Condition 22 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) or, as the case may be, the Share Settlement Agent, and the date for such delivery shall be the later of the Settlement Date and the earliest practicable date on which the relevant Exchange Property may be delivered by or through Iberclear or, as the case may be, the relevant clearing system.

Neither the Issuer nor the Trustee nor any Paying, Transfer and Exchange Agent shall be responsible or liable to any person for any delay in the delivery of or failure to deliver any property comprising Relevant Exchange Property arising as a result of a failure by the relevant Bondholder to supply all information and details as required by the relevant Share Settlement Notice.

If the Relevant Exchange Property has changed in whole or in part as a result of an Offer or as a result of the compulsory acquisition of any Equity Share Capital comprised in or relating to the Relevant Exchange Property, in each case as provided in Condition 13, then the Issuer will deliver the Relevant Exchange Property due to Bondholders or, as the case may be, to the Share Settlement Agent, as soon as reasonably practicable.

If:

- (A) the Valuation Date in respect of any Bond shall be on or after the date of any public announcement affecting the composition of any part of the Relevant Exchange

Property (other than Ebro Shares or other Registered Securities) in circumstances where the relevant entitlement is determined by reference to a record date in respect thereof, but before the date on which such change is effective; or

- (B) the Valuation Date in respect of any Bond shall be on or after the record date or other due date for the establishment of the relevant entitlement in respect of any Adjustment Event in respect of any Registered Securities comprising Relevant Exchange Property but before the date on which adjustment of the Exchange Property becomes effective; or
- (C) the Valuation Date in respect of any Bond shall be on or before the record date or other due date for the establishment of the relevant entitlement in respect of any Adjustment Event in respect of any Registered Securities comprising Relevant Exchange Property in circumstances where the Registration Date in respect of such Registered Securities is after such record date or other due date for the establishment of the relevant entitlement and the relevant Bondholder (or, as the case may be, the Share Settlement Agent) would not otherwise receive the relevant entitlement but the Issuer has received or is entitled to receive such entitlement,

then (unless the Issuer is able to confer on or deliver to the relevant Bondholder or, as the case may be, the Share Settlement Agent such entitlement to or in respect of the Additional Exchange Property), the relevant Bondholder or, as the case may be, the Share Settlement Agent, shall be entitled to receive, such Additional Exchange Property as would have been receivable by it had the relevant Valuation Date occurred immediately after the date on which such change in the composition of the Exchange Property or adjustment of the Exchange Property became effective or, as the case may be, had the relevant Registration Date in respect of such Registered Securities been immediately before such record date or other due date for establishment of entitlement, all as determined by the Calculation Agent, and the Issuer will deliver, or procure the delivery of, such Additional Exchange Property to the relevant Bondholders or, as the case may be, the Share Settlement Agent in accordance with instructions contained in the relevant Exchange Notice or, as the case may be, as directed by the Share Settlement Agent as soon as reasonably practicable following the relevant adjustment to the Exchange Property, and if a Share Settlement Notice and relevant Bonds shall not have been delivered to a Paying, Transfer and Exchange Agent on or before the Notice Cut-off Date, such Additional Exchange Property shall be dealt with as provided in Condition 14(h)(iii).

- (ix) The provisions of Condition 11(b)(1) shall apply *mutatis mutandis* to this Condition 14(h) (but disregarding references in Condition 11(b)(1) to “**Cash Election**”), provided that references in Condition 11(b)(1) to the “**Exchange Date**” will be deemed to be references to the Valuation Date and references to the delivery of Exchange Property upon exercise of Exchange Rights shall be deemed to be to the delivery of the Relevant Exchange Property.

15 Payments

(a) Payment

Payment of principal in respect of the Bonds and interest accrued at the Fixed Interest Rate on a redemption of the Bonds will be made to the persons shown in the Register at the close of business on the Record Date.

Payment of any Fixed Interest Amount due on any Fixed Interest Payment Date (including the Maturity Date) will be made to the holders shown in the Register at the close of business on the Record Date.

Such payments will be made in euros by transfer to a euro account maintained with a bank specified by the relevant Bondholder in a city in which banks have access to the TARGET System.

Payment of all other amounts will be made as provided in these Conditions.

All payments in respect of Bonds represented by the Global Bond will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

(b) **Due Date Not a Business Day**

If the due date for any payment in respect of any Bond (or any later date on which a Bond is presented for payment if presentation is so required) is not a TARGET Business Day, then the holder will not be entitled to the relevant payment until the next day which is a TARGET Business Day, and will not be entitled to any interest or other payment in respect of any such delay.

(c) **Record Date**

“**Record Date**” means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

(d) **Payments subject to fiscal laws**

All payments in respect of the Bonds are subject in all cases (i) to any applicable fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to Condition 17 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof (“**FATCA**”) or any law implementing an intergovernmental approach to FATCA. No commissions and expenses shall be charged to the Bondholders in respect of such payment.

(e) **Prescription**

Claims in respect of any payment or delivery of Exchange Property in respect of the Bonds will become void unless made within 10 years from the appropriate Relevant Date in respect of such payment or delivery.

(f) **Rounding**

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest such unit.

16 **Undertakings**

- (a) The Issuer and the Guarantor undertake to obtain and/or maintain all applicable consents and approvals which are required for the performance of its obligations under the Bonds and the Trust Deed and the other Transaction Documents.
- (b) Where these Conditions require or contemplate a sale of any property or assets to be made or procured to be made by the Issuer, the Issuer shall procure that the relevant sale is made as soon as reasonably practicable and in any event, if a payment calculated by reference to any such sale is to be made pursuant to these Conditions, in such time to enable the relevant payment to be made by the time specified in these Conditions.
- (c) If a Put Event shall occur, the Issuer, failing whom the Guarantor, shall as soon as practicable and in any event no later than 10 Barcelona business days following such occurrence, give notice thereof (a “**Put Notice**”) to the Bondholders in accordance with Condition 22 and to the Trustee.

A Put Notice shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in Condition 7 and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 14(d)(ii).

A Put Notice shall also specify:

- (i) the Value with respect to the Exchange Property per Bond as at the last practicable date prior to the giving of the Put Notice;
- (ii) the last day of the Put Period; and
- (iii) the Put Date.

17 Taxation

All payments in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain (“**Spanish Taxes**”), or any political subdivision or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. If any such withholding or deduction is required by law, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

- (a) to, or to a third party on behalf of, a Bondholder who is liable for such taxes, duties, assessments or governmental charges in respect of such Bond by reason of the Bondholder or beneficial owner of such Bond (or a fiduciary, settlor, beneficiary, member or shareholder thereof, or a possessor of power over the relevant Bondholder or beneficial owner, if the relevant Bondholder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) having some connection with the Kingdom of Spain other than (i) the mere holding of such Bond, or (ii) the receipt of principal, interest, or other amounts in respect of such Bond; or
- (b) in relation to any taxes that would not have been so imposed if the Bondholder or the beneficial owner of the Bond had made a declaration of non-tax residence or any other claim or filing for exemption to which it is entitled or had provided any information or documentation (including, but not limited to, a certificate of tax residence issued by the tax authorities of its country of tax residence) which would have allowed those taxes not to be so imposed; or
- (c) (where presentation is a precondition of payment) in respect of any Bond presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (d) in relation to any estate, inheritance, gift, sales, transfer or similar taxes; or
- (e) in respect of any Bond presented for payment in the Kingdom of Spain; or
- (f) in respect of any taxes imposed on, or with respect to, any payment to a Bondholder in respect of which the Issuer has not received such information as may be necessary to allow payments on such Bond to be made free and clear of Spanish withholding tax or deduction on account of any taxes, including a duly executed and completed payment statement from the Fiscal Agent, as may be required in order to comply with the procedures that may be implemented to comply with Spain’s Law 10/2014 of 26 June, and Royal Decree 1065/2007 of 27th July, as amended by Royal Decree 1145/2011 of 29 July and any implementing legislation or regulation thereof; or
- (g) in respect of any Bond presented for payment or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to a Paying, Transfer and Exchange Agent in another member state of the European Union.

The provisions of this Condition shall not apply in respect of Spanish Taxes in respect of any payment of interest on the Bonds which falls due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 14(c), and neither the Issuer nor the Guarantor shall be required to pay any additional amounts in respect thereof pursuant to this Condition.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Notwithstanding any other provision of these Conditions, in no event will the Issuer or the Guarantor be required to pay any additional amounts in respect of the Bonds for, or on account of, any withholding or deduction required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) or any law implementing an intergovernmental approach to FATCA.

18 Events of Default

(a) Events of Default

The following will be events of default (each an “**Event of Default**”) with respect to the Bonds:

- (i) default is made in the payment on the due date of principal or interest or any other amount in respect of any of the Bonds and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest or any other amount; or
- (ii) the Issuer fails to deliver any Exchange Property to Bondholders upon an exercise of Exchange Rights (subject to the right of the Issuer to make a Cash Election pursuant to Condition 9) or upon an exercise of the Share Settlement Option by the Issuer, and in any such case any such default continues for a period of 10 days; or
- (iii) the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in respect of the Bonds, the Trust Deed or any other Transaction Document, which default is (in the opinion of the Trustee) incapable of remedy or, is not (in the opinion of the Trustee) remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or
- (iv)
 - (1) any other present or future indebtedness for or in respect of moneys borrowed or raised of the Issuer, the Guarantor or any Material Subsidiary becomes, or is declared, due and payable prior to its stated maturity by reason of an event of default (howsoever defined); or
 - (2) any such indebtedness for or in respect of moneys borrowed or raised is not paid when due or, as the case may be, within any applicable grace period; or
 - (3) the Issuer, the Guarantor or any Material Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for or in respect of moneys borrowed or raised,provided that the aggregate amount of the indebtedness, guarantees or indemnities in respect of which one or more of the events mentioned above in this paragraph (v) have occurred equals or exceeds €20,000,000 or its equivalent; or
- (v) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, the Guarantor or any Material Subsidiary and is not discharged or stayed within 30 days provided that the aggregate amount of property, assets and/or revenues involved in any such distress, attachment, execution or legal process equals or exceeds €20,000,000 or its equivalent; or
- (vi) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Material Subsidiary in respect of any obligation(s) the principal amount of which equals or exceeds €20,000,000 or its equivalent is enforced (including by the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person); or
- (vii)

- (1) the Issuer, the Guarantor or any Material Subsidiary is insolvent or bankrupt (*concurso*) or unable to pay its debts as they fall due, or is declared or a voluntary request has been submitted to a relevant court for the declaration of insolvency or bankruptcy; or
- (2) the Issuer or the Guarantor stops, suspends or threatens publicly to stop or suspend payment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any substantial part of the debts of the Issuer or the Guarantor; or
- (viii) (A) an order is made or an effective resolution passed for the winding-up (*liquidación*) or dissolution (*disolución*) of any Material Subsidiary, or (B) the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of Bondholders; or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another Material Subsidiary; or
- (ix) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds or any Transaction Document; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Bonds admissible in evidence is not taken, fulfilled or done; or
- (x) any event occurs which under the laws of any relevant jurisdiction has a similar effect to any of the events referred to in any of the foregoing paragraphs; or
- (xi) the number of Ebro Shares and/or other Exchange Securities in the Securities Account and the cash in the Cash Account (if any) and constituting Secured Property is insufficient to enable the Exchange Rights in respect of all the Bonds to be satisfied in full and such insufficiency remains unremedied for 20 Barcelona business days; or
- (xii) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Bonds, the Guarantee or any Transaction Document.

(b) **Automatic Exchange**

- (i) If an Event of Default occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter in principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution of the Bondholders, shall (subject to, in the case of the happening of any of the events mentioned in sub-paragraphs (iii) of Condition 18(a) and, in relation to a Material Subsidiary only, sub-paragraphs (v), (vi), (vii) or (viii) of Condition 18(a) the Trustee having certified in writing that such event is in its opinion materially prejudicial to the interests of the Bondholders and, in all cases to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) give written notice (an “**Acceleration Notice**”) to the Issuer (with a copy to the Guarantor) declaring the Bonds to be immediately due and repayable, whereupon they shall become immediately due and repayable at the Relevant Amount, without any further declaration, notification or other act on the part of the Trustee or any Bondholders; or
- (ii) if there is a failure to pay the full amount due on the Bonds on the Maturity Date, the Optional Redemption Date or the Tax Redemption Date, the amount payable in respect of the Bonds shall be the Relevant Amount.

(c) **Relevant Amount**

The “**Relevant Amount**” shall consist of:

- (i) if the arithmetic mean of the Value of the Exchange Property per Bond in respect of each Bond on the 10 consecutive Trading Days following (A) the date on which the Acceleration Notice is given by the Trustee to the Issuer, or (B) the Maturity Date, the Optional Redemption Date or the Tax Redemption Date, as the case may be, (the “**Relevant Amount Valuation Period**”) is greater than the principal amount of a Bond plus accrued interest, the transfer to a Bondholder in respect of each Bond of the Exchange Property per Bond;
- (ii) if sub-paragraph (i) above does not apply and the arithmetic mean of the Value of the Secured Property in the Relevant Amount Valuation Period is less than the aggregate principal amount of the Bonds plus accrued interest:
 - (1) the transfer to a Bondholder in respect of each Bond of the Secured Property per Bond; and
 - (2) the payment as soon as practicable after the end of the Value calculation period of an amount in cash per Bond equal to the difference between the Value of the Secured Property in the Relevant Amount Valuation Period and the principal amount of a Bond plus accrued interest,

in each case, other than sub-paragraph (ii)(2) above, deliverable on the 10th day following the end of the Relevant Amount Valuation Period,

provided, however, that if the Issuer is unable to, or fails to, deliver, or procure the delivery of, the Exchange Property to any Bondholder for any reason (including upon a failure by that Bondholder to deliver an Exchange Notice together with the relevant Bonds as provided below), the Relevant Amount shall be the principal amount of the Bonds plus accrued interest.

To obtain delivery of the relevant share of the Exchange Property and/or Secured Property to be delivered pursuant to sub-paragraph (a) or (b) above, as applicable, each Bondholder shall be required to deliver (in accordance with the provisions of Condition 8 a duly signed and completed Exchange Notice, together with the relevant Bond, to the specified office of any Paying, Transfer and Exchange Agent no later than 12 days following (i) the date on which the Acceleration Notice is given by the Trustee to the Issuer or (ii) the Maturity Date, the Optional Redemption Date or the Tax Redemption Date, as the case may be.

For the purpose of any delivery of Secured Property to be delivered pursuant to sub-paragraph (ii) above, references in Conditions 10 and 11 to “Exchange Property” shall be deemed to include references to such “Secured Property”.

19 **Registrar and Agents**

(a) **Agents of the Issuer and Guarantor**

The Registrar, the Paying, Transfer and Exchange Agents, when acting in that capacity, are acting solely as agents of the Issuer and the Guarantor and do not assume any obligation towards or relationship of agency or trust for or with any Bondholder. The Calculation Agent shall act exclusively as an agent for, and upon request from, the Issuer and the Guarantor and in accordance with the Conditions and, (acting in such capacity as aforesaid) shall not have any relationship of agency or trust with, and shall not be liable and shall incur no liability as against, the Bondholders.

(b) **Paying, Transfer and Exchange Agents; Registrar; Calculation Agent**

The Issuer and the Guarantor reserve the right under the Agency Agreement at any time to vary or terminate the appointment of any Paying, Transfer and Exchange Agent, or the Registrar and appoint additional or other Paying, Transfer and Exchange Agents, in each case subject to the prior written consent of the Trustee, provided that it will (i) maintain a Principal Paying, Transfer and Exchange Agent, (ii) maintain a Paying, Transfer and Exchange Agent having a specified office in a major European city, and (iii) maintain

a Registrar with a specified office outside the United Kingdom. Notice of any change in the Paying, Transfer and Exchange Agents or the Registrar or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 22.

The Issuer and the Guarantor further reserve the right at any time to vary or terminate the appointment of the Calculation Agent, provided that they will at all times maintain a Calculation Agent which is a financial institution or financial adviser with appropriate expertise.

20 Meetings of Bondholders, Modification and Waiver, Interests of Bondholders, Indemnification of Trustee and Entitlement of Trustee and Enforcement

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the terms and conditions of the Bonds or any provisions of any Transaction Document. Such a meeting may be convened the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) if requested in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Transaction Documents (including (i) modifying the Maturity Date, the Optional Put Date or any date for payment of any interest on the Bonds, (ii) reducing the Fixed Interest Rate or reducing or cancelling the principal amount of the Bonds or the Fixed Interest Amount, (iii) altering the currency of payment in respect of the Bonds, (iv) modifying or cancelling the Exchange Rights or the amount of Exchange Property to which Bondholders are entitled upon any exchange of their Bonds pursuant to these Conditions (other than, in any such case, increase in the Exchange Property deliverable on exchange or an increase in the Cash Alternative Amount), (v) modifying Condition 3 (or the corresponding provisions of any other Transaction Document described therein), or otherwise releasing any Security to the extent not expressly contemplated by these Conditions, (vi) modifying the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (vii) changing the governing law of the Bonds, (viii) releasing the Guarantor from any of its obligations pursuant to the Guarantee or (ix) waiving or amending the Issuer's compliance with Conditions 4(a) or 12(f), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-half in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting at which such resolution was passed.

The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than three quarters in principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) Modification and Waiver

The Trust Deed provides that the Trustee may at any time and from time to time, without the consent of the Bondholders, concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification to these Conditions, the Bonds or the other Transaction Documents (subject to certain exceptions as provided in the Trust Deed) which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders and to any modification of these Conditions, the Bonds or the Transaction

Documents which in the opinion of the Trustee is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of applicable law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any breach or proposed breach of, any of these Conditions or any of the provisions of the Bonds or the other Transaction Documents, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default or Potential Event of Default shall not be treated as such (provided that the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution), which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders.

Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and, unless the Trustee agrees otherwise, shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 22.

(c) **Interests of Bondholders**

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

(d) **Indemnification of Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking steps, actions or proceedings to enforce payment or taking steps, actions or proceedings to enforce the Exchange Rights unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee has no responsibility for delivery of Exchange Property to Bondholders nor for the validity, sufficiency and enforceability of the security created over the Secured Property nor for the validity or value of the Exchange Property nor for any insufficiency of the Exchange Property or from the Trustee, the Issuer or the Guarantor being liable for tax in respect of the Exchange Property.

(e) **Entitlement of Trustee**

The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and/or any other entity whose securities are from time to time comprised in the Exchange Property or any entity related to any of them without accounting for any profit as more particularly described in the Trust Deed.

Any certificate, report or determination of the Calculation Agent or an Independent Adviser or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee and whether or not it contains a monetary or other limit on the liability of the Calculation Agent or Independent Adviser or, as the case may be, such other person) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any liability that may be occasioned by it or any other person acting on such certificate, report or determination and, if relied upon by the Trustee, shall, in absence of manifest error, be conclusive and binding on all parties.

(f) **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such steps, actions or proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the

Bonds and/or any other Transaction Document, but it shall not be bound to take any such steps, actions or proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Trustee shall not be responsible for monitoring or supervising the performance by the Custodian, the Calculation Agent, any Independent Adviser or any agent of the Issuer or the Guarantor of their respective functions, duties and obligations under the Conditions, the Transaction Documents, the Calculation Agency Agreement or otherwise. The Trustee shall not be liable to any person for any loss occasioned by any act or omission of the Custodian or any agent of the Issuer or the Guarantor.

21 Replacement of Bonds

If any Bond certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Principal Paying, Transfer and Exchange Agent or such other Paying, Transfer and Exchange Agent as may be notified to Bondholders upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bond certificates must be surrendered before replacements will be issued.

22 Notices

All notices regarding the Bonds will be valid if published through the electronic communication system of Bloomberg and as required by the rules of any stock exchange on which the Bonds may be listed or admitted to trading at the relevant time. Any such notice will be deemed to have been given on the date of the first publication.

The Issuer or the Guarantor shall send a copy of all notices given by it to Bondholders pursuant to these Conditions simultaneously to the Calculation Agent.

Notwithstanding the above, for so long as all the Bonds are represented by the Global Bond and the Global Bond is deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg, notices to Bondholders may instead be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg and such notices shall be deemed to have been given to Bondholders on the day of delivery to Euroclear and/or Clearstream, Luxembourg.

23 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions in all respects as the outstanding Bonds or in all respects except for the amount and date of the first payment of interest on them, and the first date on which interest accrues, (and so that such further issue shall be consolidated and form a single series with the Bonds), provided that on or prior to the issue of such further bonds (i) the Issuer has certified to the Trustee that its assets exceed its liabilities, is solvent and able to pay its debts as they fall due, (ii) there has not been a declaration of bankruptcy (*concurso*) and a voluntary request has not been submitted to a relevant court for the declaration of insolvency or bankruptcy, in each case in relation to the Issuer, (iii) the Trustee being satisfied (upon receipt of an opinion from a nationally recognised law firm in Spain to such effect) that the issue of such further bonds will not in any way invalidate, render unenforceable or otherwise have an adverse effect on the Security created under Conditions 3(a) and 3(b) in respect of the Bonds, whether upon the insolvency of the Issuer or otherwise and (iv) such additional property and assets shall be added to the Securities Account and/or the Cash Account such that the Secured Property shall, upon issue of such further bonds, be not less than 100 per cent. of the Exchange Property in respect of all Bonds then outstanding (including such further bonds). Any such further bonds shall be constituted by a deed supplemental to the Trust Deed.

24 Definitions

For the purposes of these Conditions (save as may otherwise be provided in these Conditions):

“**Acceleration Notice**” has the meaning provided in Condition 18(b).

“**Additional Exchange Property**” has the meaning provided in Condition 11(b)(2).

“**Appointee**” has the meaning provided in the Trust Deed.

“**Bondholder**” and “**holder**” means the person in whose name a Bond is registered in the Register (as defined in Condition 5(a)).

“**business day**” means, in relation to any place, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in such place.

“**Calculation Agent**” means Conv-Ex Advisors Limited, or such other entity as may be appointed as such by the Issuer failing whom, the Guarantor, at its expense, from time to time.

“**Capital Distribution**” means:

- (a) any Non-Cash Dividend; or
- (b) any Cash Dividend (the “**Relevant Cash Dividend**”) paid or made in any Relevant Year (but on or after the Issue Date and on or prior to the Maturity Date) in respect of any Unit of Equity Shares if and to the extent that the sum of (as determined by the Calculation Agent):
 - (i) the Fair Market Value of the Relevant Cash Dividend; and
 - (ii) the aggregate of the Fair Market Value of any other Cash Dividend paid or made in such Relevant Year in respect of any Unit of Equity Shares at any time in such Relevant Year (disregarding for such purpose all or any part of any such Cash Dividend or Cash Dividends which shall previously have been determined to be a Capital Distribution in respect of such Relevant Year),

(and, where at any time a Unit of Equity Shares would comprise a fraction of an Equity Share, taking into account the pro rata proportion of any such Cash Dividend in respect of any such Equity Share) such sum being the “**Current Year Dividends**”, exceeds the Reference Amount in respect of such Relevant Year (as specified below), and in such case the amount of the relevant Capital Distribution (rounded down, if necessary, to two decimal places) shall be the lesser of:

- (i) the amount by which the Current Year Dividends exceeds the Reference Amount; and
- (ii) the Fair Market Value of the Relevant Cash Dividend,

in each case multiplied by the product of the aggregate principal amount of Bonds outstanding divided by €100,000.

For the purposes of the above, Fair Market Value in respect of any Relevant Cash Dividend or any such other Cash Dividend shall (subject as otherwise provided in paragraph (a) of the definition of “**Dividend**”) be determined as at the Effective Date in respect of such Relevant Cash Dividend or such other Cash Dividend, as the case may be, and “**Unit of Equity Shares**” means at any time the Ebro Shares or any other Equity Shares comprised in the *pro rata* share of the Exchange Property in respect of Bond in the principal amount of EUR 100,000, including for this purpose any fraction of an Equity Share.

“**Relevant Year**” and “**Reference Amount**” are set out below:

Relevant Year	Reference Amount per Unit of Equity Shares (EUR)
From and including 1 January 2016 to and including 31 December 2016	[●] [0.54] X [NOS OF SHARES INITIALLY]

	UNDERLYING A BOND]
From and including 1 January 2017 to and including 31 December 2017	[●] [0.57] X [NOS OF SHARES INITIALLY UNDERLYING A BOND]
From and including 1 January 2018 to and including 31 December 2018	[●] [0.60] X [NOS OF SHARES INITIALLY UNDERLYING A BOND]
From and including 1 January 2019 to and including 31 December 2019	[●] [0.63] X [NOS OF SHARES INITIALLY UNDERLYING A BOND]
From and including 1 January 2020 to and including 31 December 2020	[●] [0.66] X [NOS OF SHARES INITIALLY UNDERLYING A BOND]
From and including 1 January 2021 to and including 31 December 2021	[●] [0.69] X [NOS OF SHARES INITIALLY UNDERLYING A BOND]
From and including 1 January 2022 to and including 31 December 2022	[●] [0.72] X [NOS OF SHARES INITIALLY UNDERLYING A BOND]
From and including 1 January 2023 to and including the Maturity Date	[●] [0.75] X [NOS OF SHARES INITIALLY UNDERLYING A BOND]

“**Cash Alternative Amount**” means a sum in euro equal to the arithmetic average of the Value on each Trading Day in the Cash Alternative Calculation Period (i) in the case of an exercise of the Cash Election by the Issuer, of the relevant Cash Settled Exchange Property, as calculated by the Calculation Agent; or (ii) in the case of an exercise of the Share Settlement Option by the Issuer, of the Relevant Exchange Property, as calculated by the Calculation Agent, and in any such case if any doubt shall arise as to the calculation of the Cash Alternative Amount, or if such amount cannot be determined, the amount determined in such other manner as an Independent Adviser shall consider in good faith to be appropriate.

“**Cash Alternative Calculation Period**” means (i) in the case of a Cash Election, the period of 25 consecutive Trading Days commencing on the second Trading Day after the relevant Cash Election Exercise Date and (ii) in the case of the Share Redemption Option, the period of 25 consecutive Trading Days ending on the Valuation Date.

“**Cash Dividend**” means (i) any Dividend which is to be paid in cash (in whatever currency), but other than falling within paragraph (b) of the definition of “**Spin-Off**” and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) or (b) of the definition of “**Dividend**”.

“**Cash Election**” has the meaning set out in Condition 9.

“**Cash Election Exercise Date**” has the meaning provided in Condition 9.

“**Change of Control**” shall occur in respect of the Issuer or the Guarantor (each, a “**Relevant Person**”) if:

- (a) one or more persons (other than an Excepted Person), acting individually or in concert, acquire Control, directly or indirectly, of the Relevant Person (other than, in the case of the Issuer, where Control is acquired by a Subsidiary of the Guarantor);
- (b) the Relevant Person consolidates with or merges into another person and where the Relevant Person is not the continuing entity (except, in the case of the Issuer, where it consolidates with or merges into the Guarantor or a Subsidiary of the Guarantor, or in the case of the Guarantor, where it consolidates with or merges into a Subsidiary of the Guarantor, in each case provided that the obligations of the Issuer or, as the case may be, the Guarantor under the Bonds, the Guarantee, Trust Deed and the other Transaction Documents are assumed to the satisfaction of the Trustee by the relevant continuing entity); or
- (c) the Relevant Person disposes or transfers all or substantially all of its assets to one or more other persons, acting individually or in concert, except for a disposal or transfer by the Relevant Person (i) otherwise permitted under these Conditions, or (ii) to a Subsidiary of the Guarantor provided that such Subsidiary shall, to the satisfaction of the Trustee, enter into an unsecured and unsubordinated unconditional and irrevocable guarantee of all the obligations of the Issuer under the Bonds, the Trust Deed and the other Transaction Documents (jointly and severally with the Guarantor) *mutatis mutandis* on the terms of the Guarantee.

“**Closing Price**” means, in respect of any day:

- (i) in the case of Ebro Shares, the last reported price of an Ebro Share on the Exchange on such day as published by or derived from Bloomberg page EBRO SM Equity HP (or any successor page) (setting Last Price, or any other successor setting and using values not adjusted for any event occurring after such day; and for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of such day or, if not able to be so determined, the last reported price as obtained or derived from such other source as shall be determined to be appropriate (if any) by an Independent Adviser on such day; and
- (ii) in the case of any other Exchange Security, Spin-Off Securities, shares, options, warrants or other rights or assets, the last reported price on the Exchange on such day of such Security, Spin-Off Security, share, option, warrant or other right or asset published by or derived from the equivalent Bloomberg page in respect of the Exchange on such day or, if not able to be so determined, the last reported price as obtained or derived from such other source as shall be determined to be appropriate (if any) by an Independent Adviser on such day,

provided that if on any such day (the “**Affected CP day**”) such price is not available or cannot otherwise be determined as provided above, the Closing Price of an Ebro Share or, as the case may be, any other Exchange Security, Spin-Off Securities, share, option, warrant or other right in respect of such day shall be the Closing Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined, all as determined by the Calculation Agent, provided however that if such immediately preceding Trading Day falls prior to the 5th day preceding the Affected CP day, the Closing Price in respect of such day shall be considered to be not capable of being determined pursuant to this proviso;

and provided further that if such price cannot be so calculated as aforesaid, the Closing Price shall be determined by an Independent Adviser in such manner as it might otherwise determine in good faith to be appropriate.

“**Control**” means, in respect of any person, the:

- (a) acquisition, ownership or control of, more than 50 per cent. of the number of votes that may ordinarily be cast at any meeting of the shareholders of such person; or
- (b) the right to appoint and/or remove all or a majority of the board of directors (or equivalent body) of such person whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise (and “**Controlled**” shall be construed accordingly).

A “**Delisting Event**” shall occur if at any time Ebro Shares are comprised in the Exchange Property and:

- (a) the Ebro Shares are not listed and admitted to trading on the Spanish Stock Exchanges or, as the case may be, any EEA Regulated Market on which the Ebro Shares may be listed following delisting from the Spanish Stock Exchanges; or
- (b) trading of the Ebro Shares on the Spanish Stock Exchanges or, as the case may be, any other EEA Regulated Market on which the Ebro Shares are at the relevant time listed and admitted to trading is suspended for a period of 20 consecutive Trading Days or more.

“**Dividend**” means any dividend or distribution to holders of Exchange Securities (including a Spin-Off), whether of cash, assets or other property, and whenever paid or made and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to shareholders upon or in connection with a reduction of capital, a reduction in the par value or nominal value of any Exchange Securities comprised in the Exchange Property or otherwise (and for these purposes a distribution of assets includes, without limitation, an issue of shares or other securities credited as fully or partly paid up) provided that:

- (a) where a Dividend in cash is announced which may be satisfied (at the election of a holder or holders of Exchange Securities) by the issue or delivery of Exchange Securities or other property or assets, or where an issue of Exchange Securities or other property or assets by way of a capitalisation of profits or reserves or otherwise is announced which may at the election of a holder or holders of Exchange Securities be, satisfied by the payment of cash, then the Issuer shall be entitled to make such election as it may determine in its sole discretion in respect of any such Dividend capitalisation, and regardless of whether or not the Issuer does or does not make any election in respect of any Shares or other Exchange Securities held by it, the Dividend or capitalisation in question shall be treated as a Cash Dividend of an amount equal to whichever is the greater of (i) the Fair Market Value of such cash amount and (ii) the Fair Market Value of such Exchange Securities or other property or assets, in any such case as at the Effective Date in respect of the relevant Dividend or capitalisation (or, if later, the date on which the number of Exchange Securities (or amount of other property or assets, as the case may be) is determined);
- (b) where there shall be (i) any issue of Exchange Securities or other property or assets by way of capitalisation of profits or reserves or otherwise (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash dividend equivalent or amount is announced or a Dividend in cash is announced that is to be satisfied by the issue or delivery of Exchange Securities or other property or assets, or (ii) any issue of Exchange Securities or other property or assets by way of capitalisation of profits or reserves or otherwise (including any share premium account or capital redemption reserve) that is to be satisfied by the payment of cash, in each case other than in the circumstances the subject of proviso (a) above, then, in the case of (i), the capitalisation or Dividend in question shall be treated as a Cash Dividend of an amount equal to the Fair Market Value of such Exchange Securities or other property or assets as at the Effective Date in respect of the relevant capitalisation or, if later, the date on which the number of Exchange Securities or other property or assets to be issued is determined and, in the case of (ii), the capitalisation in question shall be treated as a Cash Dividend of an amount equal to the Fair Market Value of such cash amount as at the Effective Date in respect of the relevant capitalisation;
- (c) any issue of Exchange Securities falling within Condition 12(b)(i) or 12(b)(iii)(a) shall be disregarded;
- (d) any offer by a Relevant Company of Exchange Securities or other securities or options, warrants or rights to subscribe or purchase further Exchange Securities (or any of them) or other securities falling within Condition 12(b)(ii) shall be disregarded;
- (e) a repurchase or redemption of Equity Shares by or on behalf of a Relevant Company shall be disregarded;
- (f) where a Dividend is paid to holders of any Equity Shares pursuant to any plan implemented by the issuer of such Equity Shares for the purpose of enabling holders of the Equity Shares to elect, or which may require such holders, to receive Dividends in respect of such Equity Shares held by them from a person other than,

or in addition to, the Relevant Company, such Dividend shall for the purposes of these Conditions be treated as a Dividend paid to holders of the Equity Shares by the issuer of such Equity Shares, and the foregoing provisions of this definition and the provisions of these Conditions shall be construed accordingly; and

(g) a Dividend that is a Spin-Off shall be deemed to be a Non-Cash Dividend,

and any such determination shall be made by the Calculation Agent on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit.

“**Ebro**” means Ebro Foods, S.A..

“**Effective Date**” means the first date on which the Ebro Shares or, as the case may be, the relevant Equity Share Capital, are traded ex- the relevant Dividend or capitalisation or entitlement on the Exchange or, in the case of a Spin-Off, on the first date on which the Ebro Shares or, as the case may be, the relevant Equity Share Capital are traded ex- the relevant Spin-Off on the Exchange.

“**Equity Share Capital**” means, in relation to any entity, its issued share capital (or equivalent) excluding any part of that capital (or equivalent) which, neither as respect dividends nor as respect capital, carries any right to participate beyond a specific amount in a distribution, and “**Equity Share**” shall be construed accordingly.

“**Event of Default**” has the meaning provided in Condition 18(a).

“**Excepted Person**” means any of the Guarantor shareholders represented in the Board of Directors or having proposed the appointment of a member of the Board, from time to time (currently Disa Corporación Petrolífera, S.A., Seegrund, B.V., Dr. August Oetker K.G., Mr. Demetrio Carceller Arce, La Moravia de Inversiones, S.L. and Boag Valores, S.L.), any person or persons currently controlling any of the foregoing persons, any entity under the control of any one or more of the foregoing persons for the purposes of Article 42 of the Spanish Commercial Code, or any persons closely associated with any of them for the purposes of Regulation (EU) no 596/2014, on market abuse.

“**Exchange**” means:

- (i) in the case of the Ebro Shares, the Spanish Stock Exchanges or, if the Ebro Shares are no longer admitted to trading on the Spanish Stock Exchanges, the principal stock exchange or securities market on which Ebro Shares are then listed, admitted to trading or quoted or dealt in; or
- (ii) in the case of any other Equity Shares or Exchange Securities or any other shares or options, warrants or other rights, the principal stock exchange or securities market on which such Equity Shares or Exchange Securities or any other shares or options, warrants or other rights are then listed, admitted to trading or quoted or dealt in,

where “**principal stock exchange or securities market**” shall mean the stock exchange or securities market on which the shares are listed, admitted to trading or quoted or dealt in, provided that if the Ebro Shares or, as the case may be, such other Equity Shares or Exchange Securities are listed, admitted to trading or quoted or dealt in (as the case may be) on more than one stock exchange or securities market at the relevant time, then “principal stock exchange or securities market” shall mean that stock exchange or securities market on which the Ebro Shares, or as the case may be, the relevant Equity Shares or Exchange Securities are then traded as determined by the Calculation Agent by reference to the stock exchange or securities market with the highest average daily trading volume in respect of the Ebro Shares or other Equity Shares or Exchange Securities, as the case may be.

“**Exchange Date**” has the meaning provided in Condition 8.

“**Exchange Disruption**” means, in respect of any publicly-traded Exchange Security, any event (other than a Trading Disruption) that disrupts or impairs (in the opinion of the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for, such Exchange Security on the relevant Exchange.

“**Exchange Expenses**” has the meaning provided in Condition 10.

“**Exchange Notice**” has the meaning provided in Condition 8.

“**Exchange Period**” has the meaning provided in Condition 7(b).

“**Exchange Property**” means, as at the Issue Date, [●] Ebro Shares, and subsequently such Exchange Securities, cash and/or other property or assets constituting for the time being the Exchange Property in accordance with these Conditions.

“**Exchange Property per Bond**” means, for each Bond at any time, a portion of the Exchange Property the numerator of which shall be the principal amount of such Bond and the denominator of which shall be the aggregate principal amount of all the Bonds (including the Bond to which the relevant portion relates) which are outstanding at such time (excluding for this purpose the principal amount of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but in respect of which the Exchange Property or the relevant Cash Alternative Amount, as the case may be, has not yet been delivered or paid and excluding from the Exchange Property such portion of the Exchange Property in relation to such Bonds).

“**Exchange Right**” has the meaning provided in Condition 7(a).

“**Exchange Securities**” means, at any time, any securities of any Relevant Company which at such time are included in the Exchange Property and each an “**Exchange Security**”.

“**Exchangeable Bonds**” means Relevant Indebtedness (for the avoidance of doubt, other than the Bonds) that confers on the holder the right (the “**Exchangeable Bond Right**”) to exchange such Relevant Indebtedness for, or convert such Relevant Indebtedness into, or otherwise purchase, subscribe or acquire, any Exchange Securities and/or receive a cash payment determined by reference to the market value of such Exchange Securities and where the relevant Security Interest is limited (directly or indirectly and whether by a Security Interest in respect of any rights under a call option or similar arrangement or stock lending or similar arrangement) to:

- (a) the maximum number of such Exchange Securities that would be required to be delivered to holders on exercise of the Exchangeable Bond Right (or by reference to which any such cash payment is to be calculated), any rights or entitlements (including in respect of dividends or distributions) in respect of such Exchange Securities and rights as against any custodian or similar entity in respect thereof; and/or
- (b) rights as against any paying agent or similar entity in respect of the Exchangeable Bonds over or in respect of amounts held by such agent or other entity for payment in respect of the Exchangeable Bonds; and/or
- (c) the shares in the capital of any special purpose financing vehicle which issues the Exchangeable Bonds; and/or
- (d) such other assets or rights as may be determined by the Trustee to be incidental to the foregoing,

and provided that the maximum principal amount outstanding of such Exchangeable Bonds (for the avoidance of doubt, other than the Bonds) at any time shall not exceed €500,000,000.

“**Extraordinary Resolution**” has the meaning provided in the Trust Deed.

“**Fair Market Value**” means, with respect to any property as at or on any date,

- (i) in the case of a Cash Dividend paid or to be paid per Ebro Share or other Equity Share, the amount of such Cash Dividend per Ebro Share or other Equity Share;
- (ii) in the case of any other cash amount, the amount of such cash;
- (iii) in the case of shares, options, warrants or other securities, rights or assets which are publicly traded on an Exchange of adequate liquidity (as determined by the Calculation Agent), the arithmetic mean of the daily (a) VWAP of such Ebro Shares or other Equity Shares, or (b) Closing Price of such options, warrants or other securities, rights or assets, in each case during the period of 5 Trading Days on the relevant Exchange commencing on such date (or, if later, on the first such Trading Day such shares, options, warrants or other

securities, rights or assets are publicly traded) or such shorter period as such shares, options, warrants or other securities, rights or assets are publicly traded, all as determined by the Calculation Agent; and

- (iv) in the case of shares, options, warrants or other securities, rights or assets which are not publicly traded on an Exchange of adequate liquidity (as aforesaid), the Fair Market Value thereof as determined by an Independent Adviser on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including volatility, prevailing interest rates and the terms of such shares, options, warrants or other securities, rights or assets.

Such amounts shall in each case be converted (a) into euro at the Relevant Rate on the relevant date (in the case of (i) or (ii) above) or at the average of the Relevant Rate on each Trading Day in the relevant period (in the case of (iii) above) or on such date or on the basis of such averages over such period as an Independent Adviser shall determine (in the case of (iv) above) or (b) into the relevant currency as provided in, and for the purposes of, Condition 12(b)(ii)(c), 12(e) or 13(g), as the case may be. In addition, in the case of (i) or (ii) above, Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

“**Fixed Interest Amount**” has the meaning provided in Condition 6(b).

“**Free Float**” means the aggregate number of Ebro Shares (i) held by mutual funds, investment funds, collective investment schemes or pension funds and (ii) held by persons that own (together with any other person or persons with whom they act in concert) Ebro Shares representing less than 5 per cent, of the total number of issued and outstanding Ebro Shares, as determined by an Independent Adviser acting reasonably and in good faith, in consultation with the Issuer.

For these purposes, (i) references to “Ebro Shares” shall include Ebro Shares represented by depositary or other receipts or certificates representing Ebro Shares; (ii) Ebro Shares held by or on behalf of a depositary or custodian or similar person in respect of any such depositary or other receipts of certificates representing Ebro Shares from time to time shall be treated as being held by the holder of the relevant depositary or other receipts or certificates and not by such depositary, custodian or similar person; (iii) Ebro Shares that are subject to the Pledge shall be treated as not constituting part of the Free Float; and (iv) Ebro Shares held by or on behalf of Ebro or any Subsidiary of Ebro shall be treated as not constituting part of the Free Float.

A “**Free Float Event**” shall occur if (for so long as Ebro Shares are comprised in the Exchange Property) for any period of at least 20 consecutive Trading Days the number of Ebro Shares comprising the Free Float (as determined by an Independent Adviser) is equal to or less than 15 per cent. of the total number of issued and outstanding Ebro Shares.

“**Further Bonds**” means any further bonds issued pursuant to Condition 24.

“**Iberclear**” means the Spanish clearing and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*).

“**Independent Adviser**” means an independent financial institution (in the case of securities) or an independent appraiser (in the case of other assets (other than cash)) of international repute with appropriate expertise, which may be (without limitation) the Calculation Agent, appointed by the Issuer or the Guarantor at its own expense and (other than where the initial Calculation Agent is appointed) approved in writing by the Trustee or, if the Issuer or the Guarantor fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without liability for so doing) following notification to the Issuer or the Guarantor.

“**Issue Date**” means 1 December 2016.

“**Market Disruption Event**” means, in respect of any publicly-traded Exchange Security, the occurrence or existence of (a) a Trading Disruption or (b) an Exchange Disruption, in each case on any relevant Trading Day, at any time during the one hour period that ends at the close of such Trading Day, as determined by the Calculation Agent.

“**Material Subsidiary**” means, at any relevant time, a Subsidiary of the Guarantor:

- (a) whose total assets, gross revenues, profits or losses (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets, gross consolidated revenues, profits or losses) at any relevant time represent no less than 10 per cent. of the total consolidated assets, gross consolidated revenues, profits or losses respectively, of the Guarantor and its Subsidiaries, as calculated by reference to the then latest consolidated audited accounts or consolidated six-monthly reports of the Guarantor and the latest accounts or six-monthly reports of each relevant Subsidiary (consolidated, if they are legally required to prepare it, or, as the case may be, unconsolidated) prepared in accordance with International Financial Reporting Standards, provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest consolidated audited accounts or consolidated six-monthly reports of the Guarantor relate, then for the purpose of applying each of the foregoing tests, the reference to the Guarantor’s latest consolidated audited accounts or consolidated six-monthly reports shall be deemed to be a reference to such accounts or reports as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Guarantor for the time being after consultation with the Guarantor; or
- (b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which, immediately prior to such transfer, is a Material Subsidiary.

“**Maturity Date**” means 1 December 2023.

“**Non-Cash Dividend**” means any Dividend which is not a Cash Dividend and any Dividend that is a Spin-Off.

“**Offer**” has the meaning provided in Condition 13.

“**Optional Put Date**” has the meaning provided in Condition 14(d)(i).

“**Optional Put Exercise Notice**” has the meaning provided in Condition 14(d)(i).

“**Optional Redemption Date**” has the meaning provided in Condition 14(b).

“**Predominant Exchange Security**” means, if at any time there is more than one type or series of Exchange Securities in the Exchange Property, such type or series of Exchange Securities which in the determination of an Independent Adviser represents the largest proportion or weighting by value in the Exchange Property at such time.

“**Permitted Expenses**” means such amount, as determined by the Calculation Agent as would be equivalent to the costs and expenses, including any stamp, transfer, registration or similar duties, that would be incurred by the Issuer in making any such sale, subscription and purchase (whether or not any such sale, subscription or purchase is made), together with such amount as would be equivalent to that necessary to indemnify the Issuer in respect of any liability to taxation in relation to any such sale, subscription and purchase (whether or not any such sale, subscription or purchase is made).

“**Pledge Agreement**” has the meaning provided in Condition 3(a).

“**Potential Event of Default**” means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or taking of any similar action and/or the fulfilment of any similar condition, could constitute an Event of Default.

“**Put Date**” has the meaning provided in Condition 14(d)(ii).

“**Put Event**” means the occurrence of any of the following:

- (a) a Change of Control occurs in respect of the Issuer or the Guarantor;
- (b) a Free Float Event; or
- (c) a Delisting Event.

“**Put Exercise Notice**” has the meaning provided in Condition 14(d)(ii).

“**Put Notice**” has the meaning provided in Condition 16(c).

“**Put Period**” means the period commencing on the occurrence of a Put Event, as the case may be, and ending 60 days following such occurrence or, if later, 60 days following the date on which the Put Notice is given to Bondholders as required by Condition 16(c).

“**Record-Date**” has the meaning provided in Condition 15(c).

“**Register**” has the meaning provided in Condition 5(a).

“**Registration Date**” means, in respect of any Registered Securities, the date on which the relevant Bondholder exercising Exchange Rights is registered as the holder of such Registered Securities, or, pursuant to the exercise of the Share Settlement Option, the date on which the relevant Bondholder is registered as the holder of such Registered Securities.

“**Registered Securities**” has the meaning provided in Condition 11(b)(2).

“**Relevant Company**” means Ebro, and any corporation or company derived from or resulting or surviving from the merger, consolidation, amalgamation, reconstruction or acquisition of Ebro with, into or by such other corporation or company, and any other entity, all or part of the share capital of which is, or all or some of the securities of which are, at the relevant time included in the Exchange Property.

“**Relevant Date**” means whichever is the later of (i) the date on which such payment or delivery first becomes due and (ii) if the full amount payable or deliverable has not been received by the Principal Paying, Transfer and Exchange Agent or the Trustee or otherwise on or prior to such due date, the date on which the full amount having been so received, notice to that effect shall have been given to the Bondholders.

“**Relevant Indebtedness**” means any present or future indebtedness (whether being principal, interest or other amounts), in the form of or evidenced by notes, bonds, debentures, loan stock or other similar debt instruments, whether issued for cash or in whole or in part for a consideration other than cash, and which are for the time being, or are able to be, quoted, listed or ordinarily dealt in or traded on any recognised stock exchange, over-the-counter or other securities market, but shall not in any event include any Bonds (including any Further Bonds) nor any Exchangeable Bonds.

“**Relevant Rate**” means, in respect of any pair of currencies on any day, the spot mid rate of exchange between the relevant currencies prevailing as at 12 noon (London time) on that day as appearing on or derived from Bloomberg page “BFIX” (or any successor page) in respect of such pair of currencies. If such a rate cannot be determined at such time as aforesaid, the Relevant Rate shall be determined *mutatis mutandis* but with respect to the immediately preceding day on which such rate can be so determined (all as determined by the Calculation Agent), or if such rate cannot be so determined, the rate determined in such other manner as an Independent Adviser shall consider in good faith appropriate.

“**Secured Property per Bond**” means, for each Bond at any time, a portion of the Secured Property the numerator of which shall be the principal amount of such Bond and the denominator of which shall be the aggregate principal amount of all the Bonds (including the Bond to which the relevant portion relates) which are outstanding at such time (excluding for this purpose the principal amount of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but in respect of which the Exchange Property or the relevant Cash Alternative Amount, as the case may be, has not yet been delivered or paid and excluding from the Secured Property such portion of the Exchange Property in relation to such Bonds).

“**securities**” means shares or other securities (including without limitation any options, warrants, convertible bonds, evidence of indebtedness or rights to subscribe or purchase shares or other securities).

“**Settlement Date**” means (i) in the case of the exercise of Exchange Rights (other than in respect of the Relevant Exchange Property (if any) in respect of which a Cash Election is made) the date falling five Trading Days after the relevant Exchange Date and (ii) in the case of a delivery of Exchange Property upon redemption following exercise of the Share Settlement Option, the date falling seven Trading Days after the Valuation Date (as defined in Condition 14(h)).

“**Share Settlement Agent**” has the meaning provided in Condition 14(h).

“**Share Settlement Notice**” has the meaning provided in Condition 14(h).

“**Share Settlement Option**” has the meaning provided in Condition 14(h).

“**Share Settlement Option Notice**” has the meaning provided in Condition 14(h).

“**Settlement Disruption Event**” has the meaning provided in Condition 11(a).

“**Spanish Stock Exchanges**” means the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the automated quotation system thereof.

“**Spin-Off**” means:

- (a) a distribution of Spin-Off Securities by Ebro to holders of Ebro Shares as a class or, as the case may be, by any Relevant Company to the holders of its Equity Share Capital as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than Ebro or, as the case may be, the Relevant Company) to holders of Ebro Shares as a class or, as the case may be, by any Relevant Company to the holders of its Equity Share Capital as a class pursuant to any arrangements with Ebro or any of its Subsidiaries or, as the case may be, with the Relevant Company or any of its Subsidiaries.

“**Spin-Off Securities**” means Equity Share Capital of an entity other than Ebro, or as the case may be, the Relevant Company or options, warrants or other rights to subscribe for or purchase Equity Share Capital of an entity other than Ebro, or as the case may be, the Relevant Company.

“**Subsidiary**” of any person means (i) a company more than 50 per cent. of the Voting Rights of which is owned or controlled, directly or indirectly, by such person or by one or more other Subsidiaries of such person or by such person and one or more Subsidiaries thereof, (ii) any other person in which such person, or one or more other Subsidiaries of such person or such person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof or (iii) any other person whose financial statements are at such time, in accordance with the applicable law and generally accepted accounting principles, consolidated with such person’s financial statements.

“**TARGET Business Day**” means a day on which the TARGET System is operating.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

“**Trading Day**” means in respect of Ebro Shares or any Exchange Security, Spin-Off Securities or other shares or options, warrants or other rights or assets, a day on which the relevant Exchange in respect thereof is open for business, other than, in any such case, a day on which the relevant Exchange is scheduled to or does close prior to its regular closing time, provided that for the purposes of determining the Cash Alternative Calculation Period or any date on which payment of any amount or delivery of any Exchange Property is to be made, “**Trading Day**” will be the Trading Day applicable to the Predominant Exchange Security.

“**Trading Disruption**” means, in respect of any publicly-traded Exchange Security, any suspension of, or limitation imposed on, trading by the relevant Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by such Exchange or otherwise relating to such Exchange Security.

“**Transaction Documents**” means the Trust Deed, the Agency Agreement, the Calculation Agency Agreement and the Pledge Agreement.

“**Valuation Date**” has the meaning provided in Condition 14(h).

“**Value**” means (other than for the purpose of Condition 14(h)), with respect to any Exchange Property on any day, the aggregate amount (calculated by the Calculation Agent) of:

- (1) the VWAP (ignoring for this purpose the final proviso to the definition thereof) of publicly-traded Securities included in the Exchange Property on such day as determined by the Calculation Agent;
- (2) in the case of any publicly-traded Securities in respect of which the VWAP is not available on such day as aforesaid, the Closing Price (ignoring for this purpose the final proviso to the definition thereof) of such Securities on such day, as determined by the Calculation Agent;
- (3) in respect of any cash included in the Exchange Property on such day, the amount of such cash on such day; and
- (4) in the case of any other assets included in the Exchange Property on such day and in the case of any publicly traded Securities for which a value cannot be determined pursuant to paragraph (1) or (2) above (or if there is a Market Disruption Event on such day), their Fair Market Value on such day as determined by an Independent Adviser,

in each case translated (if not in euros) into euros at the Relevant Rate in effect on such day, provided that, if on any day:

- (A) any such publicly traded securities are quoted on the relevant Exchange cum any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (4) above have the benefit of, or are entitled to, or carry the right to, any dividend or other entitlement, in any such case which a Bondholder would not be entitled to pursuant to these Conditions (including in respect thereof pursuant to Condition 11(b)(2) or Condition 11(b)(3) in the absence of a Cash Election) in respect of the relevant exercise of Exchange Rights (or, for the purpose of Condition 6(c), 14(b) and 14(e), assuming that such relevant exercise of Exchange Rights had occurred on such day) (disregarding for this purpose any Cash Election), then the value of any such assets or publicly traded securities on such day shall be reduced by an amount equal to the Value as at such date of such dividend or other entitlement (or relevant portion thereof), as determined by the Calculation Agent; and
- (B) any such publicly traded securities are quoted or traded on the relevant Exchange ex any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (3) above do not have the benefit of, or are not entitled to, or do not carry the right to, any dividend or other entitlement, in any such case which a Bondholder would be entitled to pursuant to these Conditions (or in respect of which the relevant Bondholder would have been entitled to receive any amount pursuant to Condition 11(b)(3) or which would have been taken into account for the purposes of Condition 11(b)(2) in the absence of a Cash Election) in respect of the relevant exercise of Exchange Rights (or, for the purpose of Condition 6(c), 14(b) and 14(e), assuming that such relevant exercise of Exchange Rights had occurred on such day) (disregarding for this purpose any Cash Election), then the value of any such assets or publicly traded securities on such day shall be increased by an amount equal to the Value as at such date of such dividend or other entitlement (or relevant portion thereof), as determined by the Calculation Agent.

“Voting Rights” means the right generally to vote at a general meeting of shareholders of the relevant entity (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency) or to elect the majority of the members of the board of directors or other governing body of the relevant entity.

“VWAP” means, in respect of any day:

- (i) in the case of Ebro Shares, the order book volume weighted average price of an Ebro Share on the Exchange published by or derived from Bloomberg page EBRO SM Equity HP (or any successor page) (setting Weighted Average Line, or any other successor setting and using values not adjusted for any event occurring after such day; and for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of such day; and

- (ii) in the case of any other Exchange Security, Spin-Off Securities, shares, options, warrants or other rights or assets, the order book volume weighted average price of such Exchange Security, Spin-Off Securities, shares, options, warrants or other rights or assets on the Exchange published by or derived from the equivalent Bloomberg page in respect of the Exchange on such day or, if not able to be so determined, the volume weighted average price on the Exchange as obtained or derived from such other source as shall be determined to be appropriate (if any) by an Independent Adviser on such day,

provided that if on any such day (the “**Affected VWAP day**”) such price is not available or cannot otherwise be determined as provided above, the VWAP of an Ebro Share or, as the case may be, any other Equity Share, option, warrant or other securities in respect of such day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined, all as determined by the Calculation Agent, provided however that if such immediately preceding Trading Day falls prior to the 5th day preceding the Affected VWAP day, the VWAP in respect of such day shall be considered to be not capable of being determined pursuant to this proviso.

and provided further that if such price cannot be so determined as aforesaid, the VWAP shall be determined by an Independent Adviser in such manner as it might otherwise determine in good faith to be appropriate.

“**€**” and “**euro**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Reference to “**publicly-traded Exchange Securities**” means Exchange Securities which are traded on an Exchange.

References to any offer “**by way of rights**” shall be taken to be references to an offer or grant to all or substantially all holders of the Exchange Securities in question, other than holders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such offer or grant.

25 **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

26 **Governing Law and Submission to Jurisdiction**

- (a) The Trust Deed and the Bonds, and any non-contractual obligations arising out of or in connection with them (other than Conditions 2(c) and 2(e), which shall be governed by Spanish law) are governed by, and shall be construed in accordance with, English law. The Pledge Agreement is governed by Spanish law.
- (b) Each of the Issuer and the Guarantor has agreed in the Trust Deed for the benefit of the Trustee and the Bondholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds, and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Trust Deed or the Bonds may be brought in such courts.
- (c) Each of the Issuer and the Guarantor has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.
- (d) Nothing contained in this Condition shall limit any right of the Trustee or (subject to Condition 19(f)) any Bondholder to take Proceedings against the Issuer or the Guarantor, in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not, to the extent permissible by applicable laws.

- (e) Each of the Issuer and the Guarantor has appointed Law Debenture Corporate Services Limited at its registered office for the time being, currently at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that in the event of such agent ceasing so to act or ceasing to be registered or to have a place of business in England, it will appoint another person (approved by the Trustee) as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

1 The Global Bond

The Bonds will be evidenced on issue by the Global Bond deposited with, and registered in the name of the Common Depositary (or its nominee) for Euroclear and Clearstream, Luxembourg. Interests of participants in Euroclear and Clearstream, Luxembourg in the Bonds will be represented by book entries in the records of Euroclear and Clearstream, Luxembourg.

Upon the initial registration of the Bonds in the name of a nominee for the Common Depositary and delivery of the Global Bond to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Bonds equal to the principal amount thereof for which it has subscribed and paid.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Bond evidenced by the Global Bond must look solely to Euroclear and/or Clearstream, Luxembourg for its share of each payment made by the Issuer to the holder of, or the person whose name is entered on the Register as the holder of, the Global Bond and in relation to all other rights arising under the Global Bond, subject to and in accordance with the respective rules and procedures of Euroclear and Clearstream, Luxembourg (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Bonds for so long as such Bonds are evidenced by the Global Bond and such obligations of the Issuer will be discharged by payment to the holder of the Global Bond in respect of each amount so paid.

3 Exchange

The following will apply in respect of transfers of Bonds held in Euroclear and/or Clearstream, Luxembourg. These provisions will not prevent the trading of interests in the Bonds within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Bonds may be withdrawn from the relevant clearing system.

3.1 The Global Bond

Transfers of the holding of Bonds represented by the Global Bond pursuant to Condition 5(b) may only be made in whole but not in part if Euroclear or Clearstream, Luxembourg, on behalf which the Global Bond may be held, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available.

Thereupon the holder of the Bonds appearing in the register of Bondholders may give notice to the Trustee and the Principal Paying, Transfer and Exchange Agent of its intention to exchange the Global Bond for Individual Bonds on or after the Exchange Date (as defined in the Global Bond) specified in the notice.

3.2 Delivery

On or after the Exchange Date, the holder of the Global Bond shall surrender the Global Bond to or to the order of the Registrar. In exchange for the Global Bond, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Individual Bonds, printed in accordance with any applicable legal and stock exchange requirements and in, or substantially in, the form set out in the Trust Deed. On exchange of the Global Bond, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant definitive Individual Bonds.

4 Amendment to Conditions

The Global Bond contains provisions that apply to the Bonds that they evidence, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Memorandum. The following is a summary of certain of those provisions:

4.1 Payments

All payments in respect of Bonds represented by the Global Bond will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January (see “*Relationship of Accountholders with Clearing Systems*” above).

4.2 Cancellation

Cancellation of any Bond following its redemption, purchase or the exercise of Exchange Rights will be effected by reduction in the principal amount of Bonds in the register of Bondholders.

4.3 Meetings

For the purpose of any meetings of Bondholders, the Bondholders shall be treated as having one vote in respect of each €1.00 in principal amount of Bonds represented by the Global Bond. The Trustee may allow to attend and speak (but not to vote as voting rights are vested in the holder of the Bonds appearing in the register of Bondholders) at any meeting of Bondholders any accountholder (or the representative of any such person) of a clearing system with an interest in the Bonds represented by the Global Bond (each such person, an “**Accountholder**”) on confirmation of entitlement and proof of his identity.

4.5 Notices

So long as any Bonds are evidenced by the Global Bond and such Global Bond is held by or on behalf of Euroclear or Clearstream, Luxembourg, notices to be delivered by the Issuer or the Guarantor pursuant to the Conditions or the Trust Deed to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for publication as required by the Conditions, except that the Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being admitted to trading. Any such notice shall be deemed to have been given on the day the same has been delivered to the relevant clearing system.

4.6 Exchange Rights

Delivery of the Exchange Notice in electronic form will constitute confirmation by the relevant Accountholder of the Bonds to be exchanged (and by any other person who is beneficially entitled to the relevant Bonds) that the information and the representations in the Exchange Notice are true and accurate on the date of delivery.

5 Written Resolution

For so long as the Bonds are in the form of a Global Bond and for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the holder of the Bonds appearing in the register of Bondholders (by virtue of its entry in the register) irrevocably empowers (i) the Accountholders to act on its behalf and (ii) the Issuer, the Guarantor and the Trustee to rely on consent or instructions given in writing directly to the holder of the Bonds appearing in the register of Bondholders, to the Issuer, the Guarantor and/or the Trustee, as the case may be, by Accountholders in the clearing system with entitlements to such Global Bond or, where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds

directly with the Accountholder or via one or more intermediaries and provided that, in each case, the holder of the Bonds appearing in the register of Bondholders, the Issuer, the Guarantor and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Bondholders even if the relevant consent or instruction proves to be defective. As used in this paragraph, “**commercially reasonable evidence**” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an Accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Bonds. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the Accountholder of a particular principal or nominal amount of the Bonds is clearly identified together with the amount of such holding. Neither the Issuer, the Guarantor nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

6 Redemption at the Option of the Issuer

The option of the Issuer provided for in Condition 14(b) and 14(c) shall be exercised by the Issuer giving notice to the Accountholders through Euroclear and Clearstream, Luxembourg within the time limits set out in, and containing the information required by, Condition 14(b) or, as the case may be, Condition 14(c).

7 Redemption at the Option of the Bondholders

Redemption at the option of the Bondholder pursuant to Condition 14(d) of the Bonds may be exercised by the holder of the Global Bond giving notice to the Principal Paying, Transfer and Exchange Agent of the principal amount of Bonds in respect of which the relevant option is exercised and presenting the Global Bond for endorsement or exercise within the time limits specified in Condition 14(d).

DESCRIPTION OF THE ISSUER

General information

The Issuer, a subsidiary of the Guarantor, was incorporated as a public limited liability company (*sociedad anónima*) under the laws of Spain, originally named “El Turia Fábrica de Cerveza, S.A.”, for an indefinite term on 26 April 1935 and is registered at the Commercial Registry of Barcelona in Volume 41396, Sheet 98, page number B-140957. The Issuer has its registered office at Calle Rosselló 515, Barcelona, Spain and its tax ID number is A46006185.

Share capital

As of 30 September 2016, the Issuer’s issued and paid-up share capital is €59,436,000 divided into 6,604 registered ordinary shares with a par value of €9,000 each. All shares are fully paid up and subscribed. The Guarantor owns 99.94 per cent. of the issued and paid-up share capital of the Issuer, with the remaining 0.06 per cent. of the Issuer’s share capital being held by a shareholder unrelated to the Guarantor (0.01 per cent.) and by the own company as treasury stock (0.05 per cent.).

Directors

The members of the Issuer’s Board of Directors are as follows:

<u>Name</u>	<u>Position</u>
Mr. Demetrio Carceller Arce	Chairman
Mr. Ramón Agenjo Bosch	Director
Mr. Ramón Armadas Bosch	Director
Mr. August Oetker	Director
Mr. Raimundo Baroja Rieu	Director
Mr. José Carceller Arce	Director
Ms. María Carceller Arce	Director
Mr. Ernst Schroder	Director

The secretary non-member of the Board of Directors is Mr. Pau Furriol Fornells.

All members of the Issuer’s Board of Directors are also members of the Guarantor’s Board of Directors (either as directors themselves or as representatives of legal entities which hold the office of director).

As at the end of the 2015 financial year, neither the Directors nor any related parties, as defined in the restated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, dated 2 July (the “**Spanish Companies Act**”), had disclosed to the Board of Directors any direct or indirect conflict with the interests of the Issuer.

Business and activities

The objects of the Issuer are:

- The brewing, sale and purchase, commercialisation, distribution and marketing of beer and its residues, malt and ice, and, more generally, of alcoholic and non-alcoholic beverages, soft drinks and food products.
- The temporary or continued holding of transferable securities, negotiable securities and financial assets.
- The acquisition, exploitation and disposal of real estate properties, and the promotion, parceling, construction, urbanisation, sale and purchase, lease (with the exception of financial leasing) and exploitation of land, buildings, apartments, offices and commercial premises.

The Issuer is not allowed to carry out, within the scope of its objects, transactions which, under specific legislation, correspond exclusively to certain entities or companies, in particular those reserved to collective investment

undertakings (*instituciones de inversión colectiva*) and other transactions regulated by the restated text of the Securities Market Act approved by Royal Legislative Decree 4/2015, dated 23 October 2015 (the “**Securities Market Act**”).

Principal assets

The principal assets of the Issuer are shares in public companies and companies of the Group.

The Issuer’s investments in the equity stock of public companies, as at the date of this Offering Memorandum, comprise:

- 15,426,438 shares in Ebro which represent a 10.026 per cent. stake in Ebro’s share capital. As at 10 November 2016, the fair market value (*valor razonable*) of this shareholding is approximately €286.8 million;
- 995,000 shares in Repsol, S.A., which represent less than 0.07 per cent. of the issued share capital of Repsol, S.A.. As at 10 November 2016, the fair market value (*valor razonable*) of this shareholding is €12.34 million; and
- 1,000,000 shares in Sacyr, S.A., which represent less than 0.2 per cent. of the issued share capital of Sacyr, S.A.. As at 10 November 2016, the fair market value (*valor razonable*) of this shareholding is €1.99 million.

The Issuer’s investments in the equity stock of Group companies, as at the end of the 2015 financial year, comprise:

- Crouchback Investments Ltd., a wholly-owned subsidiary of the Issuer focused on the holding of securities and financial assets;
- Pumba Logística, S.L., whose main activities are transport and management, and 99.10 per cent. of its issued share capital is owned by the Issuer. The remaining 0.90 per cent. of the issued share capital of Pumba Logística, S.L. is owned by Compañía de Explotaciones Energéticas, S.L., another subsidiary of the Group; and
- 0.89 per cent. of the issued share capital of Damm Distribución Integral, S.L., a company with the corporate object of holding securities and financial assets. The remaining 99.11 per cent. of the issued share capital of Damm Distribución Integral, S.L. is owned by the Guarantor.

The dividends received from Ebro are the main source of income of the Issuer. Out of the €10,195,000 recorded by the Issuer as net revenues during the 2015 financial year, €10,181,000 were dividends collected on its shares in Ebro. The rest of the net revenues came from interests received from loans granted to subsidiaries of the Group and associated entities.

Going forward the Issuer will also receive periodic interest payments from the Guarantor under the loan that the Issuer intends to extend to the Guarantor using a portion of the proceeds of the offering of the Bonds as discussed below.

Material contracts

The material contracts entered into or to be entered into by the Issuer (other than in its ordinary course of business) which are relevant to its ability to meet its obligations in respect of the issue of the Bonds are a subscription agreement expected to be entered into between the Issuer, the Guarantor and the Bookrunner to be dated on or about 17 November 2016 (the “**Subscription Agreement**”), the Trust Deed, the Paying and Exchange Agency Agreement, the Pledge Agreement and the Calculation Agency Agreement.

Moreover, in January 2005 the Issuer borrowed €225 million in principal amount from the Guarantor under an intragroup participating loan agreement for an indefinite term. As at 30 September 2016, the outstanding principal amount of such intragroup loan amounts to €92.5 million.

The Issuer intends to apply the net proceeds of the offering of the Bonds towards repaying such intragroup indebtedness with the Guarantor and on-lending any surplus to the Guarantor.

DESCRIPTION OF THE GUARANTOR AND ITS GROUP

General information

The Guarantor was incorporated as a public limited company (*sociedad anónima*) under the laws of Spain, for an indefinite term on 3 January 1910 and is currently registered with the Commercial Registry of Barcelona, in Volume 21.167, Book 1 and Page number B-17.713. Its registered address is calle Rosselló 515, Barcelona, Spain and its tax ID number is A-08000820.

Damm's corporate objects are the brewing and selling of beer and its residues and by-products, which it may carry out directly or through other companies in which it owns a stake. Damm is the parent company of several subsidiaries engaged in different activities directly or indirectly related with the corporate objects of Damm, and which together with Damm form a consolidated group of companies operating principally in the beverages industry (the "**Damm Group**").

History

Damm traces its roots back 140 years, to 1876, when August Kuentzmann Damm and his wife Melanie, fleeing from the Franco-Prussian War, left their native Alsace, and with his cousin Joseph Damm, began brewing and marketing Strasburger beer using the symbol of a star in Barcelona. Since then, Estrella Damm has been brewed using the same original recipe from 1876 and 100 per cent. natural ingredients, a combination of barley malt, rice and hops. Damm was incorporated in 1910, when three major breweries in Barcelona merged and has since focused its activity on the brewing and selling of beer, having consolidated its position as one of the top three Spanish brewers by production volume. Over time, Damm has partnered with various brewers, whose products were distributed in certain Spanish territories and who owned their own factories and individual local brands. More specifically, Damm has partnered with Cervezas Alhambra, S.A. in Granada, with S.A. Balear de Cervezas in Palma de Mallorca, with Cervezas Turia, S.A. in Valencia and with La Estrella de África in Ceuta.

In addition, to strengthen its leading position in the Barcelona market, Damm partnered with Compañía Internacional de Cervezas, S.A. and Cerveceras Asociadas, S.A.. Compañía Internacional de Cervezas, S.A. was the owner of the factory in Santa Coloma de Gramenet, while Cerveceras Asociadas S.A. was the owner of the original factory located in El Prat de Llobregat, where the Damm Group's main production centre is currently located. Damm's partnership with these companies ended with the takeover by Damm of Compañía Internacional de Cervezas S.A. in 1972 and of Cerveceras Asociadas, S.A. in 1987. In 1993, the production capacity of the El Prat de Llobregat factory was expanded to 3 million hectolitres.

Damm reorganised and rationalised its relationship with its subsidiaries with the aim of achieving the structure of a "group". In 1995, Damm acquired (i) 100 per cent. of S.A. Balear de Cervezas (which in 1998 was absorbed by the Damm Group through a merger); and (ii) almost all the share capital of Cervezas Turia S.A. (which later changed its name to Corporación Económica Delta, S.A., and which after a capital increase in 1996 became the Damm Group's investment vehicle for the implementation of diversification projects).

In May 2001, further to the Competition Court ruling on the acquisition of Cruzcampo by Heineken, Damm reached an agreement with Heineken España, S.A. to purchase its factories in Valencia (El Puig) and Madrid (Barajas). These production facilities, together with those already owned by Damm in El Prat de Llobregat and in Santa Coloma de Gramenet, and Estrella de Levante's factory in Valencia, were Damm's main factories until Damm closed the factory in Santa Coloma de Gramenet in 2008 and focused on developing and improving the factory in El Prat.

The Damm Group began its activities in the field of electrical cogeneration in 1997 with the opening of its first cogeneration plant in the malt factory located in Bell-Lloc (Lleida). The electrical cogeneration central stations of the El Prat de Llobregat factory and of the Santa Coloma factory became operational in 1998 and in 2000 respectively. To manage its energy activities, the Damm Group incorporated Compañía de Explotaciones Energéticas S.L. in 1998 which currently manages a capacity of approximately 25 megawatts.

In 1999, the Damm Group began to diversify its business by entering the water and soft drinks sector. The Issuer acquired a 40 per cent. of the share capital of Aguas de San Martín de Veri, which owned a spring in the Pyrenees. The Issuer purchased an additional 25 per cent. stake in this company in 2000. Continuing its expansion in the mineral water sector, at the end of 2001 the Damm Group acquired a 50 per cent. stake in Gestión Fuente Liviana; a company based in Huerta del Marquesado, in the province of Cuenca, which it saw as the ideal central/southern Spain addition to the San Martín de Veri water brand. This new acquisition confirmed Damm's commitment to the water sector and generated material synergies (for example, in distribution and logistics) that strengthened the competitiveness of the Damm Group. Moreover, in 1999, the Damm Group initiated a further new business activity complementary to the brewing industry by acquiring a 64.71 per cent. stake in Font Salem, S.L., a consolidated company in the soft drinks distribution sector.

In late 1999 (but with operations beginning in March 2000), the Damm Group incorporated Alfil Logistics, S.A. for the provision of comprehensive and multimodal logistics services for consumer products, with the aim of improving the distribution competitiveness of the Damm Group. Currently and since its incorporation, 60 per cent. of the shares in Alfil Logistics, S.A. are owned by Damm and the remaining 40 per cent. are owned by Renfe.

In 2000, Damm incorporated its foundation which supports all corporate social responsibility initiatives carried out by the Group in its areas of operation through contributions and donations to various entities, with the aim of confirming the Group's commitment to the local communities. Fundación Damm collaborates with other cultural foundations such as "Fundació Teatre Liceu", "Orfeó Català Palau de la Música", "Abadía de Montserrat" and "Museo de Arte Contemporáneo de Cataluña" as well as with foundations which promote sports.

Also in 2000, the Damm Group promoted various initiatives that sought to take advantage of new communication technologies and to streamline core areas of its business. These initiatives were created as separate business units with a mission to serve not only the Damm Group but also other manufacturers experiencing similar problems. The most successful of those initiatives resulted in the creation of Ágora Europe, S.A., jointly with Accenture and British Telecom. At its inception, Ágora was a powerful technological tool that allowed customers to manage their transportation charges more efficiently and to optimise these costs. Nowadays, Ágora is the Damm Group's fully owned technology consultancy services provider which helps its customers to maximise the use of resources, reduce logistics costs and remove low added value tasks.

In 2001, the Damm Group acquired a 50 per cent. stake in Gestión Fuente Liviana.

In July 2003, Damm acquired a 49 per cent. stake in Eckes Granini Ibérica which holds the exclusive concession rights for the exploitation in Spain and Andorra of Granini juices and nectars under the well-established Granini brand. Despite its premium positioning and market share of approximately 5 per cent. in Spain, Damm exited this partnership in 2009 at a profit as it felt there was no room for further growth without carrying out an industry consolidation exercise through acquisitions.

In 2004, Damm started to build its stake in Ebro which as of 31 August 2016 represents approximately 10 per cent. of Ebro's share capital.

In 2006, Damm entered the fine casual dining business by acquiring a 35 per cent. stake in Rodilla, a Spanish restaurant chain specialised in sandwiches, catering and take-away food, consolidating this investment in 2015 by becoming the sole shareholder of the company.

In 2008, the Damm Group closed the factory based in Santa Coloma de Gramenet and focused on developing and improving the factory in El Prat de Llobregat, which is currently one of the most modern factories in the Spanish brewing sector.

In 2009 Damm entered the Portuguese market by acquiring a factory based in Santarém. This factory is mainly operated by Font Salem, which engages in the production of private label and co-packing beer, carbonated and non-carbonated beverages and water mainly for the Spanish market. The same year, Damm entered into an import and distribution agreement in the United Kingdom with Charles Wells.

In 2012, Damm entered into a joint venture with Cobega, S.A. (a Spanish regional bottler of Coca-Cola drinks controlled by the Daurella family and currently an integral part of the Spanish operations of Coca-Cola European Partners plc), to produce and distribute Cacaolat, a well-known Spanish chocolate milkshake brand.

Finally, on 1 December 2014 the Damm Group approved the delisting of its shares from the Barcelona Stock Exchange, where they had been admitted to trading since 1973, by filing a delisting takeover bid which closed in April 2015.

General macroeconomic environment in Spain

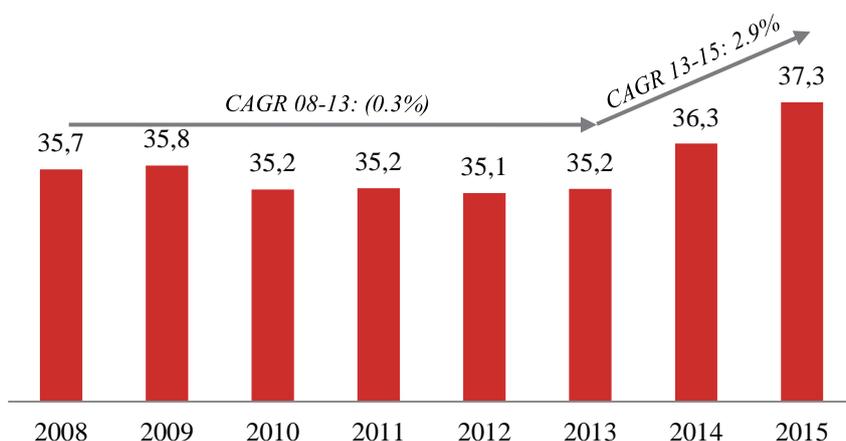
Spain is the 5th largest economy in Europe by nominal GDP according to 2015 figures. It has recently seen positive and improving macro developments reflected in the main macroeconomic indicators. According to the International Monetary Fund's, World Economic Outlook Update in October 2016, Spain's GDP is forecast to grow by an estimated 3.1 per cent. in 2016, mainly driven by robust domestic demand, in particular from strong private consumption supported by increased purchasing power and an improvement in labour market conditions. Spain has a GDP per Capita of c.€23,300 (2015) which is over three times that of the world's average and in line with the average of European economies. Current market expectations foresee that inflation levels will start improving from negative inflation in 2015 to an inflation of 1.1 per cent. in 2018, in line with ECB's medium-term target. There has been a considerable improvement in Spain's credit-worthiness, reflected in a sharp decline in the 10 year government yield. Spain has also seen a reduction in the unemployment rate, from 22.1 per cent. in 2015 to 19.4 per cent. in 2016. Moreover, the unemployment rate is expected to continue with that trend, reaching a 16.9 per cent. rate by 2018. (Source: International Monetary Fund, World Economic Outlook Database, October 2016)

Industry

Spain is the fourth largest beer producer by volume in the European Union, only preceded by Germany, the United Kingdom and Poland. Globally, China leads the world beer production ranking in which the European Union is positioned as the second largest beer producer.

Brewing production volumes in Spain grew c.4 per cent. in 2015 over the previous year and Spanish brewing companies produced and bottled around 35 million hectolitres of beer in 2015. Beer consumption in Spain has been resilient during the years of economic recession (2008-13) and has shown a significant improvement in recent years, in line with the macroeconomic recovery. Beer consumption volume in Spain has increased, from 36.3 million hectolitres in 2014 to 37.3 million hectolitres in 2015. The increase in production and consumption volumes, in line with the recovery of the Spanish economy, can mainly be attributed to the increase in the number of tourists, the good weather of the summer months and fiscal stability. The broader climate of greater confidence in the economy has also contributed to improving volumes. At the end of 2015 the Consumer Confidence Index (ICC) stood at 107.4 points and the annual average (102.9) is above the maximum registered prior to the economic crisis, in 2005 (90.5).

Beer consumption in Spain⁽¹⁾ (m of Hl)



(1) Apparent beer consumption (production + imports – exports)

The Andalucía, South Extremadura, Ceuta and Melilla region remains the territorial leader in beer consumption in Spain with a total of 7.8 million hectolitres sold in 2015, representing 23.5 per cent. of total consumption. This is mainly due to its status as a preferred tourist destination. Central Spain then holds 21.7 per cent. of total Spanish beer sales, with 7.2 million hectolitres sold (a 6 per cent. year on year increase). The Northeast and the Balearic Islands region, with 6.6 million hectolitres sold 19.8 per cent. of total Spanish volumes and the remaining 35 per cent. (11.6 million hectolitres) was sold in the Northwest region, the North of Spain, North of Castilla y Leon, Levante, Albacete, Murcia and the Canary Islands. According to these figures, the Andalucía, South Extremadura, Ceuta and Melilla region, together with the Central Spain and the Northeast and the Balearic Islands regions, represent around 65 per cent. of the country's beer consumption.

In Spain, due to beer's association with many social occasions, it is largely preferred for accompanying meals or snacks and its main consumer channel is on-trade (the hospitality and catering sectors). In 2015, 64 per cent. of beer consumption in Spain, which represents 86 per cent. of the total value added, was held in catering establishments. The consumption of beer in this sector also increased over the previous year. In Spain, beer is also consumed in the off-trade channel (at home). However this consumption is much lower than that recorded for the on trade sector and growth has been more modest than in the on-trade sector.

Exported beer volumes have grown fourfold in the last decade, and 28.6 per cent. in 2015 over the previous year. Approximately 2.3 million hectolitres were exported in 2015, mainly to Equatorial Guinea, United Kingdom and Portugal. The increase in beer exports is based on the acknowledged quality of Spanish beer, the dynamism in the brewery sector and the Damm Group's commitment to international distribution of its products and brands.

In Spain, 89 per cent. of beer production in 2015 was brewed by the three largest companies: Grupo Mahou-San Miguel, Heineken España and the Damm Group. The Damm Group is the only company within the top three Spanish brewers to have increased market share since 2010, as both Grupo Mahou-San Miguel and Heineken España have lost market share to private labels, Hijos de Rivera Brewery and craft brewers. Grupo Mahou-San Miguel (34.4 per cent. market share in Spain in 2015) saw an overall decline in 2015 of over 3 per cent., while Heineken (29.5 per cent. market share in Spain in 2015) decreased market share by just less than 1 per cent.. The Damm Group (25.0 per cent. market share in Spain in 2015) registered an increase of 0.1 per cent. driven by the successful performance of Estrella Damm and the increase in the number of customers in the on-trade channel.

(Source: the Spanish Beer Producers Dossier (2015))

Business overview

Currently, the Damm Group is a global beverage company with approximately 3,200 employees and distributes and exports its beverages to over 90 countries across America, Europe, Africa, Asia and Oceania but its main market is located in Spain.

The following chart shows selected financial figures for the Damm Group as at: (i) 31 December 2014, (ii) 31 December 2015, (iii) for the six month period ended 30 June 2016 and (iv) for the nine month period ended 30 September 2016 which are either directly sourced from Damm's financial reports or calculated based on figures sourced from Damm's financial reports:

(Expressed in millions of euros and rounded to the nearest decimal)

	<u>2014</u>	<u>2015</u>	<u>H1 2016</u>	<u>9M 2016</u>
Profit and loss account				
Consolidated revenue (1)	913	963	498	807
<i>growth (%)</i>	-	5.5%	-	-
Gross profit	593	627	-	-
<i>margin (%)</i>	65.0%	65.1%	-	-
EBITDA	166	178	100	162
<i>margin (%)</i>	18.2%	18.5%	20.1%	20.1%
EBIT	93	111	70	116
<i>margin (%)</i>	10.2%	11.5%	14.1%	14.3%
Net profit (attributable to the parent company)	79	92	59	95
<i>margin (%)</i>	8.6%	9.6%	11.8%	11.8%

(Expressed in millions of euros and rounded to the nearest decimal)

	<u>2014</u>	<u>2015</u>	<u>H1 2016</u>	<u>9M 2016</u>
Balance sheet				
Non-current assets	902	922	930	936
Current assets (2)	213	217	311	276
Total assets / liabilities (2)	1,116	1,139	1,241	1,212
Equity (ex. treasury shares) (3)	487	835	865	891
Net Financial Debt /(cash) - inc. treasury shares (3)	79	30	38	(30)
Other liabilities (4)	550	275	339	351

Source: 2014 and 2015 Audited Annual Accounts and 2016 Selected Interim Financial Information of Damm.

- (1) Includes other operating income.
- (2) Excludes cash and cash equivalents and other financial current assets.
- (3) Treasury shares represent Damm shares repurchased by Damm in the delisting offer which closed in April 2015, recorded at cost, net of disposed shares. At 31 December 2015 the balance under "Treasury shares" consists of 28,349,196 Damm shares, representing 10.5 per cent. of the share capital, with a carrying value of €61,597 thousand.
- (4) Includes deferred income, provisions, other non-current liabilities, deferred tax liabilities, trade and other payables, and other current liabilities. Excludes other financial liabilities.

In 2015, Damm sold around 14.3 million hectolitres of beer, bottled water, soft drinks and milk based beverages. Damm's products can be divided between beer, its traditional business which constitutes around 65 per cent. of total sales, and bottled water, soft drinks and milk based beverages, which represents the remaining 35 per cent. of total sales. The Damm Group is the second largest Iberian beverage group by volume in the combined beer, bottled water and soft drinks category (its principal categories of operation), only behind Coca-Cola European Partners. As mentioned above, within the Spanish beer market, mainly dominated by domestic brewers, the Damm Group holds 25.0 per cent. market share of production volumes, placing it as the third largest brewer, just behind Grupo Mahou-San Miguel and Heineken España who each hold a 34.4 per cent. and a 29.5 per cent. market share respectively. Damm's bottled water and soft drinks production ranks second in Spain, after Coca-Cola European Partners and followed by other well-known brands such as Pepsi and Schweppes. (Source: the Spanish Beer Producers Dossier (2015) and Informe del sector de Refrescos, Alimarket (<https://www.alimarket.es/>))

In addition to its main corporate activity, Damm has a foundation which constitutes its corporate social responsibility arm and which collaborates with several social institutions and programmes, sponsoring sports programmes, promoting human development and integration by collaborating with the Red Cross Foundation, and cooperating with cultural programmes by supporting national, regional and local cultural events.

The Damm Group has focused its activity on the brewing industry and other business activities undertaken by the Group such as electrical cogeneration or mineral water and soft drinks production. These other activities, which were set up as ancillary to its core beer brewing business, may be divided into two categories: those which have grown and are now an important part of the Group's results (i.e. the bottled water and the soft drink branches), and the others, which continue to be secondary to the Damm Group's main activities (i.e. electrical cogeneration, distribution services and logistics).

The Damm Group is also focused on widening the international reach of its products, either directly or by entering into distribution agreements such as the one signed with Charles Wells granting import and distribution rights for "Estrella Damm" beer in the United Kingdom. As a result of this initiative and other international expansion initiatives, the Company estimates that currently c.20 per cent. of "Estrella Damm" beer by volume is sold internationally.

In order to ensure the supply and quality of basic raw materials for brewing, the Damm Group's production structure is vertically integrated, enabling it to, directly or indirectly, control the entire production process. In order to establish all the necessary mechanisms for this vertical integration, the Damm Group continuously invests in improving and keeping up to date its value chain.

Damm works with local Mediterranean farmers who supply the malt, the hop and other raw materials necessary for the production of beer, soft drinks and food products.

Separately, Damm develops several ancillary in-house supply chain services which enable full integration, and are intended to allow the Damm Group to reach its main goals and objectives. These in-house services are: (i) energy production to run the Damm Group factories through a cogeneration system and solar energy, (ii) water bottling at the Group's wells, (iii) malting process at the Group's malt factories, (iv) the creation of a first class logistic operator in Spain and Portugal named Alfil Logistics, S.A., (v) the building and maintenance of top tier factories with the latest technical improvements, (vi) labelling and bottling processes carried in-house at the corresponding factories or with Font Salem (a company belonging to the Damm Group) support, (vii) the execution of cooperation agreements and/or participation in wholesalers, and (viii) the investment in one of the largest fresh sandwich and coffee chain in Spain, with more than 200 shops, providing Damm with a presence in the retail and catering sector.

Energy production

Damm owns a cogeneration plant located in the brewery factory in El Prat de Llobregat (Barcelona), designed in cycle configuration with a 10.3 MW gas turbine (which has a heat recovery steam generator (HRSG) designed for the production of 17 t/h of steam), a double effect absorption chiller for cold water production (with a maximum cold power of 1,500 kW), and a steam accumulation system with floating pressure between 8 and 23 bar(g) which creates the steam necessary for the beer production process.

Water bottling at the Group's wells

The Damm Group runs several springs, the main ones being the "Agua Veri" spring located in the Pyrenees, in the region of Huesca (with two plants located in Bisaurri and Castejón de Sos), and the "Fuente Liviana" spring in the region of Cuenca (with a plant located in Huerta del Marquesado). The Damm Group directly bottles pure water collected from these springs using a technique which enables it to avoid losing the water's original mineral salts and trace elements. Such bottling and treatment processes are carried out at the Damm Group's wells.

Malting process at the Group's malt factory

The Damm Group owns a malt factory located in Bell-Lloc (Lleida) and another malt factory which is part of the brewery located in Espinardo in Murcia, where cereal grains are converted into malt using the latest techniques available so as to preserve the grain's main elements and ensure the best quality in the final product.

Logistic and distribution operators

- (i) Alfil Logistics (60.00 per cent. effective interest held by Damm as at 31 December 2015)

The Damm Group, jointly with Renfe, owns Alfil Logistics, S.A. a multimodal integral logistics services company (transport, handling and storage) for the mass market of food and beverages. Its logistics centres are located in Spain's largest cities. Alfil Logistics serves an extensive customer portfolio, and renders services to third parties, including other competitors of the Damm Group such as Heineken, Día, Aquarel, Vichy Catalán, Parmalat, Lagasa, Vicasa, Vidrala, BSN Glasspack, Conservas Ortiz, Bimbo, Ordesa, Freixenet, Bacardi, Benckiser, McBride, Torraspapel and Affinity, among others, as well as to the Damm Group.

Alfil Logistics has recently expanded its operations to China, the Middle East, North America, Europe and North Africa.

- (ii) Ágora Europe (7.87 per cent. effective interest held by Damm and 92.13 per cent. held by Damm Innovacion, S.L. as at 31 December 2015)

In its aim to diversify its business activities and to improve its supply chain efficiency, the Damm Group incorporated a new logistics company, Ágora Europe, S.A., as a joint venture with Accenture and British Telecom. Ágora Europe's goal is to improve the Damm Group's visibility and production integration. Since its incorporation in 2000, Ágora Europe has helped the Group maximise the use of resources, reduce logistics costs and remove low added value tasks.

- (iii) Pall-Ex Iberia (100.00 per cent. effective interest held by Damm as at 31 December 2015)

Pall-Ex Iberia is a company which belongs to the Damm Group and which is focused on palletised freight distribution, covering all kind of sectors, and developing a wide variety of pallet sizes in order to supply a comprehensive range of services. Pall-Ex mainly provides services in Spain, Portugal, Andorra and North Africa. It has built a palletised freight distribution network with more than 60 delegations to guarantee the daily services; a central hub located in Madrid and a regional one in Zaragoza. Additionally, the service Pall-Ex Connect Europe has been recently launched in order to give the same service to more than 23 countries in Europe, and so has Pall-Ex Connect World, a new maritime service aimed at delivering palletised freight all over the world. Pall-Ex is the only palletised freight distribution network in Spain to provide that service. Pall-Ex Iberia is already integrated in the European network Pall-Ex Group, with a presence in the United Kingdom, France, Italy, Benelux and Romania; its purpose is to establish itself as the leading European palletised freight distribution network.

- (iv) Damm Distribucion Integral (100.00 per cent. effective interest held by the Damm Group as at 31 December 2015)

Damm Distribucion Integral is a logistics company fully owned by the Damm Group which has a stake in several wholesalers.

- (v) United States Beverages (40.83 per cent. effective interest held by Damm as at 31 December 2015)

US Beverages is an independent beer importer, specialised in imported beers, with a wide range of brands including some of the Damm brands such as Estrella Damm, Inedit and Daura, in the United States of America.

Labelling and co-packing processes

Font Salem, S.L. is a company belonging to the Damm Group, involved in the manufacturing of beer and soft drinks, and specialised in private labels and co-packing. It has become a leading company in the private labels sector, with more than 400 employees, and ranks second in Spain by production volume, only behind Coca-Cola European Partners. As a highly competitive brand, it covers both the Spanish and international market from its production factories located in strategic areas in the province of Valencia: in Salem, for the soft drinks production and in El Puig for the beer production. With a current production rate of more than 450 million litres, Font Salem has been awarded the ISO 9001:2000 standard in recognition of the high quality of its products and processes, and as proof that the company is fully committed to fulfilling the high quality standards that customers demand from a modern distribution system. (Source: Alimarket: <https://www.alimarket.es/>)

Wholesalers and own retail establishments

As at 31 December 2015, the Damm Group fully owns or participates in wholesale companies such as Distridam, S.L. (68.40 per cent.), Barnadís Logística 2000, S.L. (100 per cent.), Cerbedam, S.L. (100 per cent.), Cerbeleva, S.L. (70 per cent.), Cervezas Calatrava, S.L. (100 per cent.), Cervezas Victoria Málaga, S.L. (100 per cent.), Damm Portugal Unipersonal, L.D.A. (100 per cent.) and Dismenorca, S.L. (51 per cent.), amongst others, which are in charge of commercialising the Damm Group's products.

Rodilla is a Spanish restaurant chain specialised in sandwiches, catering and take-away food. Structured as a franchise and as at the date of this Offering Memorandum wholly owned by the Damm Group, is used to distribute the Group products directly to retailers. Café de Indias and Jamaica Coffee Shop are franchised coffeehouse chains fully owned by Rodilla specialised in coffee retail, and with presence throughout Spain.

Dehesa de Santa María (50 per cent. as at 31 December 2015) is a franchised restaurant chain specialised in Spanish food and with presence all across Spain. It is held by a joint venture between the Damm Group and The Eat Out Group.

Distribution channels and clients

Damm operates through wholesale companies and own retail establishments in which it fully owns or participates. Sociedad Anónima Damm usually protects itself against the risk of the lack of collection of its receivables from clients by credit insurance policies and other instruments thereby limiting this risk up to 95 per cent. of the amount of collectable receivables from time to time. This, together with a client diversification policy (i.e., the Group does not have any final client who on its own represents more than five per cent. of the Group's sales) mitigates the Group's exposure to the economic conditions and the risks resulting from the clientele's soundness.

Main products commercialised by the Damm Group

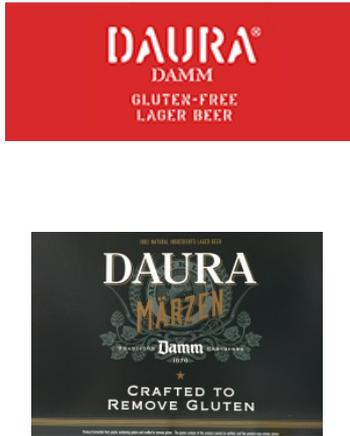
The Damm Group's business is based on manufacturing and distributing drinks, mainly beer, for the Spanish market. The Damm Group manufactures and distributes a wide variety of trademarks which constitute its portfolio of products. Such portfolio is balanced across the price spectrum allowing the Damm Group to deliver a resilient performance regardless of the economic cycle and the changing demand of consumers.

The trademarks commercialised by the Damm Group¹ are:

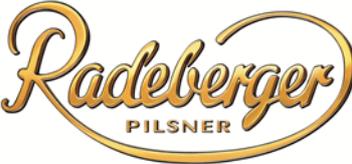
Trademark	Logo and Commercialisation label	Distribution Region / Characteristics
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BEER

¹ The Damm Group operates Cacaolat and Dehesa de Santa María under a joint venture agreement with Cobega, S.A. and The Eat Out Group, respectively.

Trademark	Logo and Commercialisation label	Distribution Region / Characteristics
Estrella Damm		<p>Estrella Damm was created in 1876 by Mr. August Kuentzmann Damm when he arrived to the Mediterranean coast and created a beer adapted to the Mediterranean climate. Lighter than central European beers more suited to cold climates, it became known as Mediterranean lager beer.</p>
Inedit Damm		<p>Inedit was created in 2008 by Ferran Adrià and El Bulli sommeliers team with the conviction that a beer which can accompany the variety of flavours in current modern gastronomy was necessary.</p>
Daura Damm		<p>Daura Damm was created by Damm's master brewers and the gluten department of the Spanish National Research Council (CSIC). It is the first gluten-free beer which maintains the flavour of real beer as it is made with barley malt.</p> <p>There are two varieties of Daura Damm, the regular one and the double malt one, called Daura Märzen.</p>
Voll-Damm		<p>Voll-Damm was created in 1953 as a Märzenbier (March beer) Voll, meaning full or complete in German refers to the full body and intense flavour, thanks to the extra malt used in a typical Märzen recipe.</p>
Free Damm		<p>Free Damm is created with the same ingredients used to make alcoholic beer. Thanks to an advanced technique called "vacuum distillation", the percentage of alcohol is brought down to 0.0 per cent. without changing the beer in any way. The result is a 0.0 per cent. vol. beer that is light, refreshing, balanced in terms of bitterness and very low in calories.</p>
A.K. Damm		<p>A.K. Damm was inspired in the Alsatian region and is characterised by its smooth taste and strong character.</p>
Saaz		<p>Saaz is produced from aromatic hops of a small region of the Czech Republic named Saaz, were its genuine beer aroma, mild flavour and lack of bitterness originate.</p>

Trademark	Logo and Commercialisation label	Distribution Region / Characteristics
Bock-Damm		Bock-Damm was created in 1888 and is the darkest beer of Damm's beer portfolio.
Damm Lemon		Damm Lemon is Damm's beer mixed with lemon, following the traditional Mediterranean recipe.
Xibeca		Xibeca was created in the 1930s but did not consolidate its popularity until the 1960s. It is the smoothest and one of the most refreshing beers of Damm's beer portfolio.
Estrella Levante		Estrella Levante was created in 1963 by the German brew master Bewer and nowadays is still produced following his recipe, using malt produced in Damm's malt factory, rice (added to beers in hot weather to make them more refreshing) and fresh hops that give a somewhat dry and bitter result with a light and refreshing aftertaste.
Keler		Keler was created in the Basque Country in 1890 by two German brothers named Juan and Teodoro Kutz. It's main market is the Basque Country.
Victoria		Victoria was created in Málaga in 1928 and the founder opened the factory on the day of the Virgin of Victoria, which is where the name comes from. Its main market is Málaga where the beer and the character on its logo have become one of the most representative symbols of the city.
Estrella del Sur		Estrella del Sur was created in Seville in 1959 and is currently the direct competitor of Cruzcampo, which belongs to the Heineken group.
Turia		Turia Märzen is a brown beer which was originally created in Valencia (Spain) in 1947.

Trademark	Logo and Commercialisation label	Distribution Region / Characteristics
Tagus		<p>Tagus is a Portuguese beer created in Carnaxide (Lisbon) in 1974. It was acquired by the Damm Group in 2009 and its main market is located in Portugal.</p>
Free Damm Lemon		<p>Free Damm Lemon is Damm's alcohol free beer mixed with lemon, following Damm Lemon's recipe.</p>
Calatrava		<p>This beer was born in Ciudad Real (Castilla La Mancha, Spain) in 1961. Calatrava is particularly well appreciated in the region because of its particular taste and its elaboration from pure malt.</p>
Skol		<p>Skol is a global beer brand and the Damm Group's main international lager. It was acquired from Heineken in April 2001 to start the process of expansion into international markets.</p>
Budweiser		<p>Budweiser is an American national brand beer created in the mid-1800s as an alternative to the Bavarians and the dark ales.</p> <p>In 2007 the Damm Group and Budweiser reached an agreement by virtue of which Damm produces Budweiser beer in its own factory following the recipe and bottles it for the Iberian Peninsula.</p>
Radeberger		<p>Radeberger was created in 1872 as Zum Bergkeller, in Radeberger, a town in the vicinity of Dresden (Germany).</p> <p>In 2008 the Damm Group and the Radeberger Group reached a distribution agreement by virtue of which Damm distributes Radeberger beers in Spain.</p>

Trademark**Logo and Commercialisation label****Distribution Region /
Characteristics**

Carling



Carling brewery was founded in Canada in 1818. In 1952 Carling lager was first sold in the United Kingdom; in the early 1980s it became the United Kingdom's most popular beer brand (by volume sold).

In 2015 the Damm Group and Molson Coors International reached a distribution agreement by virtue of which Damm distributes Carling beers in Spain.

Schöffelhofer



Schöffelhofer is a German wheat-based beer with a refreshing fruity flavour elaborated following the recipe of the Bavarian brewers.

The Damm Group has reached a distribution agreement by virtue of which Damm distributes Schöffelhofer beers in Spain.

WATER AND SOFT DRINKS

Veri



Veri is the Damm Group's mineral spring water brand from the Pyrenees.

Fuente Liviana



Fuente Liviana is the Damm Group's mineral spring water brand from Cuenca. It is a type of mineral water with a specially balanced mineral composition and whose low sodium content makes it suitable for the preparation of infant foods and for low-sodium diets.

Font Salem



Font Salem is a well established Spanish private label operator in beer and soft drinks marketing and co-packing.

It also manufactures beer and soft drinks in its factories located in the east coast of Spain and in Madrid.

Arizona



Arizona is an American producer of flavoured iced-tea, juice cocktails and energy drinks with a strong international presence.

The Damm Group has entered into a distribution agreement by virtue of which Damm distributes Arizona drinks in Spain.

Trademark	Logo and Commercialisation label	Distribution Region / Characteristics
MILKSHAKES AND DAIRY		
Cacaolat		<p>Cacaolat is a well-known Spanish chocolate milkshake brand whose main market is Catalonia.</p> <p>This trademark is held by a joint venture between the Damm Group and Cobega, S.A. (a company controlled by the Daurella family, the biggest individual shareholders of Coca-Cola European Partners).</p>
Letona		<p>Letona is a dairy brand owned by Cacaolat, S.L. and distributed by Cacaolat through its on-trade channels.</p>
FINE CASUAL DINING		
Rodilla		<p>Rodilla is a Spanish restaurant chain specialised in sandwiches, catering and take-away food. It is structured as a franchise and is wholly owned by the Damm Group.</p>
Cafe de Indias		<p>Café de Indias is a coffeehouse chain specialised in coffee retail, structured as franchises which operate all around Spain.</p>
Jamaica Coffee Shop		<p>Jamaica Coffee Shop is a coffeehouse chain specialised in coffee retail, structured as franchises which operate all around Spain.</p>
Dehesa de Santa María		<p>Dehesa de Santa María is a restaurant chain, specialised in typical Spanish food, structured as franchises which operate all around Spain.</p> <p>This trademark is held by a joint venture between the Damm Group and The Eat Out Group.</p>
Cafés Garriga		<p>Cafés Garriga is a coffee and tea brand owned by the Damm Group and distributed through the on-trade channel.</p>

Focus for 2016 and beyond

The goal of Damm in the medium term is to continue growing the business in a sustainable and consistent manner, while constantly improving profitability. Damm aims to achieve the following:

Business

Increase its international exposure by entering into new markets throughout the five continents. Achieve further presence of its trademarks in all national channels. Undertake a major digital transformation of Damm's processes across all areas of activity.

Shareholders

Maximise the return to shareholders through the increase of dividends and earnings per share. Enhance the communication with shareholders by continuing to provide transparent and objective information regarding the evolution of the business activity.

Clients and consumers

Strengthen the value chain with clients and consumers in order to obtain higher retention of stakeholders. Increase the current distribution network to increase the Group's trademark presence within the hospitality and catering segments.

Society

Reinforce the Group's solid commitment to the wider society by supporting cultural, gastronomic and sportive initiatives through its trademarks. Reinforce the sponsorship with social, academic, sportive and cultural entities of the Damm Foundation. Promote youth employment, talent retention and cross-divisional training within the Group's staff.

Suppliers

Support the use of digital tools with the aim of improving communication with suppliers. Intensify the collection and transmission of information and generate less paper documentation.

Share capital and shareholding structure

As at 30 September 2016, Damm has an issued share capital of €54,016,654.40, made up of 270,083,272 ordinary shares of the same class, with identical rights and a nominal value of €0.20 each, fully subscribed and paid up.

Damm's shares have been traded on the Barcelona Stock Exchange since 1973 and until 10 April 2015 when, following completion of Damm's delisting takeover bid through the buyback of the shares held by minority shareholders other than Damm's principal shareholders who elected to tender their shares in the offer, its shares were officially delisted from the Barcelona Stock Exchange.

As at 30 September 2016, Damm's shareholding structure was as follows:

Shareholder	Number of shares	Stake
Disa Corporación Petrolífera, S.A. ⁽¹⁾ and related	85,200,363	31.55%
Dr. August Oetker KG. ⁽²⁾	67,563,583	25.02%
Seegrund BV ⁽³⁾	37,681,863	13.95%
La Moravia d'Inversions, S.A. ⁽⁴⁾ and related	21,237,861	7.86%
Boag Valores, S.L. ⁽⁵⁾ and related	16,254,256	6.02%
Other shareholders	16,986,669	6.29%
Treasury stock	25,158,677	9.31%
Total	270,083,272	100%

(1) Disa Corporación Petrolífera, S.A. holds 82,614,680 shares directly and 218,049 shares indirectly through its subsidiary Disa Financiación, S.A.

(2) Dr. August Oetker KG. holds its 67,563,583 shares indirectly through its subsidiary Musrom GmbH.

(3) A company controlled by Mr. Demetrio Carceller Coll and his wife Ms. María del Carmen Arce Ochoa.

(4) A company controlled by the Armadás family.

(5) A company controlled by the Agenjo family

Disa Corporación Petrolífera, S.A. is a privately-held Spanish company incorporated in 1933 in Santa Cruz de Tenerife for the distribution of oil derived products in the Canary Islands. Disa Corporación Petrolífera, S.A. is the parent company of a group of companies operating mainly in the hydrocarbons industry in Spain, and is not under the control of any other person. Disa Corporación Petrolífera, S.A.'s principal shareholders comprise Padlock BV (a company controlled by Mr. Demetrio Carceller Coll and his wife Ms. María del Carmen Arce Ochoa), which holds a 29.554 per cent. stake in the company, and Bicar, S.A. (a company controlled by the Biosca family), which holds a 15.687 per cent. stake in the company.

Dr. August Oetker KG. is a German company incorporated in 1891 and currently one of the largest family conglomerates in the country, with worldwide interests in shipping, food and beverages and which is controlled by the fourth generation of the Oetker family.

Directors

The management of Damm consists of a Board of Directors whose members are set out in the following table:

Name	Position	Status
Mr. Demetrio Carceller Arce	Chairman and director	Executive
Mr. Ramón Agenjo Bosch	Secretary and director	Proprietary director of Boag Valores, S.L.
Mr. August Oetker	Director	Proprietary director of Dr. August Oetker KG.
Mr. Ernst F. Schroder	Director	Proprietary director of Dr. August Oetker KG.
Mr. Pau Furriol Fornells	Director	Independent director
Mr. Raimundo Baroja Rieu	Director	Proprietary director of Disa Corporación Petrolífera, S.A.
Mr. José Carceller Arce	Director	Proprietary director of Disa Financiación, S.A.
Mr. Ramón Armadás Bosch	Director	Proprietary director of La Moravia d'Inversions, S.A.
Ms. María Carceller Arce	Director	Proprietary director of Seegrund BV

Mr. Demetrio Carceller Arce received his undergraduate degree from Universidad Complutense de Madrid, an undergraduate degree from Colegio Universitario de Estudios Financieros, and an MBA from Duke University. He is currently the executive Chairman at Damm and also holds the Chairman position at Servicios y Obras Canarias, S.A., Distribuidora Marítima Petrogas, S.L., Syocsa Inarsa, S.A., Corporación Económica Delta, S.A., Disa Corporación Petrolífera, S.A., Disa Península, S.L. and Inmuebles y Terrenos, S.A.

Additionally to being the Chairman of the companies referred to above, he is a member of the Board of Directors of Ebro Foods, S.A., Sacyr, S.A. and several companies belonging to the Damm Group such as Rodilla Sánchez, S.L., and Cacaolat, S.L.

Mr. Ramón Agenjo Bosch, is graduated in business and holds an MBA in Finance. He serves as Secretary and Director at Sociedad Anónima Damm. He is also the Chairman at Font Salem, S.A., Font Salem, S.L. and Font Salem Portugal, S.A. and as the Managing Director at Boag Valores, S.L. Additionally, he is a member of the Board of Directors at Estrella de Levante Fábrica de Cerveza, S.A., Corporación Económica Delta, S.A. and Inmuebles y Terrenos, S.A. and also the trustee of the Fundación Damm, the foundation which constitutes the Damm Group's corporate social responsibility arm.

Mr. August Oetker is the Chairman of the Advisory Board and a shareholder at Dr. August Oetker KG. and of the Oetker Group, a family-operated group of companies incorporated in 1891 which operates in different business fields but whose main business is in food products and brewing.

Mr. Ernst F. Schroder is a member of the Board of Directors of Sociedad Anónima Damm and he also serves as Group Manager of Corporate Finance, Chief Financial Officer and General Partner at Dr. August Oetker KG. Additionally, Mr. Schroder is the Chairman of the Advisory Board at Bankhaus Lampe KG and of the Supervisory Board at Gerry Weber International AG and the Deputy-Chairman at Condor Allgemeine Versicherungs-AG., Condor Lebensversicherungs-AG., Optima Versicherungs-AG., and Optima Pensionskasse AG., Hamburg and Radeberger Gruppe AG., Frankfurt.

Mr. Pau Furriol Fornells is a member of the Board of Directors of Sociedad Anónima Damm, Secretary non-member of the Board of Directors of Corporación Económica Delta, S.A. as well as the Secretary and Director at Inmuebles y Terrenos, S.A.

Disa Corporación Petrolífera, S.A., a member of the Board of Directors of Sociedad Anónima Damm, is a fuel, butane and propane gas distributor in the Canary Islands and an independent service station operator in mainland Spain (including Ceuta and Melilla).

Disa Financiación, S.A., a member of the Board of Directors of Sociedad Anónima Damm, is a company which belongs to the Disa Group, authorised to raise funds by issuing negotiable instruments in the capital and money markets. It is dependent on the Disa Group to service its obligations under these instruments, including, amongst others, the issuance of debentures, debt instruments and other debt securities which may be traded in domestic and international markets.

La Moravia d’Inversions, S.A. is a holding company controlled by the Armadas family.

Seegrund BV is a holding company controlled by Mr. Demetrio Carceller Coll and his wife Ms. María del Carmen Arce Ochoa.

The business address of all Damm’s Directors is calle Rosselló, 515, Barcelona, Spain.

As of 31 December 2015, none of the members of Damm’s Board of Directors nor any related parties held any direct or indirect interest in companies outside of the Damm Group and with the same, similar or analogous corporate purpose as Damm.

Information concerning the remuneration of Directors and senior executives is set out in Notes 28.2 and 28.3 respectively, to Damm’s Consolidated Financial Statements for the financial years ended 31 December 2014 and 31 December 2015, which are appended to this Offering Memorandum.

Organisational structure

The following table lists Damm’s fully consolidated subsidiaries and their activities as at 31 December 2015:

Company Location	Activity	Effective interest	
		Holder	%
Ágora Europe, S.A. Madrid	Logistic activities performance and sale by electronic or telematic means.	Sociedad Anónima Damm	7.87
		Damm Innovación, S.L.	92.13
Aguas de San Martín de Veri, S.A. Huesca	Water bottling and selling.	Compañía Damm de Aguas, S.L.	99.59

Alada 1850, S.L. Barcelona	Premises management, management of the trademark “Jamaica Coffee Shop” rights on franchisees and management of securities and real estate.	Rodilla Sánchez, S.L.	100
Alfil Logistics, S.A. Madrid	Logistic activities operation and sale.	Sociedad Anónima Damm	60
Artesanía de la Alimentación, S.L. Madrid	Manufacture and sale of food products for Rodilla chain stores.	Rodilla Sánchez, S.L.	100
Barnadís Logística 2000, S.L. Barcelona	Wholesale of a variety of beverages and food products.	Distridam, S.L.	100
Cafés Garriga 1850, S.L. Barcelona	Coffee, tea, substitutes preparation and sale.	Damm Restauración, S.L.	100
Cafeteros desde 1933, S.L. Sevilla	Restaurants, bars, cafeterias operations or leases. Management of the brand “Café de Indias” rights and management of securities and real estate.	Rodilla Sánchez, S.L.	100
Cerbedam, S.L. Barcelona	Wholesale of a variety of beverages and food products.	Damm Distribución Integral, S.L.	100
Cerbeleva, S.L. Murcia	Wholesale of a variety of beverages and food products.	Damm Distribución Integral, S.L.	70
Cervezas Calatrava, S.L. Ciudad Real	Wholesale of a variety of beverages and food products.	Damm Distribución Integral, S.L.	100
Cervezas Victoria Málaga, S.L. Málaga	Wholesale of a variety of beverages and food products.	Damm Distribución Integral, S.L.	100
Cervezas Victoria 1928, S.L. Málaga	Brewery and sale of beer and derivatives.	Holding Cervezero Damm, S.L.	100
Compañía Cervecera Damm, S.L. Barcelona	Brewery and sale of beer and derivatives.	Holding Cervezero Damm, S.L.	100
Compañía Damm de Aguas, S.L. Barcelona	Acquisition, management, transfer, disposal, operation and holding of securities, shares, interest and other capital or equity securities.	Sociedad Anónima Damm	100
Compañía de Explotaciones Energéticas, S.L. Barcelona	Electricity co-generation.	Sociedad Anónima Damm	100
Corporación Económica Delta, S.A. Barcelona	Lease, use and operation of real estate and holding of securities and financial assets.	Sociedad Anónima Damm	99.94
Crouchback Investments, Ltd. London	Securities and financial assets holding.	Corporación Económica Delta, S.A.	100
Damm Atlántica, S.A. Barcelona	Corporate services provision.	Sociedad Anónima Damm	100
Damm Brewery UK, Ltd. London	Corporate services provision.	Sociedad Anónima Damm	100

Damm Brewery Sweden, AB. Stockholm	Corporate services provision.	Sociedad Anónima Damm	100
Damm Distribución Integral, S.L. Barcelona	Securities and financial assets holding.	Sociedad Anónima Damm	99.10
		Corporación Económica Delta, S.A.	0.89
Damm Innovación, S.L. Barcelona	Securities holding.	Sociedad Anónima Damm	100
Damm Portugal Unipersonal, L.D.A. Santarem	Wholesale of a variety of beverages and food products.	Sociedad Anónima Damm	100
Damm Restauración, S.L. Barcelona	Acquisition, management, transfer, disposal, operation and holding of securities, shares, interest and other capital or equity securities.	Sociedad Anónima Damm	100
Dismenorca, S.L. Barcelona	Wholesale of a variety of beverages and food products.	Damm Distribución Integral, S.L.	51
Distridam, S.L. Barcelona	Wholesale of a variety of beverages and food products.	Damm Distribución Integral, S.L.	68.40
Distrialmo, S.L. Barcelona	Wholesale of a variety of beverages and food products.	Damm Distribución Integral, S.L.	90
Estrella Damm Services Canada, Inc. Vancouver	Corporate services provision.	Sociedad Anónima Damm	100
Estrella de Levante Fábrica de Cerveza, S.A. Murcia	Brewery and sale of beer and derivatives.	Holding Cervezero Damm, S.L.	100
Expansión 1DDI, S.L. Barcelona	Wholesale of a variety of beverages and food.	Damm Distribución Integral, S.L.	100
Font Salem, S.L. Valencia	Production, bottling and sale of soft drinks and beer products.	Sociedad Anónima Damm	96.30
		Crouchback Investment, Ltd.	3.70
Font Salem Holding, S.L. Valencia	Acquisition, management, transfer, disposal, operation and holding of securities, shares, interest and other capital or equity securities.	Font Salem, S.L.	100
Font Salem Invetimentos SGPS Unipessoal LDA. Santarem	Acquisition, management, transfer, disposal, operation and holding of securities, shares, interest and other capital or equity securities.	Font Salem Holding, S.L.	100
Font Salem Portugal, S.A. Santarem	Brewery and sale of beer and derivatives.	Font Salem Invetimentos SGPS Unipessoal LDA.	100
Frio Sevinatural, S.L. Sevilla	Product distribution for own stores and franchisees.	Cafeteros desde 1933, S.L.	100

Fundación Damm Barcelona	Foundation.	Sociedad Anónima Damm	100
Gestión Fuente Liviana, S.L. Cuenca	Mineral water and spirits marketing.	Compañía Damm de Aguas, S.L.	100
Holding Cerveceros Damm, S.L. Barcelona	Acquisition, management, transfer, disposal, operation and holding of securities, shares, interest and other capital or equity securities.	Sociedad Anónima Damm	100
Inmuebles y Terrenos, S.A. Barcelona	Lease, use and operation of movable and immovable property.	Compañía Cerveceros Damm, S.L.	100
Licavisa, S.L. Madrid	Beverages retail of any kind.	Damm Distribución Integral, S.L.	60
Maltería la Moravia, S.L. Barcelona	Preparation and sale of malt and derivatives.	Holding Cerveceros Damm, S.L.	100
Neverseen Media, S.L. Madrid	Contents production, edition, design, acquisition and operation.	Sociedad Anónima Damm	100
Osiris Tecnología y Suministros Hoteleros, S.L. Barcelona	Creation and operation of a virtual market in catering industry and advice, consulting and brokerage services therefor.	Sociedad Anónima Damm	37.2
		Damm Innovación, S.L.	62.8
Pallex Iberia, S.L. Barcelona	Administrative, accounting and business management support services and logistic and transport ancillary services.	Sociedad Anónima Damm	100
Plataforma Continental, S.L. Madrid	Brewery and sale of beer and derivatives.	Sociedad Anónima Damm	100
Pumba Logística, S.L. Madrid	Transport activities operation and management.	Corporación Económica Delta, S.A.	99.90
		Compañía de Explotaciones Energéticas, S.L.	0.10
Representaciones Reunidas Ulbe, S.L. Barcelona	Wholesale of a variety of beverages and food products.	Damm Distribución Integral, S.L.	100
Reservas de Hielo, S.A. Barcelona	Lease of premises to Damm Group Companies.	Sociedad Anónima Damm	100
Rodilla Sánchez, S.L. Madrid	Sandwiches catering and sale / catering.	Damm Restauración, S.L.	100
Setpoint Events, S.A. Barcelona	Organisation of tournaments and sport or cultural events of any kind. Creation and marketing of artistic and cultural contents of any kind.	Neverseen Media, S.L.	100
Soluciones Tecnológicas para la Alimentación, S.L. Barcelona	Creation and operation of a virtual market in internet.	Osiris Tecnología y Suministros Hosteleros, S.L.	100

Additionally to the subsidiaries, there are other entities for which, even though the Damm Group is not a controlling shareholder, it has a significant influence, including the power to participate in financial and operating policy decisions. These entities are known as “associates”. The Damm Group considers as “associates” entities in which, even though its voting rights are lower than 20 per cent., it exercises a significant influence and there exists a dependency relationship, which may be due to, amongst others, the volume of transactions carried out between such entity and the Damm Group.

Investment by the Damm Group 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 2015, there were no investments classified as such. According to the equity method, investment in an associate will be initially accounted for at cost, and the book value will subsequently be increased or decreased to recognise the share of the investor in the income for the financial year of the jointly controlled entity after the date of acquisition.

These associates as at 31 December 2015 are:

Company Location	Activity	Effective interest	
		Holder	%
Bizkai Izarra Zerbituak, S.A. Bizkaia	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00
Comergrup, S.L. Barcelona	Marketing and distribution of a variety of food products and beverages, market research and advice.	Damm Distribución Integral, S.L.	10.15
Dehesa de Santa María, S.L. Badajoz	Food and beverages chain specialised in tapas/catering	Damm Restauración, S.L.	50.00
Ebro Foods, S.A. Madrid	Manufacture, preparation, marketing, investigation, import, export of a variety of food and dietary products / Food.	Corporación Económica Delta, S.A.	10.03
Estrella del Sol Services, S.A. Málaga	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00
Estrella Disagrup, S.L. Valencia	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00
Estrella Huelva Services, S.A. Huelva	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00
Estrella Iruña Services, S.A. Navarra	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00
Estrella Vega Baja Services, S.L. Alicante	Wholesale and distribution of a variety of beverages and food products.	Jap Alacant Serveis, S.A.	100.00
Estrella Indal Services, S.A. Almería	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00
Estrella Madrid Services, S.A. Madrid	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00

Estrella Moncayo Services, S.A. Zaragoza	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00
Eudivasa, S.L. Valencia	Distribution, manufacture and sale of beverages.	Damm Distribución Integral, S.L.	40.00
Euroestrellas Badalona, S.L. Barcelona	Wholesale and distribution of a variety of beverages and food products.	Damm Distribución Integral, S.L.	10.00
Grupo Cacaolat, S.L. Barcelona	Manufacture and sale of Milkshakes and dairy beverages.	Sociedad Anónima Damm	50.00
Jap Alacant Serveis, S.A. Alicante	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	50.00
Plataforma Logística Madrid, S.L. Madrid	Distribution of a variety of beverages and food products, bricolage and drugstore products.	Licavisa, S.L. Estrella Madrid Services, S.A.	50.00 50.00
Port Parés, S.L. Barcelona	Food, bricolage and drugstore products.	Damm Distribución Integral, S.L.	13.66
Quality Corn, S.A. Huesca	Preparation and sale of cereal and derivatives beverages.	Sociedad Anónima Damm	20.1
Sein Izarra Zerbituak, S.L. Guipúzkoa	Wholesale and distribution of a variety of beverages and food products.	Trade Eurofradis, S.L.	40.1
Trade Eurofradis, S.L. Barcelona	Administrative management services.	Damm Distribución Integral, S.L.	50.00
United States Beverages LLC Stamford	Distribution of beer and other spirits.	Sociedad Anónima Damm	40.83

Ebro

Ebro is a multinational food group operating in the rice, pasta and sauces sectors. Based in Spain, it has a commercial presence in more than 25 countries in Europe, North America, Asia and Africa, through its extensive network of subsidiaries and brands.

As of the date of this Offering Memorandum, Ebro's share capital amounts to €2,319,235.20 made up of 153,865,392 shares of €0.6 nominal value each, which are listed on the Spanish Stock Exchange Market under the ticker "EBRO", and of which the Damm Group owns 10.03 per cent..

Although the Damm Group holds less than 20 per cent. of the share capital and voting rights of Ebro, it exercises significant influence over Ebro, as evidenced by the following aspects:

- (i) The Damm Group 10.03 per cent. shareholding, which entitles it to appoint two out of the thirteen members of the Board of Directors of Ebro.

- (ii). The Damm Group takes part in Ebro's policy decision processes because one of the members of the Board of Directors appointed by it and considered its representative in the Board of Directors of Ebro, is a member of the Executive Committee, the Strategy and Investments Committee and the Hiring and Remuneration Committee of Ebro.

Cacaolat, S.L.

Cacaolat, S.L. ("**Cacaolat**") is a Spanish company operating in the dairy and milkshake market with an iconic brand in the Catalan on-trade market, in which the Damm Group, has a 50.00 per cent. stake under a joint venture agreement with Cobega, S.A.

Dehesa Santa María, S.L.

Dehesa Santa María, S.L. ("**Dehesa Santa María**") is a Spanish restaurant chain, specialised in Spanish food, structured as franchises which operate all around Spain in which Damm Restauración, S.L., belonging to the Damm Group, has a 50.00 per cent. stake under a joint venture agreement with The Eat Out Group.

United States Beverages, LLC.

United States Beverages, LLC ("**US Beverages**") is a company operating in the beverages wholesale, importation and distribution sector in which Damm has a 40.83 per cent. stake.

Financial information

Financial position and equity

The Damm Group recorded revenues plus other operating income in the financial year ended 31 December 2015 of €62.6 million, representing a 5.5 per cent. increase over the previous year. In the same financial year EBITDA was €78.0 million, 7.3 per cent. higher than the previous year and the result attributable to the parent company of the Group was €2.3 million, 17.5 per cent. higher than the previous year.

The performance of the Damm Group's business has been positive over financial year 2015, with sale increases in all the channels and markets in which it operates. Favourable weather conditions are believed to have contributed to the increase in the consumption of the products marketed by the Damm Group.

The 5.5 per cent. increase in consolidated revenue plus other operating income in the financial year ended 31 December 2015 compared to the previous year is due to the contribution of all the activities of the Group, as well as to the diversity of brand, products and activities that allow the Group to adapt its offer to changing markets requirements.

Production costs have increased together with revenue, but the increases have been limitedly thanks to improvements in efficiency and productivity, as a result of the investments made by the Damm Group over the last years, and due to the price decrease of certain raw materials that, nevertheless, has been partially absorbed by the increase in the manufacturing costs of certain products and an increase in logistics associated to a wider dispersion of the final destination of the Damm Group's products and activities.

On the other hand, in 2015, other expenses were above the 2014 level by approximately 5 per cent., the increase being more significant in marketing, trade-marketing, media events and sponsoring activities that strengthen the Damm Group by developing its brands in Spain and abroad.

The Damm Group has a solid financial position largely thanks to the resources generated by its business activities. Financial investments, treasury existing as of 31 December 2015 and sustainable business cash generation have allowed the achievement of debt servicing, shareholders' remuneration by way of dividends and the development of new products.

The following figures present the net financial debt of the Damm Group under “Cash and cash equivalents”, “Other financial current assets”, “Debt with financial institutions”, “Other non-current liabilities” and “Other current liabilities” of consolidated balance sheet at 31 December 2015 and 2014:

(Expressed in thousands of euros)	<u>2015</u>	<u>2014</u>
Long term loans and credits	(215,300)	(101,191)
Long term finance leases debts	(786)	(2,261)
Hedging instruments debts	-	(223)
Total long term debt with financial institutions	(216,086)	(103,675)
Short term loans and credits	(28,922)	(55,607)
Short term finance leases debts	(1,988)	(2,654)
Total short term debt with financial institutions	(30,910)	(58,261)
TOTAL DEBT WITH FINANCIAL INSTITUTIONS	(246,996)	(161,936)
Other financial liabilities (under “Other non-current liabilities” and “Other current liabilities”)	(14,609)	(15,989)
Cash and cash equivalents	67,364	91,117
Other financial current assets	2,489	8,304
Treasury shares ¹	161,597	-
NET FINANCIAL DEBT (incl. treasury shares and equity interests)	(30,155)	(78,504)
NET FINANCIAL DEBT (incl. treasury shares and equity interests) / EBITDA	0.17x	0.47x

(1) Treasury shares represent Damm shares repurchased by Damm in the delisting offer which closed in April 2015, recorded at cost, net of disposed shares. At 31 December 2015 the balance under “Treasury shares” consists of 28,349,196 Damm shares, representing 10.5 per cent. of the share capital, with a carrying value of €161,597 thousand.

During the 2015 financial year, the Damm Group refinanced its corporate credit facilities by means of a syndicated financial agreement with several first ranking domestic and international entities, in an amount of €400 million of which: (i) €225 million were drawn by virtue of a 6 years loan, with a 1 year grace period, aimed at the repayment at maturity of the Tranche B (RCF) withdrawn from the previous syndicated financing obtained in 2011. This loan is withdrawn as of 31 December 2015 in the amount of EUR 225,000 and (ii) €175 million through a (5 years) (RCF) facility undrawn as of 31 December 2015. Both facilities were guaranteed by Damm’s subsidiaries Estrella de Levante, S.A., Font Salem, S.L., Compañía Cervecera Damm, S.L., Maltería La Moravia, S.L., Aguas de San Martín de Veri, S.A. and Gestión Fuente Liviana, S.L.

As of 31 December 2015, it had undrawn credit facilities in an amount of EUR 282.2 million, which was sufficient to cover the Group’s short term liabilities.

The increase in the Guarantor’s consolidated net debt in the 2015 financial year, is mainly due to the impact of the share buy-back as a result of the delisting tender offer of Damm’s shares from the Barcelona Stock Exchange completed in April 2015.

Debt maturity profile

Debt with financial institutions at 31 December 2015, as well as maturity expected by way of amortisation are as follows:

(Expressed in thousands of euros)	Thousand euros							Long term Total
	Balance at	Short term	Long term					
	<u>31.12.2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Later</u>	
Other Loans	243,260	28,760	28,500	25,500	25,500	22,500	112,500	214,500
Credits	800	-	-	-	-	800	-	800
Finance leases	2,774	1,988	284	230	200	72	-	786
Interests payable	162	162	-	-	-	-	-	-
Total financial debt	246,996	30,910	28,784	25,730	25,700	23,372	112,500	216,086

Financial statements for the financial years ended 31 December 2014 and 31 December 2015

The main financial data for the Damm Group, obtained from the consolidated, audited financial statements for the financial years ended 31 December 2014 and 31 December 2015, is set out below in the following tables. Damm's Consolidated Financial Statements for the years ended 31 December 2014 and 31 December 2015, which are appended to this Offering Memorandum, are an integral part of the financial statements which follow below.

CONSOLIDATED BALANCE SHEET FOR FINANCIAL YEARS ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014

(Expressed in thousands of euros)	<u>2015</u>	<u>2014</u>
Non-current assets	922,454	902,304
Goodwill	49,746	47,229
Other intangible assets	20,644	22,894
Tangible Fixed Assets	435,218	429,340
Equity accounted investments	293,397	282,162
Non-current Financial Assets	85,710	78,446
Deferred Tax Assets	37,739	42,233
Current assets	286,705	312,652
Inventories	71,334	64,546
Trade and other receivables	137,738	140,859
Other financial current assets	2,489	8,304
Other current Assets	7,780	7,826
Cash and cash equivalents	67,364	91,117
TOTAL ASSETS	1,209,159	1,214,956
Equity	673,023	486,732
Share capital	54,017	54,017
Share premium	32,312	32,312
Other reserves of the parent company	490,186	184,081
Reserves in Consolidated Companies	156,001	137,863
Treasury shares and equity interests	(161,597)	-
Valuation Adjustments	14,809	8,733
Gains and Loss attributable to parent company	92,328	78,544
Interim dividend paid during the financial year	(14,261)	(16,205)
Equity attributable to parent company	663,795	479,345
Non-controlling interests	9,228	7,387
Total equity	673,023	486,732
Deferred Income	1,193	1,538

Non-current liabilities	284,749	179,041
Debt with financial institutions	216,086	103,675
Provisions	1,139	524
Other non-current liabilities	52,080	56,157
Deferred Tax Liabilities	15,444	18,685
Current liabilities	250,194	547,645
Debt with financial institutions	30,910	58,261
Trade and other payables	149,751	142,712
Other current liabilities	69,533	346,672
TOTAL LIABILITIES	1,209,159	1,214,956

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR FINANCIAL YEARS ENDED 31 DECEMBER
2015 AND 31 DECEMBER 2014

(Expressed in thousands of euros)	<u>2015</u>	<u>2014</u>
Continuing operations:		
Revenue	954,928	898,374
Other operating income	7,711	14,414
Changes in inventories of finished goods and work in progress	3,837	(2,600)
Raw materials and consumables used	(339,503)	(317,230)
GROSS MARGIN	626,973	592,958
Employee costs	(135,659)	(127,431)
Depreciation and amortisation	(65,725)	(72,721)
Other expenses	(313,280)	(299,641)
Net gain/(loss) for impairment and disposal of non-current assets	(1,422)	(212)
OPERATING PROFIT	110,887	92,953
Investment income	6	7
Other interest and similar income	1,178	2,340
Finance expense and similar expense	(5,874)	(7,828)
Exchange rate differences	1,553	907
Share of the profit or loss of investments accounted for using the equity method	16,194	14,721
Net gain/(loss) from disposal of financial instruments	(170)	-
PRE-TAX PROFIT/(LOSS)	123,774	103,100
Income tax	(29,988)	(23,747)
PROFIT ON CONTINUING OPERATIONS	93,786	79,353
PROFIT FOR THE FINANCIAL YEAR	93,786	79,353
Attributable to:		
Non-controlling interests	(1,458)	(809)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTED TO PARENT COMPANY	92,328	78,544
Earnings per share (in euros):		
From continuing operations	0.38	0.29
From continuing and discontinued operations	0.38	0.29

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FINANCIAL YEARS ENDED 31
DECEMBER 2015 AND 31 DECEMBER 2014**

(Expressed in thousands of euros) 2015 2014

A.- CONSOLIDATED INCOME FOR THE FINANCIAL YEAR before non-controlling interests	93,786	79,353
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B.- OTHER COMPREHENSIVE INCOME DIRECTLY RECOGNISED IN EQUITY	5,670	6,514
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Items that will not be transferred to profit or loss:		
1. Due to actuarial gains and losses and other adjustments	2,141	263
2. Entities accounted for using the equity method	7,227	7,906
3. Tax effect	(600)	(79)

Items that can be subsequently transferred to profit or loss:		
4. From the valuation of financial instruments:	(2,970)	(1,319)
<i>Financial assets held for sale</i>	(2,970)	(1,319)
5. From cash flow hedges	(221)	(364)
6. Difference adjustments	2	8
7. Rate adjustment	29	(8)
8. Tax effect	62	107

C.- TRANSFER TO PROFIT AND LOSS ACCOUNT	406	(29)
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1. From the valuation of financial instruments:	137	(12)
<i>Financial assets held for sale</i>	137	(12)
2. From cash flow hedges	374	(29)
3. Tax effect	(105)	12

TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR (A+B+C)	99,862	85,838
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a) Attributed to the parent company	98,404	85,029
b) Attributed to non-controlling interests	1,458	809

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR FINANCIAL YEARS ENDED 31 DECEMBER
2015 AND 31 DECEMBER 2014**

(Expressed in thousands of euros) 2015 2014

1.- CASH FLOW FROM OPERATING ACTIVITIES		
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Profit/(loss) for the financial year before taxes for continuing operations	123,774	103,100
Adjustments for:	57,289	61,809
Depreciation and amortisation	65,725	72,721
Profit/(loss) from equity method	(16,194)	(14,721)
Net profit/(loss) from impairment and disposal of non-current assets	1,422	212
Income from investments	(6)	(7)
Financial income	(1,178)	(2,340)
Change in provisions	3,670	(657)
Finance expenses	5,874	7,828
Allocation of grants	(641)	(320)
Exchange differences	(1,553)	(907)
Net gain/(loss) Disposal of financial instruments	170	-
Changes in working capital	24,975	(5,712)
Inventories	(6,787)	3,731
Trade and other receivables	273	(20,664)
Other current assets	1,857	(2,388)
Other financial current assets	379	1,535
Trade and other payables	21,521	12,286
Other current liabilities	7,732	(212)
Change in provisions and other non-current liabilities	-	(423)

<i>Cash generated from operations</i>	206,038	158,774
Income tax payment	(34,991)	(37,028)
Net cash flows from operating activities(I)	171,047	121,746

2.- CASH FLOWS FROM INVESTING ACTIVITIES

Financial income and dividends received	14,704	11,613
Payments for investments	(100,638)	(80,941)
Investment in assets	(86,142)	(62,484)
Financial investments	(9,162)	(9,503)
Investments in group companies, joint venture and associates	(2,500)	(8,954)
Payments for other debts	(2,834)	-
Receipt from divestments	10,665	86,209
Financial investments	6,889	83,798
Investments in group companies, joint venture and associates	-	-
Investment in assets	556	612
Receipt from other debts	3,220	1,799
Net cash flows from investing activities (II)	(75,269)	16,881

3.- CASH FLOWS FROM FINANCING ACTIVITIES

Receipt and payments from equity instruments	(159,159)	-
Acquisition of equity instruments	(207,956)	-
Disposal of equity instruments	48,797	-
Finance expenses and dividends paid	(45,192)	(47,510)
Receipt and payments for financial liabilities instruments	84,820	(105,310)
Issue Debt with financial institutions	300,000	30,000
Repayment and amortisation of debt with financial institutions	(215,180)	(135,310)
Net cash flows from financing activities (III)	(119,531)	(152,820)

NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS

(I+II+III)	(23,753)	(14,193)
Cash at the beginning of the financial year	50,054	90,552
Cash or cash equivalents at the beginning of the financial year	41,063	14,758
Cash at the end of the financial year	67,364	50,054
Cash or cash equivalents at the end of the financial year	-	41,063

2016 Selected Interim Financial Information

In the first half of the 2016 financial year, the Damm Group obtained revenues plus other operating income of approximately €497.5 million; an EBITDA of €100.1 million and a result attributable to the Parent Company of the Group of €58.6 million.

In the nine-month period ended 30 September 2016, the Damm Group obtained revenues plus other operating income of approximately €806.9 million; an EBITDA of €162 million and a result attributable to the Parent Company of the Group of €95 million.

The selected unaudited consolidated financial information for the Damm Group for the six month period ended 30 June 2016 and for the nine month period ended 30 September 2016 is set out below in the following table:

BALANCE SHEET

(Expressed in millions of euros)	<u>H1 2016</u>	<u>9M 2016</u>
Non-current assets	929.9	935.9
Current assets (1)	311.4	275.6
Total Assets/Liabilities	1,241.3	1,211.5
Equity (excluding "Treasury shares") (2)	864.7	891.2
Net Financial Debt (including "Treasury shares") (2)	37.7	(30.3)
Other liabilities (3)	338.9	350.6

PROFIT AND LOSS ACCOUNT

(Expressed in millions of euros)

	<u>H1 2016</u>	<u>9M 2016</u>
Consolidated Revenue (including "Other operating income")	497.5	806.9
EBIT (Operating profit)	70.2	115.6
Depreciation and amortisation	29.9	46.3
EBT (Pre-tax profit)	76.3	125.6
Profit attributed to parent company	58.6	94.7

- (1) Excludes "Cash and cash equivalents" and "Other financial current assets".
- (2) Treasury shares represent Damm shares repurchased by Damm in the delisting offer which closed in April 2015, recorded at cost, net of disposed shares. At 31 December 2015 the balance under "Treasury shares" consists of 28,349,196 Damm shares representing 10.5 per cent. of the share capital, with a carrying value of €161,597 thousand.
- (3) Includes "Deferred Income", "Provisions", "Other non-current liabilities", "Deferred tax liabilities", "Trade and other payables" and "Other current liabilities". Excludes "Other financial liabilities".

Regulation

Damm operates in the food supply chain industry, and produces, distributes and sells beer, bottled water, soft drinks and milk based beverages (the "**Damm Products**"). Therefore, it is subject to laws and regulations which govern the production, packaging, sale, safety, advertising, labelling, and ingredients of the Damm Products, as well as to certain environmental regulations.

Food business operators

The main duties and obligations of food business operators are set out in (i) EU Regulation 178/2002 laying down the general principles and requirements of food laws, establishing the European Food Safety Authority and laying down procedures in matters of food safety; and (ii) Spanish Act 17/2011, on food safety and nutrition. Moreover, the establishments, and any activities performed by food business operators, must comply with hygiene requirements, which are essentially set out at EU level by Regulation (EC) No 852/2004 on the hygiene of foodstuffs. In particular, food business operators must apply the principles of the system of hazard analysis and critical control points (HACCP) and comply with traceability and market surveillance obligations.

The EU Regulations set out: prohibited substances or maximum levels of certain substances in foodstuffs, permitted ingredients, other details related to the composition of products, specific labelling rules and the denomination under which products may be introduced into the market depending on their specific characteristics. In addition, specific Spanish rules exist for certain specific categories of foodstuffs.

As concerns personnel, currently, in Spain, food business operators are responsible for ensuring that all personnel has been duly trained in food manipulation.

Furthermore, any facilities and premises used by food business operators are subject to compulsory registration with the General Sanitary Registry for Food Businesses and Foodstuffs.

Food supply chain

Damm is subject to the obligations set forth in Law 12/2013, of 2 August, on measures to improve the functioning of the food supply chain, which governs commercial interactions between food business operators, from producers to distributors. For instance, it establishes that food procurement contracts shall be formalised in writing and have a minimum content, and restricts or prohibits certain commercial practices (e.g. excessive payment terms, unilateral amendment of the contract and other types of unfair conduct). The failure to comply with those obligations may be considered an administrative infringement, whether minor, serious or very serious; and the governmental authorities are entitled to impose fines for such infringements ranging from €3,000 up to €1,000,000.

Labelling and advertising

Spanish consumer regulations, namely, Article 18 of Royal Legislative Decree 1/2007, approving the revised text of the General Law on Protection of Consumers and Users and ancillary laws provide that the labelling and presentation of all

goods and services cannot induce an error or mistake on the part of the consumer, specifically about the characteristics of the goods or service.

Furthermore, the labels of the Damm Products must indicate certain minimum contents, depending on the type of product.

With regards to advertising, in addition to the general principles with which all categories of advertising must comply (authenticity, no aggressiveness, lawfulness, veracity and loyalty), beverages (food) and spirits advertising must comply with additional requisites.

For instance, Spanish Law 7/2010 on audio-visual communication prohibits the advertisement of certain types of spirits outside specific time slots. Advertising is also prohibited if it is aimed specifically at minors, if it encourages immoderate consumption of such beverages or if it links the consumption of alcohol to enhanced physical performance, social success or health.

Consumer protection. Product liability

As a producer of consumer goods, Damm must comply with all the EU and national legislation on consumer protection.

Further, again as a producer, Damm is subject to an objective product liability regime. For these purposes, a defective product is defined as any product which does not provide the safety that it could legitimately be expected to provide, taking all circumstances into account, especially the presentation of the product, its reasonably foreseeable use and the time when it was placed on the market.

Consumers are entitled to indemnification for damages caused by defects in the products including death, personal injury and damage to non-commercial property. Liability applies primarily to the producer, which is the person who manufactured the product or imports it into the EU, but also to the person who identifies the product with its own brand, and the distributor if the producer/importer cannot be identified.

Packaging

The European Parliament and Council Directive 94/62/EC, of 20 December 1994, on packaging and packaging waste has been incorporated into the national legislation of the Member States in which Damm does business. In Spain such Directive was incorporated by virtue of Law 11/1997, of 24 April 1997, on packaging and packaging waste.

According to these regulations the weight of packages collected and sent for recycling (inside or outside the EU) in the countries in which Damm operates must meet certain minimum targets, depending on the type of packaging. The legislation sets targets for the recovery and recycling of household, commercial, and industrial packaging waste and imposes substantial responsibilities on bottlers and retailers for implementation.

Environmental Regulations

The majority of the environmental rules applicable in EU Member States derive from the EU regulations.

Damm's activities are subject to obligations set out under several environmental regulations such as those related to the production and management of waste, atmosphere emissions or noise and odour control. Furthermore, considering the activities carried out by Damm's environmental regulations on water extraction and use, as well as on discharge of wastewater may be relevant.

In addition, Damm's facilities must obtain the environmental permits applicable in each case. These environmental permits include the conditions which must be met by each activity. For the Spanish facilities, these environmental permits are usually granted either by the City Council or the Regional Government.

Due to the Damm Group's commitment to preserve the environment and to co-operate against global warming, its beverage manufacturing operations do not use or generate a significant amount of toxic or hazardous substances. For instance, approximately 75 per cent. of Damm's energy needs are covered by renewable or cogenerated energy, and its target is to become an overall "non-pollutant" company. Damm believes its current practices and procedures for the

control and disposition of such substances and waste, comply with applicable laws in each of its territories. Similarly, it has implemented several antipollution measures such as waste water treatments and responsible use of water sources, and very limited GHG emissions and limited generation of other toxic or contaminating products.

All of Damm's facilities are subject to laws and regulations dealing with above-ground and underground fuel storage tanks and the discharge of materials into the environment.

Trade Regulation

Damm is subject to antitrust laws of general applicability. In particular, among other aspects, EU rules preclude restrictions on the free movement of goods among the Member States.

Litigation

According to the audited consolidated financial statements of Damm and its subsidiaries as at 31 December 2015, there is no significant outstanding litigation, trade related or other, from which relevant contingent liabilities could arise for any of the companies of the Damm Group. Notwithstanding this, the Damm Group has faced regular tax inspections in Spain in connection with Corporate Income Tax payments for the tax years 2006 to 2008 and 2009 to 2011. The scope of the inspections has been limited to the verification of the tax credits for supporting programmes of exceptional public interest events (*programas de apoyo a acontecimientos de excepcional interés público*) (e.g. the 1992 Barcelona Olympic Games and the 32nd America's Cup in 2006) applied in those years. These tax inspections resulted in tax assessments of €14,669,000 (delayed interest included) to be paid by the Damm Group to the Spanish tax authorities, due to the divergent interpretations of the Spanish tax administration and the Damm Group as to how to compute the base for these tax credits. An appeal was lodged by the Damm Group against such assessments before the Central Economic Administrative Court (*Tribunal Económico-Administrativo Central*), which dismissed the appeal. More recently, the Damm Group has lodged two appeals against the rulings of the Central Economic Administrative Court before the National Court (*Audiencia Nacional*). The Damm Group and its tax advisors consider that the arguments alleged in both appeals have solid pleas that back the Group's thesis, based on both substantive and procedural matters and the Damm Group expects to receive a judicial decision favourable to its interests. Recently the National Court (*Audiencia Nacional*) has resolved a number of case rulings for other Spanish corporate taxpayers in similar cases, based on the same arguments put forward by the Damm Group and which constitute a significant precedent. Specifically, the National Court (*Audiencia Nacional*) ruled in favour of the taxpayer in two judgements issued in May 2012 and May 2013, that support the position held by the Damm Group regarding the determination of the base of the deduction related to the aforesaid programmes to support exceptional public interest events (*programas de apoyo a acontecimientos de excepcional interés público*).

DESCRIPTION OF EBRO

Ebro has not participated in the preparation of this Offering Memorandum or in establishing the terms of the Bonds. This Offering Memorandum does not purport to include sufficient information with regard to Ebro or Ebro Shares to enable prospective investors in the Bonds to make an informed decision regarding an investment in the Bonds or Ebro Shares. Prospective investors should consult the publicly available information of Ebro prior to making a decision to invest in the Bonds.

The publicly available information of Ebro was not prepared in connection with the offering of the Bonds and none of the Issuer, the Guarantor or the Bookrunner has made any investigation or enquiry with respect to such information. None of the Issuer, the Guarantor or the Bookrunner accepts responsibility for such information. The reference herein to the publicly available information of Ebro shall not create any implication that there has been no change relating to Ebro or Ebro Shares since the date such information was published or that such information is current as at any time subsequent to its date.

Ebro is a limited liability company (*sociedad anónima*) resulting from the absorption of Puleva, S.A. by Azucarera Ebro Agrícolas, S.A. in 2001. As a result of this merger, the name of the absorbing company was changed to Ebro Puleva, S.A. and, afterwards, the General Shareholders' Meeting of 2 July 2010 changed the name to the current Ebro Foods, S.A..

Ebro is currently registered at the Commercial Registry of Madrid in Volume 20,362, Book 0, Section 8, page number M-271855, Sheet 59.

The following summary provides information concerning Ebro's share capital and briefly describes certain significant provisions of the Spanish Companies Act, the Securities Market Act, Ebro's By-laws, Board of Directors Regulations and Shareholders' Meeting Regulations.

A copy of Ebro's By-laws, Board of Directors Regulations and General Shareholders' Meeting Regulations are available for inspection on the Ebro corporate website (<http://www.ebrofoods.es/>).

General

The issued share capital of Ebro as of the date of this Offering Memorandum is €2,319,235.20, divided into 153,865,392 ordinary shares in book-entry form with a par value of €0.60 each. All shares are fully paid up and subscribed. Non-residents of Spain may hold and exercise voting rights attached to Ebro Shares, subject to the restrictions described under section "Restrictions on Foreign Investments" below.

All the current share capital of Ebro is represented by voting shares. Notwithstanding this, non-voting shares could be issued as well. Under the Spanish Companies Act, the non-voting shareholders would be entitled to receive a privileged dividend in a minimum amount, fixed or variable, that shall be provided in Ebro's By-laws.

According to the audited consolidated annual financial statements of Ebro for the financial year ended 31 December 2015, the Guarantor indirectly owns, through Corporación Económica Delta, S.A., 15,426,438 ordinary shares which represent 10.026 per cent. of the issued share capital of Ebro. Moreover, the Guarantor has appointed two members of Ebro's Board of Directors; namely Mr. Demetrio Carceller Arce and Mr. Rudolf-August Oetker.

Share capital and denomination

As at the date of this Offering Memorandum, the only class of Ebro Shares in issue are ordinary shares. The rights attached to the Ebro Shares are set out below.

The Ebro Shares are listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges under the ticker code "EBRO".

The Ebro Shares may be transferred by any means admitted under Spanish law.

Changes to share capital

The General Shareholders' Meeting of Ebro may convert all or any class of shares into a larger or smaller number of shares, increase or reduce the share capital of Ebro and empower the Board of Directors of Ebro to approve a share capital increase.

Variation of rights attaching to Ebro Shares

Subject to the Spanish Companies Act, the rights attaching to a class of shares in Ebro can only be cancelled or varied in any way with the consent of all the affected shareholders.

Dividends and liquidation rights

Payment of dividends is proposed by the Board of Directors and must then be authorised by a majority of the attending Ebro shareholders at a Shareholders' Meeting (both personally and by proxy). Shareholders participate in such dividends for each year from the date on which such dividends are agreed by a Shareholders' Meeting.

The Spanish Companies Act requires each company to contribute at least 10 per cent. of its profit for the year to a legal reserve each year until the balance of such reserve is equivalent to at least 20 per cent. of its issued share capital. A company's legal reserve is not available for distribution to its shareholders except upon such company's liquidation. As of 31 December 2015, the mandatory reserve amounts to 20 per cent. of Ebro's issued share capital.

According to Spanish law, dividends may only be paid out from the portion of profits and distributable reserves that exceed the company's research and development expenses, and only if the value of the company's net worth is not, and as a result of distribution would not be, less than its share capital. If there are any losses from prior financial years that reduce Ebro's net worth below the amount of the share capital, earnings shall be used to offset such losses.

In accordance with Section 947 of the Spanish Commercial Code, the right to a dividend lapses and reverts to the company if it is not claimed within five years after it becomes due.

With regard to the tax implications derived from dividends paid by Ebro see "*Taxation*".

Upon its liquidation, the Ebro shareholders would be entitled to proportionately receive any assets remaining after the payment of Ebro's debts and taxes and the expenses of the liquidation.

General meetings and notices

Pursuant to Ebro's By-laws, General Shareholders' Meeting Regulations and the Spanish Companies Act, the Ordinary General Shareholders' Meeting, duly convened for the purpose, shall necessarily be held within the first six months of each year in order to review the management of Ebro over the previous financial year, approve, if appropriate, the annual accounts for the previous financial year and resolve on the allocation of profit or loss. All other matters can be considered at either an Ordinary General Shareholders' Meeting or at an Extraordinary General Shareholders' Meeting if the matter is within the authority of the meeting and is included on the agenda.

Extraordinary General Shareholders' Meetings may be called by the Board of Directors: (i) whenever it deems appropriate; or (ii) at the request of shareholders representing at least 3 per cent. of the share capital.

Notices of all Shareholders' Meetings are published in the Commercial Registry's Official Gazette (*Boletín Oficial del Registro Mercantil*) or in one of the daily newspapers of wider circulation in Spain, and on the website of the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) ("**CNMV**") and on the Ebro website at least one month prior to the meeting. However, the notice period for convening an Extraordinary General Shareholders' Meeting can be reduced from one month to 15 calendar days provided that Ebro offers to the shareholders the possibility of voting by electronic means. The reduction of the Extraordinary General Shareholders' Meeting's notice period must be approved by a resolution passed at the Annual General Shareholders' Meeting by at least two thirds of the voting share capital for a term not to exceed the date of the next Annual General Shareholders' Meeting.

Furthermore, shareholders representing at least 3 per cent. of the share capital may request the publication of an addendum to the notice of call for an Ordinary General Shareholders' Meeting to add one or more items to the agenda for the meeting in question. Such right shall be exercised through a duly attested notification to be received at the registered office within five days following the publication of the original notice of call. The supplement to the notice of call shall be published at least 15 days in advance of the date set for the meeting. Shareholders' representing at least 3 per cent. of the share capital may also propose alternative resolutions for the items included in the agenda of an already convened Ordinary General Shareholders' Meeting within the same time period required for the request of an addendum.

General Shareholders' Meetings, both Ordinary and Extraordinary, shall be validly assembled at first call when shareholders representing at least 25 per cent. of the subscribed voting capital are present in person or by proxy at the meeting. At second call, the General Shareholders' Meeting shall be considered validly assembled regardless of the amount of capital represented.

According to Ebro's By-laws, for the General Shareholders' Meetings, either Ordinary or Extraordinary, to validly resolve on the increase or reduction of share capital and any other amendment to the By-laws, the issue of debentures, the cancellation or limitation of the pre-emptive acquisition right over new shares, the re-registration in different corporate form, merger, spin-off, the global assignment of assets and liabilities or the transfer of Ebro's registered offices abroad, it is required, at first call, that shareholders representing at least 50 per cent. of subscribed voting capital be present in person or by proxy at the meeting in question. At second call, a minimum quorum of shareholders representing 25 per cent. of the voting capital shall suffice. In the event that the shareholders present represent 25 per cent. or more of the subscribed voting capital, but fewer than 50 per cent. of such capital, the resolutions set out above shall require the favourable vote of at least two thirds of capital present or represented at the meeting. Resolutions in all other cases are passed by a majority of votes casted.

The resolutions of General Shareholders' Meeting shall be recorded in a minutes book. The minutes of the meetings may be approved by the General Shareholders' Meeting itself after it is held or, failing this, within a term of fifteen days, by the chairman and two controllers, one representing the majority and another representing the minority, appointed at the proposal of the chairman after declaring that the General Shareholders' Meeting is duly constituted.

Resolutions shall be enforceable after the date of approval of the minutes in which they are recorded and binding on all shareholders.

Resolutions which are either (i) contrary to Spanish law, Ebro's By-laws or Shareholders' Meeting Regulations, or (ii) detrimental to Ebro's corporate interests in benefit of one or more shareholders or third parties, may be contested on the terms set out in the Spanish Companies Act. For listed companies, the Spanish Companies Act requires a contestant or contestant group to hold a minimum total of 1 per cent. of the company's share capital in order to contest such resolutions. The Spanish Companies Act acknowledges a legal right of action in favour of (i) individual shareholders who held shares prior to the adoption of such resolutions, (ii) the company's directors and (iii) interested third parties. If the resolution is contrary to public policy, any shareholder (whether or not he or she was a shareholder at the time when the resolution was adopted), director or third party is entitled to contest the resolution. In certain circumstances (such as a significant amendment of Ebro's corporate purpose, certain cases of conversion of the corporate form or the change of its registered offices abroad), the Spanish Companies Act entitles dissenting or absent shareholders to withdraw from the company. If this right were to be exercised, Ebro would be obliged to repurchase the relevant shareholding(s) from the withdrawing shareholder in accordance with the procedures established under the Spanish Companies Act.

Voting

Right of attendance

There is no limit as to the maximum number of votes that may be issued by any shareholder, companies belonging to the same group or any person acting in coordination with any of the former. Shareholders are not required to hold a minimum number of shares in order to exercise their right to attend any General Shareholders' Meeting. None of Ebro's shareholders have different voting rights.

Holders of record of any number of shares with voting rights are entitled to attend Ebro's General Shareholders' Meeting with the rights to speak and vote. Pursuant to the Spanish Companies Act, shareholders that are duly registered in book-entry form (*anotaciones en cuenta*) managed by the relevant entity responsible for keeping the corresponding accounting records at least five days in advance to the date of the General Shareholders' Meeting, shall in any case be entitled to attend and vote at such meeting.

To be admitted to General Shareholders' Meetings, each shareholder who so requests and has the right to attend shall be furnished with a personal attendance card issued in his name, which shall record the statements established by law and Ebro's By-laws; said card may be replaced by the appropriate certificate issued for such purpose by the responsible or participant entity, pursuant to the entries made on the stock register and authorised by the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* ("**Iberclear**") (the Spanish registration and settlement system).

Right to appoint a proxy

Any shareholder having the right to attend General Shareholders' Meetings may do so by proxy, who need not be a shareholder. Proxies shall be appointed in writing and specifically for each meeting.

Shareholders may also appoint proxies by electronic means which duly guarantee the validity of the powers conferred and the identity of the shareholder in the cases expressly provided in the call notice.

Proxy holders are required to disclose any conflict of interest to the shareholder prior to their appointment. In case a conflict of interest arises after the proxy holder's appointment, it shall immediately be disclosed to the shareholder. In both cases, the proxy holder shall refrain from exercising the shareholder's voting rights after disclosure of the conflict of interest unless the shareholder has provided new specific voting instructions for each matter in respect of which the proxy holder is to vote on its behalf. A conflict of interest may (amongst other things) be deemed to arise when the proxy holder: (i) is one of the controlling shareholders or an entity controlled by such shareholder; (ii) is a member of the administrative, management or supervisory body, or that of one of the controlling shareholders or of another entity controlled by such shareholders; (iii) is an employee or auditor, or that of a controlling shareholder or another entity controlled by any of such shareholders; or (iv) is a natural person related to those mentioned in (i) to (iii) above (*persona física vinculada*), as this concept is defined under the Spanish Companies Act (such as the spouse or similar, at that time or within the two preceding years, as well as ascendants, descendants, siblings, and their respective spouses).

A proxy holder may act on behalf of more than one shareholder without limitation as to the maximum number of represented shareholders. Where a proxy holder holds proxies from several shareholders with diverging voting instructions, it shall be entitled to cast votes differently as appropriate for each shareholder.

Proxies may be revoked, either expressly or by attendance of the shareholder at the meeting.

Voting Rights

Shareholders with the right to attend General Shareholders' Meetings have also the right to vote on any proposed resolutions included in the agenda of any Shareholders' Meeting by means of:

- Regular mail, remitting the duly completed and signed form sent together with the attendance card; and
- Other remote electronic means provided that the electronic document used to exercise the voting right includes a recognised electronic signature used by the shareholder or includes any other means of signature considered appropriate by the Board of Directors, because it provides, pursuant to law, adequate safeguards of authenticity and identification of the shareholder exercising his voting right.

The Board of Directors can establish the procedure, requirements, system and schedule for the exercise or remote voting rights and the remittance of votes cast through such procedure to Ebro and for any eventual revocation thereof. Such circumstances shall be recorded on Ebro's corporate website.

Issue of further shares

According to the Spanish Companies Act, any issue of shares must be approved with the requirements established for the amendment of Ebro's By-laws.

The Shareholders' Meeting can delegate in the Board of Directors the faculty to execute a share capital increase within a maximum period of one year after the date of such resolution (*delegación de la ejecución*) and set the terms of the capital increase not envisaged by the Shareholders' Meeting.

Besides that, the Shareholders' Meeting can authorise the Board of Directors to issue new shares, without any other prior consent (*capital autorizado*), subject to the following limits set by the Spanish Companies Act:

- the amount of the newly issued share capital cannot be greater than half the share capital in issue at the time of the authorisation;
- the maximum period to exercise such authorisation will be five years from the date of the delegation; and
- the contributions must be made in cash.

Pre-emptive Rights

Pursuant to the Spanish Companies Act, shareholders have pre-emptive rights to subscribe for any new shares and securities convertible into shares issued in consideration to cash contributions for a period of at least 15 calendar days from the publication of the notice of the issue of the securities in the Commercial Registry's Official Gazette (*Boletín Oficial del Registro Mercantil*). Such pre-emptive rights may be waived under special circumstances by a resolution passed at a Shareholders' Meeting or by the Board of Directors (when the company is listed and the Shareholders' Meeting delegates the right to increase the share capital and waive pre-emptive rights to the Board of Directors), provided that the relevant requirements of Spanish Law (particularly, Articles 308, 504, 505 and 506 of the Spanish Companies Act) are met. In such cases, the resolution authorising the waiver of pre-emptive rights will only be valid if, amongst other requirements: a report is issued by the Board of Directors and by an independent expert appointed by the Commercial Registry stating, amongst other elements, the fair market value (*valor razonable*) of the shares and determining the theoretical value (*valor teórico*) of the pre-emptive rights and, in case of listed companies, also the net book value (*valor patrimonial neto*) of the shares.

The pre-emptive rights, in any event, will not be granted in a share capital increase made to honour the issuer's obligation to deliver shares upon conversion of already issued convertible bonds, a merger in which shares are issued as consideration for acquiring all or part of another company's asset or in the case of a capital increase with non-cash contributions.

Pre-emptive rights are transferable, may be traded on the AQS of the Spanish Stock Exchanges and may be of value to existing shareholders because new shares may be offered for subscription at prices lower than prevailing market prices.

Shareholder Claims

Pursuant to the Spanish Companies Act, directors are liable to Ebro, the shareholders and the creditors for any actions or omissions that are illegal or contravene Ebro's By-laws and for failure to perform their legal and fiduciary duties diligently.

Directors have such liability even if the transaction in connection with which the acts or omissions occurred is approved or ratified by the shareholders. The liability of the Directors is joint and several, except to the extent any Director can demonstrate that he or she did not participate in the decision-making process relating to the transaction in issue, was unaware of its existence, or being aware of it, did all that was possible to mitigate any damages or expressly disagreed with the decision-making relating to the transaction.

Under Spanish law, shareholders must bring any actions against Ebro's Directors as well as any other actions against Ebro or challenging corporate resolutions before the competent courts in the province where the registered offices are located (in the case of Ebro, currently Madrid, Kingdom of Spain).

Registration and Transfer

Ebro Shares are in book-entry form and are indivisible. Joint holders of one share must designate a single person to exercise their shareholders' rights, but they are jointly and severally liable to Ebro for all the obligations coming from their status as shareholders, such as the payment of any pending capital calls. Iberclear, which manages the Spanish registration and settlement system of the Spanish Stock Exchanges, maintains the central registry reflecting the number of shares held by each of its member entities (*entidades participantes*) as well as the amount of these shares held by beneficial owners. Each member entity, in turn, maintains a registry of the owners of such shares. Since Ebro Shares are represented in book-entry form, it will keep an electronic shareholder registry for which the entity responsible for keeping the corresponding accounting records shall report all transactions entered into by its shareholders in respect of Ebro Shares.

As a general rule, transfers of shares listed on the Spanish Stock Exchanges must be made through or with the participation of a member of a Spanish Stock Exchange or of a participant entity in Iberclear. Brokerage firms, official stockbroker or dealer firms, Spanish credit entities, investment services entities authorised in other Member States and investment services entities authorised by their relevant authorities and in compliance with the Spanish regulations are eligible to be members of the Spanish Stock Exchanges or participants in Iberclear. The transfer of shares may be subject to certain fees and expenses.

Restrictions on Foreign Investment

Exchange controls and foreign investments were, with certain exceptions, completely liberalised by Royal Decree 664/1999, of 23 April 1999 (*Real Decreto 664/1999, de 23 de abril, sobre inversiones exteriores*), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the European Union.

According to Royal Decree 664/1999, and subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer their interests, equity gains and dividends outside the Kingdom of Spain (subject to applicable taxes and exchange controls) by filing a standardised notice with the Spanish Registry of Foreign Investments (*Registro de Inversiones Exteriores*) (kept by the General Bureau of Commerce and Investments (*Dirección General de Comercio e Inversiones*) within the Ministry of Economy and Competitiveness (*Ministerio de Economía y Competitividad*)) following the investment in or divestment of (if any) a Spanish company. Such filing is to be made solely for statistical, economic and administrative purposes. In case the shares belong to a Spanish company listed on any of the Spanish Stock Exchanges, the duty to file a notice regarding the foreign investment or divestment falls with the relevant entity with whom the shares (in book-entry form) have been deposited or which has acted as an intermediary in connection with such investment or disinvestment.

If the foreign investor is a resident of a tax haven, as defined under Spanish law (as defined by applicable Spanish regulations), notice must be provided to the Registry of Foreign Investments both before and after execution of the investment. However, prior notice from residents in tax havens is excluded in the following cases:

- Investments in listed securities, whether or not trading in an official secondary market, as well as participations in investment funds that are registered with the CNMV; and
- Investments in connection with shareholdings that do not exceed 50 per cent. of the share capital of a Spanish company.

Additional regulations apply to investments in certain industries, including air transportation, mining, manufacturing and sales of weapons and explosives for non-military use, national defence, radio, television and telecommunications. These additional restrictions do not apply to investments made by EU residents, except for those related to the Spanish defence sector and the manufacturing and sale of weapons and explosives for non- military use.

The Spanish Council of Ministers (*Consejo de Ministros*), acting on the recommendation of the Ministry of Economy and Competitiveness, may suspend the application of these provisions relating to foreign investments for reasons of public policy, health or safety, either generally or with respect to investments in particular industries. In such cases, any purported foreign investments falling within the scope of the suspension would be subject to prior authorisation from

the Council of Ministers of the Spanish government, acting on the recommendation of the Ministry of Economy and Competitiveness.

Finally, in addition to the notices relating to significant shareholdings that must be sent to the relevant company, the CNMV and the relevant Spanish Stock Exchanges, as described in this section under “*Reporting Requirements*” below, foreign investors are required to provide said notices to the Registry of Foreign Investments.

Reporting Requirements

Pursuant to Royal Decree 1362/2007, of 19 October, any individual who, or legal entity which, by whatever means, purchases or transfers shares that grant voting rights in a company for which Spain is the Country of Origin (*Estado de origen*) (as defined therein) and which is listed on an official secondary market or other regulated market in the EU, must notify the relevant issuer and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below a 3 per cent. threshold of the company’s total voting rights. The notification obligations are also triggered at thresholds of 5 per cent. and multiples thereof (excluding 55 per cent., 65 per cent., 85 per cent., 95 per cent. and 100 per cent.).

Regardless of the actual ownership of the voting shares, any individual or legal entity holding a right to acquire, transfer or exercise voting rights granted by the shares, and any individual who, or legal entity which, owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments that grant a right to acquire shares with voting rights or which are referenced to those shares and have a similar economic effect, will also have an obligation to notify the company and the CNMV of the holding of a significant stake in accordance with the regulations and regardless of whether such rights are to be settled in cash or in kind by way of physical delivery.

The individual or legal entity required to carry out the notification must serve the notification to the CNMV and the relevant issuer from time to time for such purpose, within four business days from the date on which the transaction is executed or acknowledged (Royal Decree 1362/2007 deems a transaction to be acknowledged within two business days from the date on which it is entered into).

Should the individual or legal entity effecting the transaction be a non-resident of Spain, notice must also be given to the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments (a department of the Ministry of Economy and Competitiveness). See “*Restrictions on Foreign Investment*” above.

The reporting requirements apply not only to the purchase or transfer of shares and other securities or financial instruments that grant a right to acquire shares with voting rights or which are referenced to those shares and have a similar economic effect, but also to those transactions in which, without a purchase or transfer, the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the threshold that triggers the obligation to report as a consequence of a change in the total number of voting rights of a company on the basis of the information reported to the CNMV and disclosed by it.

Should the individual or legal entity effecting the transaction be resident in a tax haven (as defined by applicable Spanish regulations) or in a country or territory levying no taxes or with which Spain has no effective exchange of tax information, the threshold that triggers the obligation to disclose the acquisition or disposition of shares is reduced to 1 per cent. (and successive multiples thereof).

Ebro is required to report to the CNMV any acquisition of its own shares which, together with all other acquisitions since the last notification, reaches or exceeds 1 per cent. of its share capital (irrespective of whether any own shares have been sold in the same period). In such circumstances, the notification must include the number of shares acquired since the last notification (detailed by transaction), the number of shares sold (detailed by transaction) and the resulting net holding of treasury shares.

Furthermore, Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April, on market abuse, has introduced significant changes on disclosure requirements applicable to directors and senior managers as of July 3, 2016. In that sense, directors and senior managers of listed companies as well as persons closely associated with

them, as such are defined therein, will have to notify every transaction conducted on their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto.

The notification should be sent to the issuer and the CNMV without delay within three business days from the date of the transaction and it must contain: (i) the name of the person; (ii) the reason for the notification; (iii) the name of the issuer; (iv) a description and the identifier of the financial instrument; (v) the nature of the transaction (indicating whether it is linked to exercise of share option programmes or notifiable transactions set out below); (vi) the date and place of the transaction; and (vii) the price and volume of the transaction.

The transactions that must be notified include, among others:

- The pledging and lending of financial instruments of the company by or on behalf of a person discharging managerial responsibilities or a person closely associated to that person.
- Transactions undertaken by persons professionally arranging or executing transactions or by another person on behalf of a person discharging managerial responsibilities or a person closely associated with such a person, including where discretion is exercised.
- Transactions made under a life insurance policy, defined in accordance with Directive 2009/138/EC of the European Parliament and of the Council of 25 November when certain criteria are met.

In addition, Regulation (EU) No. 596/2014 establishes a *de minimis* threshold of €5,000 per year (which may be increased up to €20,000 per year by the CNMV) below which transactions need not be notified.

Tender Offers

Tender offers are governed in Spain by the Securities Market Act and Royal Decree 1066/2007, of 27 July, which have implemented Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004.

Tender offers in Spain may qualify as either mandatory or voluntary offers. Mandatory public tender offers must be launched when any person acquires control of a Spanish company listed on the Spanish Stock Exchanges for all the shares of the target company or other securities that might directly or indirectly give the right to subscription thereto or acquisition thereof (including convertible and exchangeable bonds) at an equitable price, whether such control is obtained:

- By means of the acquisition of shares or other securities that directly or indirectly entitle a person to subscribe or acquire voting shares in such company;
- Through agreements with shareholders or other holders of said securities; or
- As a result of other situations of equivalent effect as provided in the Spanish regulation (i.e., indirect control acquired through mergers, share capital decreases, changes in the target's treasury stock, etc.).

A person is deemed to have obtained the control of a target company, individually or jointly with concerted parties, whenever:

- It acquires, whether directly or indirectly, a percentage of voting rights equal to or greater than 30 per cent.; or
- It has acquired a percentage of less than 30 per cent. of the voting rights and appoints, during the 24 month-period following the date of acquisition of said percentage, a number of directors who, together with those already appointed by it, if any, represent more than one-half of the members of the target company's board of directors. The Spanish regulation also set forth certain situations where directors are deemed to have been appointed by the person obtaining the control of the target company or persons acting in concert therewith unless evidence to the contrary is provided.

For the purposes of calculating the percentages of voting rights acquired and/or held by a person, the Spanish regulation establishes the following rules:

- Percentages of voting rights corresponding to, among others, (i) companies belonging to the same group as that person; (ii) members of the board of directors of the bidder or of companies of its group (unless evidence to the contrary is provided); (iii) persons acting in concert with or on behalf of the bidder; (iv) voting rights exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights, in the absence of specific instructions with respect thereto; and (v) shares held by a nominee, such nominee being understood as a third party whom the bidder totally or partially covers against the risks related to acquisitions or transfers of the shares or the possession thereof, will be deemed to be held by the bidder;
- Both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or under any other title of a contractual nature, will also be deemed to be held by the bidder;
- The percentage of voting rights shall be calculated based on the entire number of the company's shares carrying voting rights, even if the exercise of such rights has been suspended. Treasury shares held directly or indirectly by the target company (in accordance with the information available on the date of calculation of the percentage of voting rights held by the bidder) shall be excluded from the calculation. Non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and
- Acquisitions of securities or other financial instruments giving the right to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a tender offer until any such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the Spanish regulation on tender offers, the CNMV will conditionally dispense with the obligation to launch a mandatory bid when another person or entity not acting in concert with the potential bidder, directly or indirectly holds an equal or greater voting percentage in the target company.

Spanish regulations establish certain exceptions where control is obtained but no mandatory tender offer is required, including:

- Subject to the CNMV's approval, acquisitions or other transactions resulting from the conversion or capitalisation of claims into shares of listed companies if their financial feasibility is subject to serious and imminent danger provided that such transactions are intended to ensure the company's financial recovery in the long term. The approval of the CNMV will not be required if the acquisition takes place in the context of a refinancing agreement under Additional Disposition Fourth of the Spanish Insolvency Act;
- In the event of a merger, provided that those acquiring control did not vote in favour of the merger at the relevant general shareholders' meeting of the offeree company and provided also that it can be shown that the primary purpose of the transaction is not the takeover but instead has an industrial or corporate purpose; and
- When control has been obtained after a voluntary bid for all of the securities, if either the bid has been made at an equitable price or has been accepted by holders of securities representing at least 50 per cent. of the voting rights to which the bid was directed (excluding voting rights already held by the bidder and those belonging to shareholders who entered into an agreement with the bidder regarding the tender offer).

The price of the mandatory tender offer is deemed equitable when it is at least equal to the highest price paid by the bidder or by any person acting in concert therewith for the same securities during the 12 months prior to the announcement of the tender offer. Other rules to calculate such equitable price are set forth in the applicable Spanish regulation. However, the CNMV may change the price so calculated in certain circumstances (due to extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched as soon as possible and, in any event, no later than one month after the acquisition of the control of the target company.

Voluntary tender offers may be launched when a mandatory offer is not required. Voluntary offers are subject to similar rules to those established for mandatory offers except, among others, for the following:

- They might be subject to certain conditions (amendments to the by-laws or adoption of certain resolutions by the general shareholders' meeting of the target company, acceptance of the offer by a minimum number of securities or approval of the offer by the general shareholders' meeting of the bidder and any other condition deemed by the CNMV to be in accordance with law), provided that such conditions can be met before the end of the acceptance period of the offer; and
- They must not be launched at an equitable price.

It is not mandatory for voluntary tender offers to be made at an equitable price. However, where there have been exceptional circumstances in the two years preceding the announcement of the offer (in essence, the trading price for the shares having been affected by price manipulation practices, market or share prices being affected by natural disasters, force majeure or other exceptional events, or the target company being subject to expropriation or confiscation resulting in significant impairment of the company's real value) the offeror must provide an independent expert's report on the valuation methods and criteria used to determine the price offered. In these circumstances, the price offered cannot be lower than the higher of the equitable price and the price that results from taking into account, justifying their respective importance, the methods contained in the independent expert's report.

The Spanish regulation on tender offers sets forth further relevant provisions, including, amongst others:

- The board of directors of the target company will be exempt from the prohibition to carry out frustrating or defensive actions against a foreign bidder provided the latter's board of directors is not subject to equivalent passivity rules and subject to prior approval by the company's general shareholders' meeting within the 18-month period before the date of the public announcement of the tender offer;
- Defensive measures included in a listed company's bylaws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer, unless the shareholders decide otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected shall be entitled to compensation at the target company's expense); and
- Squeeze-out and sell-out rights will apply provided that following a mandatory tender offer (or as a result of a voluntary offer for all the of the target's share capital) the bidder holds shares representing at least 90 per cent. of the target company's voting share capital and the tender offer has been accepted by the holders of securities representing at least 90 per cent. of the voting rights over which the offer was launched.

Share Buy-backs

Pursuant to the Spanish Companies Act, Ebro may only repurchase its own shares within certain limits and in compliance with the following requirements:

- The repurchase must be authorised by the General Shareholders' Meeting by a resolution establishing the maximum number of shares to be acquired, the minimum and maximum acquisition price and the duration of the authorisation, which may not exceed five years from the date of the resolution;
- The aggregate par value of the shares repurchased, together with the aggregate par value of the shares already held by Ebro and its subsidiaries, must not exceed 10 per cent. of its share capital;
- The acquisition may not lead to net equity being lower than the share capital plus non-distributable reserves, in accordance with the Spanish Companies Act and Ebro's By-laws; and
- The shares repurchased must be fully paid, and must be free of ancillary contributions (*prestaciones accesorias*).

Treasury shares do not have voting rights or economic rights (e.g., the right to receive dividends and other distributions and liquidation rights), except the right to receive bonus shares, which will accrue proportionately to all of Ebro's shareholders. Treasury shares are counted for the purposes of establishing the quorum for General Shareholders' Meetings and majority voting requirements to pass resolutions at General Shareholders' Meetings.

In addition, Article 5 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April, on market abuse (the “**Market Abuse Regulation**”) establishes an exemption from the market manipulation rules regarding share buy-back programmes by companies listed on a stock exchange in an EU Member State. In order to benefit from the exemption, a buy-back programme must (i) comply with certain requirements established under the Market Abuse Regulation; and (ii) its sole purpose must be the reduction of an issuer’s capital stock (either in value or in number of shares) or the fulfilment of obligations arising from either:

- Debt financial instruments exchangeable into equity instruments; or
- Employee share option programmes or other allocations of shares to employees of the issuer or those of an associated company.

On 19 December 2007, the CNMV issued Circular 3/2007 setting out which requirements needed to be met in liquidity contracts entered into between issuers with financial institutions with respect to the management of issuers’ treasury shares in order for such contracts to constitute usual “market practice” and, therefore, be able to rely on a safe harbour for the purposes of market abuse regulations. Pursuant to a press release dated 27 June 2016, the CNMV is currently working on a new circular which will substitute Circular 3/2007 in order to adjust this market practice to the Market Abuse Regulation.

In addition, on 18 July 2013, the CNMV published certain guidelines for securities issuers and financial intermediaries acting on their behalf regarding the “discretionary transactions with own shares” (outside the scope of the Market Abuse Regulation). These guidelines are in line with the Market Abuse Regulation in respect of price limits and volumes and include certain restricted periods and a rule of separate management of the trading activity.

Share price history

The table below sets out, for the periods indicated, the reported high and low closing sales prices per Ebro Share on the AQS of the Spanish Stock Exchanges, the principal market on which Ebro Shares are traded. As of 30 September 2016, the closing price per Ebro Share on the AQS of the Spanish Stock Exchanges was €20.700.

	As of 10 November 2016	2015	2014	2013	2012
Capitalisation (thousands of euros)	2,873,436	2,793,426	2,109,495	2,621,097	2,307,981
Number of shares (x 1.000)	153,865	153,865	153,865	153,865	153,865
Period Close Price (euros)	18.6750	18.1550	13.7100	17.0350	15.0000
Period Last Price (euros)	18.6750	18.1550	13.7100	17.0350	15.0000
Period High Price (euros)	21.3800	19.0000	17.3700	17.8950	15.3900
Period Low Price (euros)	16.8100	13.4550	13.4700	13.9900	12.1950
Volume (thousands of shares)	78,822	95,811	125,424	139,556	126,876
Turnover (thousands of euros)	1,531,837	1,648,275	1,970,464	2,223,940	1,746,493

Source: Bolsa de Madrid: <http://www.bolsamadrid.es/esp/asp/Empresas/FichaValor.aspx?ISIN=ES0112501012&ClvEmis=12501>

Dividend history

The table below sets out the total dividends paid by Ebro per Share in respect of each of the years indicated.

Financial Year	Payment Date	Gross Dividend Paid per Share	Type
2016	3 October 2016	€0.18	Third against 2015
2016	29 June 2016	€0.18	Second against 2015
2016	1 April 2016	€0.18	First against 2015
2015	22 December 2015	€0.15	Extraordinary
2015	2 October 2015	€0.17	Third against 2014
2015	29 June 2015	€0.17	Second against 2014
2015	1 April 2015	€0.17	First against 2014

Source: Ebro website: <http://www.ebrofoods.es/en/information-for-shareholders-and-investors/general-information-on-the-company/dividends/>

Issued share capital

The table below sets out the issued share capital of Ebro as of the dates indicated.

Evolution of capital (euros)

	Share capital	Number of shares
27 December 2002	92,319,235.2	153,865,392
25 September 2001	73,855,388.4	123,092,314
6 February 2001	61,613,273.5	102,688,789.16

Source: Ebro website: <http://www.ebrofoods.es/en/information-for-shareholders-and-investors/general-information-on-the-company/the-share-and-share-capital/>

Financial information

Financial and business information relating to Ebro and Ebro Shares, including details as to the past and further performance of Ebro Shares and their volatility, is available from the following sources:

- The auditors' report and audited consolidated annual financial statements of Ebro for financial year ended 31 December 2015 (http://www.ebrofoods.es/fileadmin/user_upload/junta_general_acc/doc2016/CUENTAS%20ANUALES%20CONSOLIDADAS.pdf) and (<http://cnmv.es/AUDITA/2015/16390.pdf>)
- The website of the Spanish Stock Exchange (Madrid) (<http://www.bolsamadrid.es/ing/asp/Empresas/FichaValor.aspx?ISIN=ES0112501012&ClvEmis=12501>)
- Ebro website (<http://www.ebrofoods.es/>)

DESCRIPTION OF THE SECURITY

All capitalised terms herein not otherwise defined shall have the meaning ascribed to them in the section “*Terms and Conditions of the Bonds*”.

General

The Bonds will constitute direct, unsubordinated and unconditional obligations of the Issuer, secured in the manner provided in Condition 3 and in the Pledge Agreement (as defined therein) and as described below. The Bonds will rank *pari passu* without preference or priority among themselves.

In order to secure the full performance of the obligations of the Issuer under the Bonds and the Trust Deed, including any costs, expenses and liabilities the Trustee (acting in its own name and behalf and also on behalf of the Bondholders) may incur in connection with the enforcement of the Security (as defined below) (together, the “**Secured Obligations**”), the Issuer will undertake to create in favour of the Trustee (acting in its own name and behalf and also on behalf of the Bondholders) the following security interests on the Issue Date (the “**Security**”):

- (i) a first ranking pledge (*prenda de primer rango*) over the Ebro Shares;
- (ii) a first ranking pledge (*prenda de primer rango*) over the Securities Account, the securities, rights, assets or financial instruments which are registered, annotated or deposited at any given moment in the Securities Account (including, in particular, those considered as “Exchange Property”, “Secured Property” or “Pledged Property”) under the Trust Deed, and the credit rights that may derive at any given moment in favour of the Issuer against the Custodian by virtue of the Securities Account agreement; and
- (iii) a first ranking pledge (*prenda de primer rango*) over the Cash Account, the amounts in cash deposited at any given time in the Cash Account (including, in particular, those considered as “Exchange Property”, “Secured Property” or “Pledged Property”) in accordance with the Trust Deed, the credit rights that may derive at any given time in favour of the Issuer against the Custodian by virtue of the Cash Account agreement and any amount payable thereunder.

Creation of the Security

According to Spanish law, pledges are only duly created as valid security interests in the relevant assets, constituting an effective security interest exercisable *vis-à-vis* third parties, when they are formalised in a Spanish public document (in the form of a “*póliza*” or “*escritura pública*”) and once possession of the relevant pledged asset is transferred.

The Security will be created pursuant to the Pledge Agreement, which will be executed before a Spanish notary public as a Spanish public document drafted in the form of a *póliza* governed by Spanish law.

The registration or annotation of the creation of the pledge over the Ebro Shares in the Securities Account where the Shares are registered and/or in the relevant book-entry register (*registro contable*) and the execution of the *póliza* with regard to both the Pledge over the Securities Account and the Pledge over the Cash Account, shall constitute the transfer of possession and comply with the contribution (*aportación*) requirements set out in Spanish law, in particular the requirements referred to in Articles 1,863 of the Spanish Civil Code and 8.2 (a) of RDL 5/2005.

For the above purposes, the Issuer and the Guarantor will undertake in the Pledge Agreement to have a confirmation in writing by the Custodian that the pledges over the Ebro Shares, the Securities Account and the Cash Account are registered/annotated in the Securities Account and/or in the relevant book-entry register (*registro contable*) and the Cash Account, as applicable, on the Issue Date.

Enforcement of the Security

The Security can be enforced by the Trustee (acting in its own name and behalf and also on behalf of the Bondholders) at its discretion or if so requested in writing by holders of at least one quarter in principal amount of the outstanding

Bonds or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, if an Event of Default shall have occurred and the Trustee shall have given an Acceleration Notice to the Issuer (with a copy to the Guarantor), in accordance with the Conditions and the Pledge Agreement.

In order to enforce the Security, the Trustee may choose between any of the procedures available to it, including, without limitation, the following:

- (i) the enforcement proceedings for mortgaged and pledged assets established under Articles 681 to 698 of the Spanish Civil Procedure Act 1/2000, of 7 January 2000;
- (ii) the enforcement procedure for financial collateral security established under RDL 5/2005;
- (iii) the special procedure established under Articles 322 *et seq.* of the Spanish Commercial Code;
- (iv) by set-off, in the case of the Pledge over the Cash Account; and
- (v) the out-of-court procedure provided in Article 1,872 of the Spanish Civil Code.

The Trustee may also opt to use any other procedure available at the time of enforcement, provided that the use of one type of procedure shall not be deemed to constitute a waiver of the use of other procedures so long as the Secured Obligations have not been irrevocably and unconditionally paid or performed and discharged in full or otherwise cancelled.

With regard to enforcement under the terms of RDL 5/2005, see “*Risk Factors—The Pledge may not benefit the provisions of the Collateral Directive*”.

Upon enforcement of the Security on trust, the Trustee shall apply all moneys or other property received by it pursuant to the Trust Deed and the Conditions.

USE OF PROCEEDS

The Issuer will apply the net proceeds of the offering of the Bonds towards repaying the Issuer's outstanding intragroup indebtedness with the Guarantor and lending any surplus to the Guarantor, and the Guarantor will in turn use the net proceeds of such debt repayment and intragroup loan for pursuing inorganic growth opportunities, paying down or refinancing outstanding liabilities and other general corporate purposes of the Guarantor's Group.

TAXATION

The following summary is a general description of certain Spanish tax considerations relating to the acquisition, ownership and disposal of the Bonds and the Shares, as well as the exchange of the Bonds for the Shares. It does not purport to be a complete analysis of all tax consequences relating to the Bonds and the Shares, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. This analysis is a general description of the tax treatment under the Spanish legislation currently in force, without prejudice to regional tax regimes in the Historical Territories of the Basque Country and the Community of Navarre, or provisions passed by Autonomous Communities which may apply to certain investors for certain taxes. This summary is based on the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date. References in this section to Bondholders or holders include the beneficial owners of the Bonds and the Shares, where applicable.

Prospective investors should consult their own tax advisers who can provide them with personalised advice based on their particular circumstances and discuss with them any relevant legislative changes which may affect their investments in the future.

In addition, investors should note that the appointment by an investor in the Bonds, or by any person through which an investor holds the Bonds, of a custodian, collection agent or similar person in relation to such Bonds in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Taxation in the Kingdom of Spain

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Offering Memorandum:

- (a) of general application, Additional Provision One of Law 10/2014, of 26 June on the regulation, supervision and solvency of credit entities and Royal Decree 1065/2007 of 27 July as amended, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes (“**Royal Decree 1065/2007**”);
- (b) for individuals with tax residency in Spain who are personal income tax (“**Personal Income Tax**”) tax payers, Law 35/2006, of 28 November 2006 on Personal Income, as amended (the “**Personal Income Tax Law**”) along with Law 19/1991, of 6 June 1991 on Wealth Tax, as amended (the “**Wealth Tax**”) and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax (the “**Inheritance and Gift Tax**”);
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax (“**Corporate Income Tax**”) taxpayers, Law 27/2014, of 27 November 2014 and Royal Decree 634/2015, of 10 July 2015 promulgating the corporate income tax regulations (the “**Corporate Income Tax Regulations**”); and
- (d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax (“**Non-Resident Income Tax**”) taxpayers, Royal Legislative Decree 5/2004, of 5 March 2004 promulgating the Consolidated Text of the Non-Resident Income Tax Law, as amended along with the Wealth Tax and the Inheritance and Gift Tax.

A. Tax treatment of the Bonds

Indirect taxation

The acquisition and any subsequent disposal of the Bonds is exempt from Transfer Tax, Stamp Duties and Value Added Tax as provided for and as defined in Article 314 of Securities Market Act, and related provisions.

Direct taxation

1. Individuals with Tax Residency in Spain

1.1 *Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)*

Payments of both interest periodically received and income deriving from the transfer, redemption, repayment of the Bonds (including the exchange of the Bonds for the Shares) constitute a return on investment obtained from the transfer of own capital to third parties pursuant to the provisions of Section 25.2 of the Personal Income Tax Law, and must be included in each investor's Personal Income Tax savings taxable base pursuant to the provisions of the aforementioned law, and taxed according to the then-applicable rate. The savings taxable base rate for the 2016 tax year will be 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000.

Pursuant to Section 44.5 of Royal Decree 1065/2007 of 27 July and in the opinion of the Issuer and the Guarantor, the Issuer will pay interest as well as income derived from the redemption or repayment of the Bonds (including the exchange of the Bonds for the Shares) without withholding to individual Bondholders who are resident for tax purposes in Spain *provided that* the information about the Bonds required by Exhibit I is submitted by the Principal Paying, Transfer and Exchange Agent in a timely manner, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation. In addition, income obtained upon transfer of the Bonds may also be paid without withholding.

In any event, the individual Bondholders may credit the withholding against his or her Personal Income Tax liability for the relevant year.

1.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Individuals with tax residency in Spain are subject to Wealth Tax if their net worth exceeds a certain threshold. This threshold has been set at €700,000 for the 2016 tax year. Therefore, they should take into account the value of the Bonds which they hold as at 31 December in each year. The applicable marginal rates range between 0.2 per cent. and 2.5 per cent. although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply. A Bondholder who is required to file a Wealth Tax return should value the Bonds at their average trading price in the last quarter of the year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

From 2017 onwards, a general 100 per cent. tax relief applies (set forth by Article 66 of Law 48/2015 of 29 October approving the General State Budget for 2016).

1.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals with tax residency in Spain who acquire ownership or other rights over any Bonds by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional or state rules. The applicable tax rates as at the date of this Offering Memorandum range between 7.65 per cent. and 34 per cent. Certain relevant factors (such as previous net wealth or family relationship between the transferor and transferee) will determine the final effective tax rate that range between 0 per cent. and 81.6 per cent. as at the date of this Offering Memorandum.

2. Legal Entities with Tax Residency in Spain

2.1 *Corporate Income Tax (Impuesto sobre Sociedades)*

Payments of both interest periodically received and income deriving from the transfer, redemption or repayment of the Bonds (including the exchange of the Bonds for the Shares) must be included in the profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax. The current general tax rate in 2016 is 25 per cent..

Pursuant to Section 44.5 of Royal Decree 1065/2007 and in the opinion of the Issuer and the Guarantor, there is no obligation to withhold on income payable to Spanish Corporate Income Tax taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold tax on interest payments to Spanish Corporate Income Tax taxpayers or on income derived from the redemption or repayment of the Bonds (including the exchange of the Bonds for the Shares) **provided that** the information about the Bonds required by Exhibit I is submitted by the Principal Paying, Transfer and Exchange Agent in a timely manner, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation.

However, with regard to income derived from the transfer of the Bonds, pursuant to Section 61.s of the Corporate Income Tax Regulations, there is no obligation to withhold on income obtained by Corporate Income Tax taxpayers from financial assets traded on organised markets in OECD countries. It is expected that the Issuer will make an application for the Bonds to be traded on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange and, upon admission to trading on the Freiverkehr, the Bonds will fulfil the requirements set forth in the legislation for exemption from withholding.

On 27 July 2004, the Directorate General for Taxation (*Dirección General de Tributos*) issued a ruling indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that, in addition to being traded on an organised market in an OECD country, the Bonds be placed outside Spain in another OECD country. The Issuer and the Guarantor believe that the issue of the Bonds will fall within this exemption as the Bonds are to be sold outside Spain and in the international capital markets. Consequently, no withholding on account of Corporate Income Tax should be made on income derived from the transfer of the Bonds by Spanish Corporate Income Tax taxpayers that provide relevant information to qualify as such.

2.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Spanish resident legal entities are not subject to Wealth Tax.

2.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Legal entities with tax residency in Spain that acquire ownership or other rights over the Bonds by inheritance, gift or legacy are not subject to Inheritance and Gift Tax and must declare the market value of the Bonds in their taxable income for Spanish Corporate Income Tax purposes.

3. *Individuals and Legal Entities with no tax residency in Spain*

3.1 *Non-Resident Income Tax (Impuesto sobre la Renta de No Residentes)*

(a) *Non-Spanish resident investors acting through a permanent establishment in Spain*

Ownership of the Bonds by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Bonds form part of the assets of a permanent establishment in Spain of a person who, or legal entity which, is not resident in Spain for tax purposes, such permanent establishment will be subject to Non-Resident Income Tax on similar terms as those previously set out for Spanish Corporate Income Tax taxpayers.

(b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

Both interest payments periodically received and payments of income deriving from the transfer, redemption or repayment of the Bonds (including the exchange of the Bonds for the Shares), obtained by individuals or legal entities without tax residency in Spain, and who are Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are, in principle, exempt from Non-Resident Income Tax on the same terms as set out for income from public debt.

In order to be eligible for the exemption from Non-Resident Income Tax, certain requirements must be met, including the provision by the Principal Paying, Transfer and Exchange Agent of certain information relating to the Bonds, in a timely manner as detailed under “*Information about the Bonds in Connection with Payments*” as set out in section 44.5 of Royal Decree 1065/2007, as amended. If the Principal Paying, Transfer and Exchange Agent fails, or for any reason is unable to deliver the required information in the manner indicated, the Issuer will withhold the relevant percentage (19 per cent. as of the date of this Offering Memorandum) and will not pay additional amounts with respect to any such withholding.

Holders not resident in Spain for tax purposes and entitled to an exemption from Non-Resident Income Tax but, in respect of whose Bonds, the Issuer and the Guarantor do not receive information from the Principal Paying, Transfer and Exchange Agent in a timely manner as detailed under “*Information about the Bonds in Connection with Payments*”, would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, in accordance with the procedures set forth in the Spanish Non-Resident Income Tax law (See “—*Direct refund from Spanish tax authorities procedures*”).

3.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Spanish non-resident tax individuals are subject to Spanish Wealth Tax, which imposes a tax on property and rights in excess of a certain threshold (which has been set at €700,000 for the 2016 tax year) that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

However, to the extent that income derived from the Bonds is exempt from Non-Resident Income Tax, individual Bondholders not resident in Spain for tax purposes who hold Bonds on the last day of any year will be exempt from Spanish Wealth Tax. Furthermore, Bondholders who benefit from a convention for the avoidance of double taxation with respect to wealth tax that provides for taxation only in the Bondholder's country of residence will not be subject to Spanish Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised in Spain is above the current threshold of €700,000 and who hold Bonds on the last day of any year, would therefore be subject to Spanish Wealth Tax for such year at marginal rates varying between 0.2 per cent. and 2.5 per cent. of the average market value of the Bonds during the last quarter of such year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

Non-Spanish tax resident individuals who are resident in an EU or European Economic Area Member State may be subject to the rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

From 2017 onwards, a general 100 per cent. tax relief applies (pursuant to Article 66 of Law 48/2015 of 29 October approving the General State Budget for 2016).

Non-Spanish resident legal entities are not subject to Wealth Tax.

3.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Bonds by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional and state legislation, to the extent that rights deriving from the Bonds can be exercised within the Spanish territory. Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax in accordance with the rules set forth in the state Inheritance and Gift Tax law. However, if either the deceased or the donee are resident in an EU or European

Economic Area Member State, the applicable rules will be those corresponding to the relevant autonomous regions in accordance with the law. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Bonds by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the beneficiary's country of residence.

4. Information about the Bonds in Connection with Payments

As described above, interest and other income paid with respect to the Bonds will not be subject to Spanish withholding tax unless the Principal Paying, Transfer and Exchange Agent fails or for any reason is unable, to provide the Issuer and the Guarantor, in a timely manner, with the information described in Exhibit I of this Offering Memorandum.

The information obligations to be complied with in order to apply the exemption are those set out in Section 44 of Royal Decree 1065/2007, as amended.

Pursuant to Section 44.5, before the close of business on the business day (as defined in the Terms and Conditions of the Bonds) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Bonds (each, a "**Payment Date**") is due, the Issuer and the Guarantor must receive from the Principal Paying, Transfer and Exchange Agent the following information about the Bonds:

- (a) the identification of the Bonds with respect to which the relevant payment is made;
- (b) the date on which the relevant payment is made;
- (c) the total amount of the relevant payment; and
- (d) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain (such as Euroclear and Clearstream).

In particular, the Principal Paying, Transfer and Exchange Agent must certify the information above about the Bonds by means of a certificate, the form of which is attached as Exhibit I of this Offering Memorandum.

In light of the above, the Issuer, the Guarantor and the Principal Paying, Transfer and Exchange Agent have certain procedures in place to facilitate the collection of information concerning the Bonds by the close of business on the business day immediately preceding each relevant Payment Date. If, notwithstanding these procedures, the relevant information is not received by the Issuer and the Guarantor on each Payment Date, the Issuer will withhold tax at the then-applicable rate (as at the date of this Offering Memorandum, 19 per cent.) from any payment in respect of the relevant Bonds. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

Notwithstanding the above, if, before the tenth calendar day of the month following the month in which the relevant income is paid, the Principal Paying, Transfer and Exchange Agent provides the required information, the Issuer will reimburse the amounts withheld. In addition, Bondholders may apply directly to the Spanish tax authorities for any refund to which they may be entitled (See "*—Direct refund from Spanish tax authorities procedures*").

Prospective Bondholders should note that none of the Issuer, the Guarantor or the Bookrunner accepts any responsibility relating to the procedures established for the collection of information with respect to the Bonds. Accordingly, none of the Issuer, the Guarantor or the Bookrunner will be liable for any damage or loss suffered by any Bondholder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove

ineffective. Moreover, neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding (See “*Risk Factors—Risks relating to the Spanish tax regime*”).

B. Tax treatment of the Shares

Indirect taxation

The acquisition and any subsequent disposal of the Shares is exempt from Transfer Tax, Stamp Duties and Value Added Tax as provided for in Article 314 of the Securities Market Act and related provisions.

Direct taxation

1. Individuals with Tax Residency in Spain

1.1 Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

(a) Taxation of dividends

In accordance with the Personal Income Tax Law, income received by a Spanish shareholder in the form of dividends, shares in profits, consideration paid for attendance at shareholders' meetings, income from the creation or assignment of rights of use or enjoyment of shares and any other income received in his or her capacity as shareholder is subject to tax as capital income.

Gross capital income shall be reduced by any administration and custody expenses (but not by those incurred in individualised portfolio management); the net amount shall be included in the relevant Spanish shareholder's savings taxable base. The savings taxable base rate for the tax year 2016 will be 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000. The payment to Spanish shareholders of dividends is subject to a withholding tax at the current rate of 19 per cent. Such withholding tax is creditable from the Personal Income Tax payable; if the amount of tax withheld is greater than the amount of the net Personal Income Tax payable, the taxpayer is entitled to a refund of the excess withheld in accordance with the Personal Income Tax Law.

(b) Taxation of capital gains

Gains or losses generated by an individual Bondholder as a result of the transfer of shares qualify for the purposes of the Personal Income Tax Law as capital gains or losses and are subject to taxation in accordance with the general rules applicable to capital gains. The amount of capital gains or losses shall be the difference between the acquisition value of the shares (plus any fees or taxes incurred) and the transfer value, which is the listed value of the shares as of the transfer date or, if higher, the agreed transfer price, less any fees or taxes incurred.

Capital gains or losses arising from the transfer of shares by a Spanish individual are included in such Spanish Bondholder's capital income corresponding to the period when the transfer takes place; in 2016 any gain resulting from the compensation between such gains and losses will be taxed at the rate of 19 per cent. up to €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000.

Capital gains arising from the transfer of shares are not subject to withholding tax on account of Personal Income Tax.

Finally, losses arising from the transfer of shares admitted to trading on certain official stock exchanges will not be treated as capital losses if securities of the same kind have been acquired during the period between two months before and two months after the date of the transfer which originated the loss. In these cases, the capital losses are included in the taxable base upon the transfer of the remaining shares of the taxpayer.

1.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Individuals with tax residency in Spain are subject to Wealth Tax if their net worth exceeds a certain threshold. This threshold has been set at €700,000 for the 2016 tax year. Therefore, they should take into account the value of the Shares which they hold as at 31 December in each year. The applicable marginal rates range between 0.2 per cent. and 2.5 per cent. although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply. A Bondholder who is required to file a Wealth Tax return should value the Shares at their average trading price in the last quarter of the year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

From 2017 onwards, a general 100 per cent. tax relief applies (pursuant to Article 66 of Law 48/2015 of 29 October approving the General State Budget for 2016).

1.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals with tax residency in Spain who acquire ownership or other rights over any Shares by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional or state rules. The applicable tax rates as at the date of this Offering Memorandum range between 7.65 per cent. and 34 per cent. Certain relevant factors (such as previous net wealth or family relationship between the transferor and transferee) will determine the final effective tax rate that range between 0 per cent. and 81.6 per cent. as at the date of this Offering Memorandum.

2. **Legal Entities with Tax Residency in Spain**

2.1 *Corporate Income Tax (Impuesto sobre Sociedades)*

(a) *Taxation of dividends*

Dividends from a share of a company's profits received by corporate Spanish shareholders, as a consequence of the ownership of the Shares, less any expenses inherent to holding the Shares, are included in the Corporate Income Tax according to the Corporate Income Tax Regulations. The general Corporate Income Tax rate is currently 25 per cent..

However, Corporate Income Tax taxpayers will be entitled to apply a participation exemption regime for dividends received from Spanish companies if certain requirements are met: (i) participation, directly or indirectly, of at least 5 per cent. of the company (or acquisition cost exceeding €20 million) and (ii) such participation is held for at least one year prior to the relevant distribution date or such taxpayer commits to hold the participation for the time needed to complete such one-year holding period.

In the case where more than 70 per cent. of the company's revenues derive from dividends and capital gains arising from transfers of shares, the application of the participation exemption is subject to particularly complex restrictions, substantially requiring that the shareholder holds an indirect participation of at least 5 per cent. in the share capital of the company's subsidiaries. Bondholders are urged to consult their tax advisors regarding compliance with the requirements for application of the aforesaid participation exemption.

As a general rule, dividends will be subject to withholding tax on account of the shareholder's final Corporate Income Tax at a current rate of 19 per cent. However, no withholding tax will apply on dividends payable to a shareholder who is entitled to apply the participation exemption regime outlined above. If the amount of tax withheld is greater than the amount of the net Corporate Income Tax payable, the taxpayer will be entitled to a refund of the excess withheld in accordance with the Corporate Income Tax Regulations.

(b) *Taxation of capital gains*

The gain or loss arising on transfer of the Shares or from any other change in net worth relating to such shares are included in the tax base of Corporate Income Tax taxpayers; such gain is taxed generally at a current rate of 25 per cent..

However, Corporate Income Tax taxpayers will be entitled to apply a participation exemption regime for capital gains arising on the transfer of shares of Spanish companies if (i) the shareholding, directly or indirectly, amounts of at least 5 per cent. of the company (or acquisition cost exceeding €20 million) provided (ii) such participation is held for at least one year prior to the transfer.

In the case where more than 70 per cent. of the company's revenues derive from dividends and capital gains arising from the transfer of shares, the application of the participation exemption is subject to particularly complex restrictions, substantially requiring that the shareholder holds an indirect participation of at least 5 per cent. in the share capital of the company's subsidiaries. Bondholders are urged to consult their tax advisors regarding compliance of the requirements for application of the aforesaid participation exemption.

Capital gains deriving from the disposal of the Shares will not be subject to withholding tax on account of Corporate Income Tax.

2.2 *Wealth Tax (Impuesto sobre el Patrimonio)*

Spanish resident legal entities are not subject to Wealth Tax.

2.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Legal entities with tax residency in Spain which acquire ownership or other rights over the Shares by inheritance, gift or legacy are not subject to Inheritance and Gift Tax and must declare the market value of the Shares in their taxable income for Spanish Corporate Income Tax purposes.

3. **Individuals and Legal Entities with no tax residency in Spain**

3.1 *Non-Resident Income Tax (Impuesto sobre la Renta de No Residentes)*

(a) *Non-Spanish resident investors acting through a permanent establishment in Spain*

Ownership of the Shares by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Shares form part of the assets of a permanent establishment in Spain of a person who, or legal entity which, is not resident in Spain for tax purposes, such permanent establishment will be subject to Non-Resident Income Tax on similar terms as those previously set out for Corporate Income Tax taxpayers.

(b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

(i) Taxation of dividends

Dividends paid to non-Spanish tax resident shareholders not acting through a permanent establishment in Spain are subject to Non-Resident Income Tax, at the general withholding tax rate of 19 per cent. This tax rate can be eliminated by application of the Non-Resident Income Tax exemption implementing Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (the “**EU Parent-Subsidiary Directive**”).

Under the EU Parent-Subsidiary Directive exemption, no Spanish withholding taxes should be levied on the dividends distributed by a Spanish subsidiary to its European Union (EU) parent company if the following requirements are met:

- the EU parent company maintains a direct or indirect holding in the capital of the Spanish subsidiary of at least 5 per cent. or its acquisition cost exceeding €20 million. The holding must have been maintained uninterruptedly during the year prior to the date on which the distributed profit is due or, failing that, be maintained for the time required to complete such period (in the

latter case, the withholding tax must be levied, although it would be refundable once the year has been completed);

- the EU parent company is incorporated under the laws of a EU Member State, under one of the corporate forms listed in Annex I, Part A, of the EU Parent-Subsidiary Directive, and is subject to a Member State Corporate Income Tax (as listed in Annex I, Part B, of the EU Parent-Subsidiary Directive), without the possibility of being exempt; and
- the dividends distributed do not derive from the subsidiary's liquidation.

The aforesaid exemption will not be applicable if the dividend is obtained through a territory that is defined as a tax haven by Spanish regulations.

The aforesaid exemption will be applicable, subject to the compliance of such requirements, to dividends distributed by a Spanish subsidiary to its European Economic Area parent company provided that there is an effective exchange of tax information with such European Economic Area parent company's country.

However, the exemption includes an anti-abuse provision by virtue of which the withholding tax exemption will not be applicable where the majority of the voting rights of the parent company are held directly or indirectly by individuals or entities not resident in the European Union or the European Economic Area with which there is an effective exchange of tax information in the terms set forth in Law 36/2006 of 29 November, except where the European Union or European Economic Area parent company proves that its incorporation and its operative responds to valid economic reasons and to substantive economic activities.

Bondholders resident in certain countries may be entitled to the benefits of a convention for the avoidance of double taxation (“DTC”) in effect between Spain and their country of tax residence. Such Bondholders may benefit from a reduced tax rate under an applicable DTC with Spain, subject to the satisfaction of any conditions specified in the relevant DTC, including providing evidence of the tax residence of the Bondholder by means of a certificate of tax residence duly issued by the tax authorities of the country of tax residence of the Bondholder or, as the case may be, the equivalent document specified in the Spanish Ministerial Order which further supplements the applicable DTC.

According to the Order of the Ministry of Economy and Competitiveness of 13 April 2000, upon distribution of a dividend, the company or its paying agent will withhold an amount equal to the tax amount required to be withheld according to the general rules set forth above, transferring the resulting net amount to the depositary. For this purpose, the depositary is the financial institution with which the non-Spanish tax resident shareholder has entered into a contract of deposit or management with respect to the Shares held by such shareholders. If the depositary of the non-Spanish tax resident shareholder is resident, domiciled or represented in Spain and it provides timely evidence of the non-Spanish tax resident shareholder's right to obtain the DTC-reduced rate or the exemption (e.g., a valid certificate of tax residence described above), it will immediately receive the surplus amount withheld, which will be credited to the non-Spanish tax resident shareholder. For these purposes, the relevant certificate of residence must be provided before the tenth day following the end of the month in which the dividends were paid. The tax certificate is generally valid only for a period of one year from the date of issuance.

If this certificate of tax residence, or as the case may be, the equivalent document referred to above, is not provided within this time period or if the depositary of the non-Spanish tax resident shareholder is not resident, domiciled or represented in Spain, the non-Spanish tax resident shareholder may subsequently obtain a refund of the amount withheld in excess from the Spanish tax authorities (See “—*Direct refund from Spanish tax authorities procedures*”).

(ii) Taxation of capital gains

Capital gains obtained by a non-Spanish tax resident shareholder as a consequence of transferring the Shares will be subject to Non-Resident Income Tax at the current tax rate of 19 per cent., although no withholding taxes will be imposed on the capital gain. Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses against capital gains.

However, capital gains derived from the Shares will be exempt from taxation in Spain in the following cases:

- Capital gains derived from the transfer of the Shares on an official Spanish secondary stock market by any non-Spanish tax resident shareholder who is tax resident of a country that has entered into a DTC with Spain containing an exchange of information clause. This exemption is not applicable to capital gains obtained by a non-Spanish tax resident shareholder through a country or territory that is defined as a tax haven by Spanish regulation.
- Capital gains obtained directly by any non-Spanish tax resident shareholder which is resident of another EU Member State or indirectly through a permanent establishment of such non-Spanish tax resident shareholder in a EU Member State other than Spain. This exemption is not applicable to capital gains obtained through a country or territory that is defined as a tax haven by Spanish regulations. Additionally, this exemption will not apply:
 - if the company's assets mainly consist of, directly or indirectly, Spanish real estate;
 - if the non-resident transferor is an individual who during the preceding twelve months has held a direct or indirect interest of at least 25 per cent. in the company's capital or net equity; and
 - if the non-resident transferor is an entity and the transfer of the shares does not comply with the requirements to apply Corporate Income Tax participation exemption regime (See “*Taxation of capital gains-Corporate Income Tax (Impuesto sobre Sociedades)*”).
- Capital gains realised by non-Spanish tax resident shareholders who benefit from a DTC that provides for taxation only in such non-Spanish tax resident shareholder's country of residence.

The non-Spanish tax resident shareholders must submit a Spanish Tax Form (currently, Form 210) within the time periods set out in the applicable Spanish regulations to pay the corresponding tax or qualify for an exemption. In order for such exemption to apply, a non-Spanish tax resident shareholder must provide a certificate of tax residence issued by the tax authority of its country of residence (which, if applicable, must state that, to the best knowledge of such authority, the non-Spanish tax resident shareholder is resident of such country within the meaning of the relevant DTC) or equivalent document meeting the requirements of the Ministerial Order which further develops the applicable DTC, together with the Spanish Tax Form (See “—*Direct refund from Spanish tax authorities procedures*”). The non-Spanish tax resident shareholder's tax representative in Spain and the depository of the Shares are also entitled to carry out such filing.

The certificate of tax residence mentioned above will be generally valid for a period of one year after its date of issuance.

3.2 **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Spanish non-resident tax individuals are subject to Spanish Wealth Tax, which imposes a tax on property and rights in excess of a certain threshold (which has been set at €700,000 for the 2016 tax year) that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

However, to the extent that income derived from the Shares is exempt from Non-Resident Income Tax, individual Bondholders not resident in Spain for tax purposes who hold Shares on the last day of any year will be exempt from Spanish Wealth Tax. Furthermore, Bondholders who benefit from a convention for the avoidance of double taxation with respect to wealth tax that provides for taxation only in the Bondholder's country of residence will not be subject to Spanish Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above the current threshold of €700,000 and who hold Shares on the last day of any year, would therefore be subject to Spanish Wealth Tax for such year at marginal rates varying between 0.2 per cent. and 2.5 per cent. of the average market value of the Shares during the last quarter of such year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

Non-Spanish tax resident individuals who are resident in an EU or European Economic Area Member State may be subject to rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

From 2017 onwards, a general 100 per cent. tax relief applies (pursuant to Article 66 of Law 48/2015 of 29 October approving the General State Budget for 2016).

Non-Spanish resident legal entities are not subject to Wealth Tax.

3.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Shares by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional and state legislation, to the extent that rights deriving from the Shares can be exercised within the Spanish territory. Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax in accordance with the rules set forth in the state Inheritance and Gift Tax law. However, if either the deceased or the donee are resident in an EU or European Economic Area Member State, the applicable rules will be those corresponding to the relevant autonomous regions in accordance with the law. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Shares by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the beneficiary's country of residence.

C. Direct refund from Spanish tax authorities procedures

Holders entitled to receive income payments in respect of the Bonds or in respect of the Shares free of Spanish withholding taxes or at the reduced withholding tax rate contained in any applicable DTC but in respect of whom income payments have been made net of Spanish withholding tax at the general withholding tax rate may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Holders may claim the amount withheld in excess from the Spanish Treasury following the 1st of February of the calendar year following the year in which the relevant payment date takes place and within the first four years following the last day on which the issuer of the Bonds or the Shares (as applicable) may pay any amount so withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date), by filing with the Spanish tax authorities (i) the relevant Spanish tax form (currently, Form 210); (ii) proof of

beneficial ownership and; (iii) a certificate of residence issued by the tax authorities of the country of tax residence of such beneficial owner, among other documents.

Set out below is Exhibit I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Exhibit I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

The language of this Offering Memorandum is English. The Spanish language text of Exhibit I has been included so that the correct technical meaning may be ascribed to such text under applicable Spanish law. Any foreign language text included in this Offering Memorandum does not form part of this Offering Memorandum.

U.S. Foreign Account Tax Compliance Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**Foreign Passthru Payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Kingdom of Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019 and Bonds issued on or prior to the date that is six months after the date on which final regulations defining “Foreign Passthru Payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Bondholders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission's Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Bonds and Shares (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings with securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective Bondholders are advised to seek their own professional advice in relation to the FTT.

EXHIBIT 1

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal (...)⁽¹⁾, en nombre y representación de (entidad declarante), con número de identificación fiscal (...)⁽¹⁾ y domicilio en (...) en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number (...)⁽¹⁾, in the name and on behalf of (entity), with tax identification number (...)⁽¹⁾ and address in (...) as (function - mark as applicable):

- (a) **Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
(a) Management Entity of the Public Debt Market in book entry form.
- (b) **Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) **Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) **Agente de pagos designado por el emisor.**
(d) Principal Paying, Transfer and Exchange Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

- 1. En relación con los apartados 3 y 4 del artículo 44:**
1. In relation to paragraphs 3 and 4 of Article 44:
 - 1.1 Identificación de los valores.....**
1.1 Identification of the securities
 - 1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
1.2 Income payment date (or refund if the securities are issued at discount or are segregated)
 - 1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)**

- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2. En relación con el apartado 5 del artículo 44.**
2. In relation to paragraph 5 of Article 44.
- 2.1 Identificación de los valores.....**
- 2.1 Identification of the securities
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated) .
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro ena dede

I declare the above in on the.... of..... of....

- (1) **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**
- (1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

SUBSCRIPTION AND SALE

The Bookrunner will, pursuant to the Subscription Agreement, agree with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Bonds.

The Bookrunner will be paid certain commissions in respect of services for managing the issue and sale of the Bonds. In addition, the Issuer and the Guarantor will agree to reimburse the Bookrunner for certain of its expenses in connection with the issue of the Bonds. The Subscription Agreement will entitle the Bookrunner to terminate it in certain circumstances prior to payment for the Bonds being made to the Issuer and the Guarantor on the Issue Date.

The Bookrunner and its affiliates have from time to time performed, and in the future may perform, various financial advisory, commercial banking and investment banking services for the Issuer, the Guarantor and their respective affiliates, for which they have received and/or will receive fees and expenses.

General

None of the Issuer, the Guarantor or the Bookrunner makes any representation that any action will be taken in any jurisdiction by the Bookrunner or the Issuer or the Guarantor that would permit a public offering of the Bonds, or possession or distribution of this Offering Memorandum or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. In the Subscription Agreement, the Bookrunner will agree that it has complied, and will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Memorandum or any such other material, in all cases at its own expense.

United States

The Bonds, the Guarantee and the Ebro Shares to be delivered on exchange of the Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

In the Subscription Agreement, the Bookrunner will agree that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered, and will not offer, sell or deliver the Bonds or the Ebro Shares to be delivered on exchange of the Bonds (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. Persons, and it will have sent to each dealer to which it sells Bonds, the Guarantee or the Ebro Shares to be delivered on exchange of the Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds, the Guarantee or the Ebro Shares to be delivered on exchange of the Bonds within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meaning given to them by Regulation S.

The Bonds are being offered and sold outside the United States to non-U.S. Persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds or the Ebro Shares to be delivered on exchange of the Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

The Issuer may be a “covered fund” for purposes of the Volcker Rule. If the Issuer is deemed to be a “covered fund”, then, in the absence of regulatory relief, the provisions of the Volcker Rule would impact the ability of certain banking institutions to acquire or retain an “ownership interest” in the Issuer.

United Kingdom

In the Subscription Agreement, the Bookrunner will represent and agree that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”) received by it in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Kingdom of Spain

The Bonds may not be offered, sold or distributed, nor may any subsequent resale of Bonds be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law, as amended and restated, and any other applicable legislation, provided that offers of the Bonds shall not be directed specifically at or made to investors located in Spain.

Neither the Bonds nor the Offering Memorandum have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Offering Memorandum is not intended for any public offer of the Bonds in Spain.

GENERAL INFORMATION

- 1 Application is expected to be made on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange for the Bonds to be admitted to trading. There can be no assurance that any such application will be successful or that any such admission to trading will be granted or maintained. The *Freiverkehr* is not a regulated market for the purposes of Directive 2004/39/EC.
- 2 Each of the Issuer and the Guarantor has obtained all necessary corporate consents, approvals and authorisations in connection with the issue and performance of the Bonds and the Guarantee. The issue of the Bonds was authorised by a resolution of the Board of Directors of the Issuer on 24 October 2016. The issue of the Guarantee was authorised by a resolution of the Board of Directors of the Guarantor on 24 October 2016.
- 3 There has been no significant change in the financial or trading position of the Issuer, the Guarantor or the Group since 31 December 2015, and no material adverse change in the prospects of the Issuer, the Guarantor or the Group since 31 December 2015.
- 4 None of the Issuer, the Guarantor or any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the 12 months preceding the date of this Offering Memorandum which may have or has had in the recent past a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.
- 5 Application is expected to be made on pricing for the Bonds to be accepted for clearance through the Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The relevant ISIN for the Bonds will be confirmed prior to the Issue Date.
- 6 The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.
- 7 The address of Clearstream, Luxembourg is Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1885 Luxembourg.
- 8 Subject to customary restrictions and limitations, a copy of this Offering Memorandum together with any supplement to this Offering Memorandum or further Offering Memorandum can be found on the Guarantor's website at <http://www.damm.es/>.
- 9 There are no material contracts entered into other than in the ordinary course of the Issuer's or the Guarantor's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or the Guarantor's ability to meet its obligations to Bondholders in respect of the Bonds being issued.
- 10 Until the Maturity Date and unless the Bonds are previously exchanged, redeemed or purchased and cancelled in accordance with the Conditions, the subsequent audited consolidated financial information for every fiscal year and the selected unaudited consolidated financial information for every six month period ending 30 June, will be available on the Guarantor's website at <http://www.damm.es/> within 180 and 90 days, respectively, from the last date of such periods. The Guarantor will no later than 30 and 90 days after the publication of the yearly audited consolidated financial information and the half yearly selected unaudited financial information, respectively, publish equivalent financial information in each case in the English language and on its website.

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements for the Guarantor (as parent company of the Damm Group) for the year ended 31 December 2015	F 1 - F 82
<ul style="list-style-type: none">• Audit Report.• Consolidated Balance Sheet for financial year ended 31 December 2015.• Consolidated Profit and Loss Account for financial year ended 31 December 2015.• Consolidated Statement of Comprehensive Income for financial year ended 31 December 2015.• Consolidated Statement of Changes in Equity for financial year ended 31 December 2015.• Consolidated Statement of Cash Flows for financial year ended 31 December 2015.• Notes to the Consolidated Financial Statements for financial year ended 31 December 2015.• Directors' Report.	F 2
Audited Consolidated Financial Statements for the Guarantor (as parent company of the Damm Group) for the year ended 31 December 2014	F 83 - F 176
<ul style="list-style-type: none">• Audit Report.• Consolidated Balance Sheet for financial year ended 31 December 2014.• Consolidated Profit and Loss Account for financial year ended 31 December 2014.• Consolidated Statement of Comprehensive Income for financial year ended 31 December 2014.• Consolidated Statement of Changes in Equity for financial year ended 31 December 2014.• Consolidated Statement of Cash Flows for financial year ended 31 December 2014.• Notes to the Consolidated Financial Statements for financial year ended 31 December 2014.• Directors' Report.	F 84

S.A. DAMM and Subsidiaries (the Damm Group)

Consolidated Financial Statements for financial year ended on the 31 December 2015, prepared pursuant to the International Financial Reporting Standards (IFRSs) adopted in Europe, and Consolidated Directors' Report, together with the Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 34). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain. 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),

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sociedad Anónima Damm (“the Parent”) and Subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Sociedad Anónima Damm and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2.1 to the accompanying consolidated financial statements) 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Sociedad Anónima Damm and Subsidiaries as at 31 December 2015, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the situation of Sociedad Anónima Damm and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Sociedad Anónima Damm and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Pedro Rodrigo

1 April 2016

S.A. DAMM and Subsidiaries (the Damm Group)
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2015
 (THOUSANDS OF EUROS)

	<u>Nota</u>	<u>31.12.15</u>	<u>31.12.14</u>
Non-current assets		922,454	902,304
Goodwill	4	49,746	47,229
Other intangible assets	5	20,644	22,894
Tangible fixed assets	6	435,218	429,340
Equity accounted investments	7	293,397	282,162
Non-current financial assets	8	85,710	78,446
Deferred tax assets	23.7	37,739	42,233
Current assets		286,705	312,652
Inventories	9	71,334	64,546
Trade and other receivables	10.1	137,738	140,859
Other financial current assets	10.2	2,489	8,304
Other current assets	-	7,780	7,826
Cash and cash equivalents	11	67,364	91,117
TOTAL ASSETS		1,209,159	1,214,956
Equity		673,023	486,732
Share capital	12.1	54,017	54,017
Share premium	12.2	32,312	32,312
Other reserves of the parent company	12.3	490,186	184,081
Reserves in consolidated companies	12.3	156,001	137,863
Treasury shares and equity interests	12.4	(161,597)	-
Valuation adjustments	12.5	14,809	8,733
Gains and loss attributable to parent company		92,328	78,544
Interim dividend paid during the financial year	12.6 / 25	(14,261)	(16,205)
Equity attributable to parent company		663,795	479,345
Non-controlling interests	12.7	9,228	7,387
Total equity		673,023	486,732
Deferred Income	13	1,193	1,538
Non-current liabilities		284,749	179,041
Debt with financial institutions	14	216,086	103,675
Provisions	-	1,139	524
Other non-current liabilities	-	52,080	56,157
Deferred tax assets	23.7	15,444	18,685
Current liabilities		250,194	547,645
Debt with financial institutions	14	30,910	58,261
Trade and other payables	16	149,751	142,712
Other current liabilities	18	69,533	346,672
TOTAL LIABILITIES		1,209,159	1,214,956

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Balance Sheet at 31.12.2015

S.A. DAMM y Subsidiaries (the Damm Group)
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 DECEMBER 2015
(THOUSANDS OF EUROS)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Continuing operations:			
Revenue	19	954,928	898,374
Other operating income	-	7,711	14,414
Changes in inventories of finished goods and work in progress	-	3,837	(2,600)
Raw materials and consumables used	20.1	(339,503)	(317,230)
GROSS MARGIN		626,973	592,958
Employee costs	20.2	(135,659)	(127,431)
Depreciation and amortization	5 y 6	(65,725)	(72,721)
Other expenses	-	(313,280)	(299,641)
Net gain/(loss) for impairment and disposal of non-current assets	24.1	(1,422)	(212)
OPERATING PROFIT		110,887	92,953
Investment income	21	6	7
Other interest and similar income	21	1,178	2,340
Finance expense and similar expense	22	(5,874)	(7,828)
Exchange rate differences	22	1,553	907
Share of the profit or loss of investments accounted for using the equity method	7	16,194	14,721
Net gain/(loss) from disposal of financial instruments	-	(170)	-
PRE-TAX PROFIT/(LOSS)		123,774	103,100
Income tax	23.5	(29,988)	(23,747)
PROFIT ON CONTINUING OPERATIONS		93,786	79,353
PROFIT FOR THE FINANCIAL YEAR		93,786	79,353
Attributable to:			
Non-controlling interests	12.7	(1,458)	(809)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTED TO PARENT COMPANY		92,328	78,544
Earnings per share (in euros):			
From continuing operations	26	0.38	0.29
From continuing and discontinued operations	26	0.38	0.29

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 2015.

S.A. DAMM y Subsidiaries (the Damm Group)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR
THE YEAR ENDED 31 DECEMBER 2015
(THOUSANDS OF EUROS)

	2015	2014
A.- CONSOLIDATED INCOME FOR THE FINANCIAL YEAR before non-controlling interests	93,786	79,353
B.- OTHER COMPREHENSIVE INCOME DIRECTLY RECOGNISED IN EQUITY	5,670	6,514
Items that will not be transferred to profit or loss:		
1. Due to actuarial gains and losses and other adjustments	2,141	263
2. Entities accounted for using the equity method	7,227	7,906
3. Tax effect	(600)	(79)
Items that can be subsequently transferred to profit or loss:		
4. From the valuation of financial instruments:	(2,970)	(1,319)
<i>a) Financial assets held for sale</i>	(2,970)	(1,319)
5. From cash flow hedges	(221)	(364)
6. Translation differences	2	8
7. Rate adjustment	29	(8)
8. Tax effect	62	107
C.- TRANSFER TO PROFIT AND LOSS ACCOUNT	406	(29)
1. From the valuation of financial instruments:	137	(12)
<i>a) Financial assets held for sale</i>	137	(12)
2. From cash flow hedges	374	(29)
3. Tax effect	(105)	12
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR (A+B+C)	99,862	85,838
a) Attributed to the parent company	98,404	85,029
b) Attributed to non-controlling interests	1,458	809

Notes 1 to 34 to the Financial Statements are an integral part of the Consolidated Statement of Comprehensive Income for financial year 2015.

THE DAMM GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2015
(THOUSANDS OF EUROS)

	NOTE	Share capital	Share premium	Parent company reserves	Consolidation reserves	Treasury shares and equity interests	Equity - valuation adjustments	Income for the financial year	Interim dividend paid during the financial year	Equity attributed to parent company	Non-controlling interests	Net equity
Balance at 31 December 2013		53.482	32.312	449.353	125.395		2.248	70.073	(16.045)	716.818	5.159	721.977
- Supplementary dividend Previous year income									(8.022)	(8.022)		(8.022)
- Allocation of Profit or Loss:	25											
to Reserves	12.3			17.494				(17.494)		-		-
to Dividends								(40.111)	24.067	(16.044)		(16.044)
- Allocation of Profit or Loss to Consolidation Reserves	12.3				12.468			(12.468)		-		-
- Other Adjustments in Equity										-		-
- Total recognised income and expense for the year							6.485	78.544		85.029	809	85.838
- Interim dividend	12.6								(16.205)	(16.205)		(16.205)
- Changes within the Scope of Consolidation	12.7									-	1.708	1.708
- Distribution of Dividends External Members and other adjustments	12.7									-	(289)	(289)
- Increases and Decreases (+/-)										-		-
Other changes (see Note 12.4)	12.4			(282.231)						(282.231)		(282.231)
S.A. Damm Share Capital Increase (bonus issue)	12.1	535		(535)						-		-
Balance at 31 December 2014		54.017	32.312	184.081	137.863	-	8.733	78.544	(16.205)	479.345	7.387	486.732
- Supplementary dividend Previous year income									(7.045)	(7.045)		(7.045)
- Allocation of Profit or Loss:	25											
to Reserves	12.3			23.067				(23.067)		-		-
to Dividends								(37.339)	23.250	(14.089)		(14.089)
- Allocation of Profit or Loss to Consolidation Reserves	12.3				18.138			(18.138)		-		-
- Other Adjustments in Equity										-		-
- Total recognised income and expense for the year							6.076	92.328		98.404	1.458	99.862
- Interim dividend	12.6								(14.261)	(14.261)		(14.261)
- Changes within the Scope of Consolidation	12.7									-	720	720
- Distribution of Dividends External Members and other adjustments	12.7									-	(337)	(337)
- Treasury shares transactions (net)				2.438		(161.597)				(159.159)		(159.159)
- Increases and Decreases (+/-)										-		-
Other changes (see Note 12.4)	12.4			280.600						280.600		280.600
S.A. Damm Share Capital Increase (bonus issue)	12.1									-		-
S.A. Damm Share Capital Increase (script dividend)	12.1									-		-
Balance at 31 December 2015		54.017	32.312	490.186	156.001	(161.597)	14.809	92.328	(14.261)	663.795	9.228	673.023

Notes 1 to 34 to the Financial Statements are an integral part of the Statement of Changes in Equity for financial year 2015.

THE DAMM GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(THOUSANDS OF EUROS)

	Year 2015	Year 2014
1.- CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial year before taxes for continuing operations	123,774	103,100
Adjustments for:	57,289	61,809
Depreciation and amortization	65,725	72,721
Profit/(loss) from equity method	(16,194)	(14,721)
Net profit/(loss) from impairment and disposal of non-current assets	1,422	212
Income from investments	(6)	(7)
Financial income	(1,178)	(2,340)
Change in provisions	3,670	(657)
Finance expenses	5,874	7,828
Allocation of grants	(641)	(320)
Exchange differences	(1,553)	(907)
Net gain/(loss) disposal of financial instruments	170	-
Changes in working capital	24,975	(5,712)
Inventories	(6,787)	3,731
Trade and other receivables	273	(20,664)
Other current assets	1,857	(2,388)
Other financial current assets	379	1,535
Trade and other payables	21,521	12,286
Other current liabilities	7,732	(212)
Change in provisions and other non-current liabilities	-	(423)
Cash generated from operations	206,038	158,774
Income tax payment	(34,991)	(37,028)
Net cash flows from operating activities(I)	171,047	121,746
2.- CASH FLOWS FROM INVESTING ACTIVITIES		
Financial income and dividends received	14,704	11,613
Payments for investments	(100,638)	(80,941)
Investment in assets	(86,142)	(62,484)
Financial investments	(9,162)	(9,503)
Investments in group companies, joint venture and associates	(2,500)	(8,954)
Payments for other debts	(2,834)	-
Receipt from divestments	10,665	86,209
Financial investments	6,889	83,798
Investments in group companies, joint venture and associates	-	-
Investment in assets	556	612
Receipt from other debts	3,220	1,799
Net cash flows from investing activities (II)	(75,269)	16,881
3.- CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt and payments from equity instruments	(159,159)	-
Acquisition of equity instruments	(207,956)	-
Disposal of equity instruments	48,797	-
Finance expenses and dividends paid	(45,192)	(47,510)
Receipt and payments for financial liabilities instruments	84,820	(105,310)
Issue debt with financial institutions	300,000	30,000
Repayment and amortization of debt with financial institutions	(215,180)	(135,310)
Net cash flows from financing activities (III)	(119,531)	(152,820)
NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (I+II+III)	(23,753)	(14,193)
Cash at the beginning of the financial year	50,054	90,552
Cash or cash equivalents at the beginning of the financial year	41,063	14,758
Cash at the end of the financial year	67,364	50,054
Cash or cash equivalents at the end of the financial year	-	41,063

Notes 1 to 34 to the Financial Statements are an integral part of Statement of Cash Flows for financial year 2015.

DAMM GROUP

Notes to the financial statements for financial year ended 31 December 2015

1. Activity of the Group

The Parent Company S.A. DAMM, hereinafter, the 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 2015, according to the relevant consolidation method applicable in each case. As of 31 December 2015 Damm Group is not required to submit consolidated financial statements with a scope beyond the scope of these consolidated financial statements.

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

2.1. Basis of preparation

The consolidated financial statements of Damm Group for financial year 2015 have been prepared:

- By the Directors, in the meeting of the Board of Directors held on the 30 March 2016.
- Pursuant to the International Financial Reporting Standards or IFRS, as adopted by the European Union, pursuant to the Regulation (EC) n. 1606/2002 of the European Parliament and the Council.

Note 3 summarizes the most significant accounting principles, consolidation principles and measurement basis applied in the preparation of the consolidated financial statements of the Group for financial year 2015.

- Taking into account all the accounting principles and standards and the mandatory measurement basis that have a significant effect on the consolidated financial statements, as well as the alternatives allowed by law in that sense, which are specified in Note 3 (Measurement Standards).
- 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 2015, 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 Company and by the rest of the entities of the Group, (Note 33 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 2015 (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 2014 were approved by S.A. DAMM Members' General Meeting held on the 2nd day of June, 2015.

Standards and interpretation in force during this period

As a result of their approval, publication and coming into force during financial year 2015, the application of the following standards has been taken into account:

- IFRIC 21 – Levies
- IAS 19 (amend) “Employees contribution to defined benefits pension schemes”

The application of the aforesaid standards has not caused any significant impact in the consolidated financial statements nor in the relevant figures for the previous year.

On the other hand, the European Union has adopted the following standards and interpretation that come into force on the 1 January 2016:

- Amendment to IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation.
- Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations.
- Amendment to IFRS Cycle 2012-14.
- Amendment to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate/joint venture.
- Amendment to IAS 27 Equity method in separate financial statements.
- Amendment to IAS 16 and IAS 41 Bearer plants.
- IFRS 15 revenue from contracts with customers (planned effective date: 1 January 2017).
- Amendment to IFRS 9 Financial instruments (planned effective date: 1 January 2018).

The Group has not early adopted these new standards and it is not expected that their application would have any significant effects on the consolidated financial statements.

Responsibility of the information and estimates made

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

Eventually some estimates made by the Senior Management of the Group and its consolidated entities have been used for the consolidated financial statements of the Group for year 2015 – 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 4),

- Impairment losses of certain assets (Notes 4, 5 y 6),
- Assumptions used in the actuarial calculation of the liabilities and commitments for post-employment benefits (Note 17),
- Useful life of tangible and intangible assets (Notes 5 y 6),
- Provisions,
- Full commitment to acquire treasury shares (Note 12.4 y 18),
- 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 assets and liabilities measured at fair value at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets held for sale (Note 8)	12,297	-	-	12,297
Total Assets	12,297	-	-	12,297

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 2015 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 2014.

For the purposes of comparing the information, the Group includes in the Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Statement of Cash Flows and Consolidated Statement of Comprehensive Income and the Notes to the Financial Statements, in addition to the figures for financial year ended 31 December 2015, those of financial year ended 31 December 2014.

Changes in the scope of consolidation

The main changes in the scope of consolidation for years 2015 y 2014, as well as the consolidation method used in each case, are included in Note 2.2.d).

Functional currency

These financial statements are presented in thousands of euros.

2.2. Consolidation principles

a) Subsidiaries:

“Subsidiaries are 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 33 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
Port Parés, S.L.	13.66%
Comergrup, S.L.	10.15%
Ebro Foods, S.A.	10.03%
Euroestrellas Badalona S.L.	10.00%

Port Parés S.L., Comergrup, S.L and Euroestrellas Badalona S.L.

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

Ebro Foods Group

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

- It keeps its significant interest, which is 10.03%.
- 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 2015 and 2014, 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.

d) Changes in the scope of consolidation:

1. Subsidiaries:

During financial year 2015, the Group has incorporated the companies Cervezas Calatrava S.L., Cervezas Victoria 1928 S.L., Damm Brewery Sweden AB, Estrella Damm Services Canada Inc, Expansión 1 DDI S.L. and NeverSeen Media S.L. The initial contribution for their incorporation amounted in the aggregate to 1.600 K euros. Such companies are listed in Note 33 hereof.

Such internal operations have not had any equity effect in the Group as they were corporate transactions carried out between subsidiaries.

2. Associates:

During financial year 2015 the Group has acquired 15.88% of United States Beverage LLC by capitalizing a financial credit for the amount of USD 2 million (see Note 7 and 8).

3. Joint arrangements:

No new joint arrangements have been included in the scope in financial year 2015 or financial year 2014.

2.3. Financial risks exposure

a) Categories of financial instruments

	Thousand euros	
	31/12/15	31/12/14
Financial assets:		
Loans and receivables measured at amortised cost	213,640	219,873
Cash and cash equivalents	67,364	91,117
Financial assets held for sale (Note 8)	12,297	8,645
Financial liabilities:		
Financial debt measured at amortised cost	246,996	161,713
Financial derivatives (Note 14)	-	223
Other debts	219,796	495,523

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 listed in Note 14, cash, liquid assets and equity, which includes share capital and reserves from undistributed earnings as described in Note 12.

Capital structure

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

The Group goal for such level of debt is to remain below 50%.

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	
	2015	2014
Long term loans and credits	(215,300)	(101,191)
Long term finance lease debts	(786)	(2,261)
Hedging instruments debts	-	(223)

	Leverage	
	Thousand euros	
	2015	2014
Total long term debt with financial institutions	(216,086)	(103,675)
Short term loans and credits	(28,922)	(55,607)
Short term finance lease debts	(1,988)	(2,654)
Total short term debt with financial institutions	(30,910)	(58,261)
Total debt with financial institutions	(246,996)	(161,936)
Other financial liabilities (under "Other non-current liabilities" and "Other current liabilities")	(14,609)	(15,989)
Cash and cash equivalent	67,364	91,117
Other financial current assets	2,489	8,304
Treasury shares and equity interests	161,597	-
Net financial debt	(30,155)	(78,504)
Equity (without treasury shares)	834,620	486,732
Leverage	3.6%	16.13%

Financial risk management

The exposure of the Group to financial risks is mainly due to the exposure to interest rate changes and financial markets (price risks) changes. Likewise, the Group does not use derivative financial instruments for speculation purposes.

Exchange rate risk

The exchange rate risk is not significant as the Group does not have investments nor makes relevant 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, 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 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.

Additionally, some companies of the Group use financial instruments that include the possibility of eliminating the credit risk.

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 2015 and 2014, the financial assets in the consolidated balance sheet that could default are the following, in thousands of euro:

	2015	2014
Non-current financial assets (Note 8)	85,710	78,446
Trade and other receivables (Note 10)	137,738	140,859

The age of the customers' balances at 31 December 2015, which is virtually the entire balance under "Trade and other receivables" of the consolidated balance sheet at 31 December 2015, is specified in Note 10.1. It may be pointed out that in such specification the customers' balance and trade receivables due that are 0 to 6 months old amounts to EUR 2.3 million (EUR 4.2 million in 2014) related, virtually all of them, to delays due to administrative management solved in the first quarter of 2016.

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 14, the Group keeps in financial year 2015 long term corporate credit facilities for an amount in excess of 300 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 2015 the Group companies had undrawn credit facilities in the amount of EUR 282.2 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. In financial year 2014 the risk created by the change in the price of the money was managed by contracting derivative instruments aimed at hedging the Group from such risks. During financial year 2015 the Group has cancelled the derivative financial instruments held at 31 December 2014 (see Note 14).

Variable interest rate is referenced to EURIBOR.

Taking into account the contractual conditions of the financing existing as of 31 December 2015 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 960 thousand in the profit after taxes for financial year 2015, 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 999 thousand in the profit after taxes for financial year 2015

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 balance sheet and the consolidated profit and loss account.

As mentioned in Note 8, the evolution of the stock prices has decreased the valuation of the investment.

The following sensitivity analysis has been determined by the exposure of the Group to price risk as of 31 December 2015.

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

- The profit for financial year 2015 would not have been affected, nor would the profit for financial year 2014, as a result of the changes in the fair value of such investments.

- The Group equity would have increased/decreased in EUR 615 thousand (EUR 294 thousand in 2014) as a result of 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.

Pursuant to IFRS 1 "First time adoption of IFRSs", goodwill elements acquired from the 1 January 2004 remain valued at their cost of acquisition and when acquired before such date are kept at the net value as of 31 December 2003. In both cases, 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" 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 zero.

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 liabilities (or reducing the value of the assets) with a market value over(below) their net book value of the balance sheet and their accounting treatment is similar to the same assets (liabilities) of the Group: amortization, accruing, etc.
2. The remaining amounts are stated under "Other operating income" of the profit and loss account for the financial year in which the share capital of the consolidated entity or the associate is acquired.

• **3.2. Other intangible assets**

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

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

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

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

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

	Annual Percentage
Industrial property	33 %
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” 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 will be used in this period.

If the conditions were not met and the rights arising from a concession were lost, the book value thereof must be 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.

Emission Rights and Sector-Specific Regulation

The Group's policy is to record CO₂ emission rights as a non-amortisable intangible asset. 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 2015, the Group has received free of charge emission rights amounting to 29,493 tons pursuant to the approved national allocation plans. Such plans also set forth the free of charge allocation of the emission rights for 2016 (pursuant to the notices sent by the Environment Ministry - Secretariat-General for the Prevention of Pollution and Climate Change) for an amount equal to 26,300 tons. The consumption of emission rights during financial year 2015 amounts to 54,485 tons (42,057 tons in 2014).

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.

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 Decree 661/2007, dated 25 May, which superseded Royal Decree 434/2004, dated 12 March, and regulates the production of electricity under a special regime.

Transfer Rights

Transfer Rights are stated at cost of acquisition and impairment losses are recognised.

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 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 2015, the heading Property, Plant and Equipment of the Consolidated Balance Sheet includes EUR 4,457 thousand by way of assets under finance lease (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 proceeds 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, which 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., Estrella de Levante Fábrica de Cerveza S.A., Font Salem S.L., Maltería La Moravia S.L., Aguas de San Martín de Veri S.A., Gestión Fuente Liviana S.L., Compañía de Explotaciones Energéticas S.L., Inmuebles y Terrenos S.A., Reservas de Hielo S.A. and Cafés Garriga 1850 S.L.

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

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

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

3.5. Interest in associates and joint arrangements

The value in the Consolidated Balance Sheet of such interests includes, if applicable, the goodwill resulting from the acquisition thereof.

3.6. 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.

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 not 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.

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 of 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 the date of classification.

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 Balance Sheet and Profit and Loss Account.

3.11. Financial assets

Financial assets are recognised in the 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 company itself.
3. Loans and receivables generated by the company: financial assets originated by the company 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” and those available for sale are measured at “fair value” in subsequent measurement dates. For negotiable assets and those classified under IAS 39 as “fair value through profit or loss”, 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 Company 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.

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. For financial assets with a fixed interest rate, effective interest rate is the interest rate set at acquisition date plus, if applicable, commissions similar to interest rate. For variable rate financial instruments, effective interest rate is the prevailing return rate under all headings until the first revision of the reference interest rate.

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 of 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

Loans and other bank financial liabilities accruing interests are accounted for the amount received, net from direct costs of issue. 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 extent they are not settled in the period in which they arise.

Derivative financial instruments and hedge accounting

As described in Note 2.3, its activities expose the Group mainly to financial risks arising from interest rates variations and from market risks for securities included under “Non-current financial assets”. To cover such exposure, the Group analyses the subscription of interest rate swaps and call and put options on the portfolio securities.

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 an 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.

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.

In the event of short term maturity loans the long term refinancing of which is ensured at the discretion of the companies of the Group by long term credit facilities, they are classified as non-current liabilities.

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

Under the collective labour agreements of S.A. Damm, Compañía Cervecería Damm, S.L., Estrella de Levante Fábrica de Cerveza, S.A.U., and Maltería La Moravia, S.L., 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 17).

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. Other commitments with the employees

In financial years 2015 and 2014, certain companies of the Group offered some of their employees the possibility to avail from a reorganization plan. To this end funds were allocated in both years to cover the commitments for such reorganization.

3.16. 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. Contingent liabilities are not included in the consolidated financial statements, but they are disclosed pursuant to IAS 37 (see Note 23 and 31).

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.

3.17. 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 3.2, the companies Compañía de Explotaciones Energéticas, S.L., Estrella de Levante S.A.U. and Font Salem, S.L. 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 intangible asset 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).

3.18. Revenue recognition

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.

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.

3.19. Expense recognition

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 the 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.

3.20. 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.

3.21. 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 23).

3.22. 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 26).

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 shares 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, if they had been issued during the period.

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

• **3.23 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 profit and loss account.

3.24. 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 2015 and 2014, as well as the allocation to the different cash-generating units, are the following:

	Thousands of Euros				
	01.01.15	Change in scope (Note 2.2d)	Additions/ Write offs	Impairment	31.12.15
Water	18,741	-	-	-	18,741
Beer and other Beverages	6,224	-	2,336	(343)	8,217
Distribution and F&B	22,264	-	1,526	(1,002)	22,788
Total	47,229	-	3,862	(1,345)	49,746

	Thousands of Euros				31.12.14
	01.01.14	Change in scope	Additions/ Write offs	Impairment	
Water	18,741	-	-	-	18,741
Beer and other Beverages	5,881	375	-	(32)	6,224
Distribution and F&B	19,715	1,784	1,482	(717)	22,264
Total	44,337	2,159	1,482	(749)	47,229

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.

Changes affecting the impairment losses of these items in 2015 and 2014 are as follows:

	Thousands of Euros	
	2015	2014
Opening balance	25,482	24,733
Charged to income	1,345	749
Closing balance	26,827	25,482

The opening balance for financial year 2015 refers to the impairment loss accounted at the opening balance at transition date (1 January 2005) for the amount of EUR 6,833 thousand and the loss stated in subsequent years for the amount of EUR 18,649 thousand, arising from the impairment test performed annually on goodwill and referring mainly to the water cash-generating unit (hereinafter, CGU).

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 not 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 6.29% and 7.44% discount rate for years 2015 and 2014 respectively. Specifically, variables used for each CGU are the following:

Ley assumption	Water		Beer and other beverages		Distribution and catering	
	2015	2014	2015	2014	2015	2014
Projection period (years)	4		4		4	
Key variables	Sales Gross margin Capex		Sales Gross margin Capex		Sales Gross margin	
Discount rate	6.29%	7.44%	6.29%	7.44%	6.29%	7.44%
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.

Parameters taken into account for the composition of previous discount rates are:

- Free of risk bond: Thirty-years Spanish bond.
- Market risk premium: Based in the report “Market Risk Premium used in 41 countries in 2015, a survey with 5056 answers” (IESE BSchool April 2015).
- Equity-debt ratio: 80% Equity / 20% Debt.

The decrease in discount rate as compared to previous year is explained mainly by the decrease of the premium risk of the Spanish economy.

It is worth pointing out that the assessment of impairment tests is made separately, by analysing on the one hand the recoverable amount of the Food & Beverages CGU and on the other hand, the recoverable amount of the Distribution CGU.

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

- Beer and Other Beverages/Water:
 - o Evolution of the volume: 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.
 - o Evolution of the market share: Market share is expected to maintain its level during the projection period.
 - o Price evolution is estimated as stable, with increases between 0.5% and 1%.
 - o Operating expenses evolve according to the prices and volume rates stated above.
 - o 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 and is located in levels below those of the cycle 2007-12, when the Group substantially increased its production and logistic base.
- Distribution:
 - Evolution linked to the growth in Water and Beer and other beverages CGUs.
- Catering:
 - Sales: Stabilization of the market decline and constant annual growth below inflation in the long term.
 - Costs: Improvement due to the consolidation of the reorganization and chain efficiency plans.

As a result, the Group has decided to recognise an impairment loss in the Distribution and F&B CGU in the amount of EUR 1,002 thousand and in the Beer and other Beverages CGU for the amount of EUR 343 thousand carried under "Net impairment loss on non-current assets". 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 2016 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 31.12.15.

5. Other Intangible Assets

Changes in this heading of the consolidated balance sheet in years 2015 and 2014 have been the following:

Cost	
Balance at 1 January 2014	49,377
(Net) additions / retirements for change in scope	43
(Net) additions / retirements	2,040
Transfers and other	788
Balance at 31 December 2014	52,248
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	1,790
Transfers and other	112
Balance at 31 December 2015	54,150
Accumulated amortisation	
Balance at 1 January 2014	23,911
(Net) additions / retirements for change in scope	29
Retirements and transfers	91
Provisions	5,323
Balance at 31 December 2014	29,354
(Net) additions / retirements for change in scope	-
Retirements and transfers	(142)
Provisions	4,294
Balance at 31 December 2015	33,506

INTANGIBLE ASSETS – NET VALUE:	Thousand Euros
Balance at 31 December 2014	22,894
Balance at 31 December 2015	20,644

5.1. Intangible assets by nature

The breakdown of the items of this heading of the balance sheet disclosed according to their nature at 31 December 2015 and 2014 is:

COMPUTER SOFTWARE

Cost	
Balance at 1 January 2014	17,040
(Net) additions / retirements for change in scope	27
(Net) additions / retirements	1,099
Transfers and other	632
Balance at 31 December 2014	18,798
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	1,123
Transfers and other	112
Balance at 31 December 2015	20,033
Accumulated amortisation	
Balance at 1 January 2014	13,570
(Net) additions / retirements for change in scope	27
Retirements and transfers	(16)
Provisions	3,146
Balance at 31 December 2014	16,727
(Net) additions / retirements for change in scope	-
Retirements and transfers	(51)
Provisions	2,030
Balance at 31 December 2015	18,706
SOFTWARE – NET VALUE	Thousand Euros
Balance at 31 December 2014	2,071
Balance at 31 December 2015	1,327

TRADEMARKS

Cost	
Balance at 1 January 2014	1,822
(Net) additions / retirements for change in scope	16
(Net) additions / retirements	833
Transfers and other	-
Balance at 31 December 2014	2,671
(Net) additions / retirements for change in scope	0
(Net) additions / retirements	(42)
Transfers and other	-
Balance at 31 December 2015	2,629
Accumulated amortisation	
Balance at 1 January 2014	660
(Net) additions / retirements for change in scope	2
Retirements and transfers	(49)

Provisions	148
Balance at 31 December 2014	761
(Net) additions / retirements for change in scope	0
Retirements and transfers	(91)
Provisions	224
Balance at 31 December 2015	894
TRADEMARKS – NET VALUE	Thousand Euros
Balance at 31 December 2014	1,910
Balance at 31 December 2015	1,735

EMISSION RIGHTS

Cost	
Balance at 1 January 2014	210
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	102
Transfers and other	-
Balance at 31 December 2014	312
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	(225)
Transfers and other	-
Balance at 31 December 2015	87
Accumulated amortisation	
Balance at 1 January 2014	-
(Net) additions / retirements for change in scope	-
Retirements and transfers	-
Provisions	-
Balance at 31 December 2014	-
(Net) additions / retirements for change in scope	-
Retirements and transfers	-
Provisions	-
Balance at 31 December 2015	-
EMISSION RIGHTS – NET VALUE	Thousand Euros
Balance at 31 December 2014	312
Balance at 31 December 2015	87

FRANCHISES

Cost	
Balance at 1 January 2014	26,119
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	-
Transfers and other	-
Balance at 31 December 2014	26,119
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	100
Transfers and other	-
Balance at 31 December 2015	26,219
Accumulated amortisation	
Balance at 1 January 2014	8,010
(Net) additions / retirements for change in scope	-

Retirements and transfers	-
Provisions	1,889
Balance at 31 December 2014	9,897
(Net) additions / retirements for change in scope	-
Retirements and transfers	-
Provisions	1,889
Balance at 31 December 2015	11,786
FRANCHISES – NET VALUE	Thousand Euros
Balance at 31 December 2014	16,222
Balance at 31 December 2015	14,433

CONCESSION RIGHTS AND OTHER INTANGIBLE ASSETS

Cost	
Balance at 1 January 2014	4,186
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	6
Transfers and other	156
Balance at 31 December 2014	4,348
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	834
Transfers and other	-
Balance at 31 December 2015	5,182
Accumulated amortisation	
Balance at 1 January 2014	1,671
(Net) additions / retirements for change in scope	-
Retirements and transfers	156
Provisions	142
Balance at 31 December 2014	1,969
(Net) additions / retirements for change in scope	-
Retirements and transfers	-
Provisions	151
Balance at 31 December 2015	2,120
OTHER INTANGIBLE ASSETS – NET VALUE	Thousand Euros
Balance at 31 December 2014	2,379
Balance at 31 December 2015	3,062

The charge to the Consolidated Profit and Loss Account for financial year 2015 by way of provision for amortisation of intangible assets amounted to EUR 4.3 million.

6. Property, plant and equipment

Changes in this heading of the consolidated balance sheet in financial years 2015 and 2014 were as follows:

Cost	
Balance at 1 January 2014	1,264,198
(Net) additions / retirements for change in scope	21
(Net) additions / retirements	37,849
Transfers and other	(619)

Balance at 31 December 2014	1,301,449
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	58,802
Transfers and other	1,768
Balance at 31 December 2015	1,362,019
Accumulated depreciation	
Balance at 1 January 2014	823,957
(Net) additions / retirements for change in scope	21
Retirements and transfers	(19,217)
Provisions	67,348
Balance at 31 December 2014	872,109
(Net) additions / retirements for change in scope	-
Retirements and transfers	(6,739)
Provisions	61,431
Balance at 31 December 2015	926,801
TANGIBLE ASSETS – NET VALUE	Thousand Euros
Balance at 31 December 2014	429,340
Balance at 31 December 2015	435,218

The Group has several insurance policies to cover any possible risks of 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 2015 and 2014 is:

LAND AND BUILDINGS

Cost	
Balance at 1 January 2014	287,763
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	357
Transfers and other	(9,856)
Balance at 31 December 2014	278,264
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	2,311
Transfers and other	1,536
Balance at 31 December 2015	282,111
Accumulated depreciation	
Balance at 1 January 2014	65,736
(Net) additions / retirements for change in scope	-
Retirements and transfers	(961)
Provisions	7,687
Balance at 31 December 2014	72,462
(Net) additions / retirements for change in scope	-
Retirements and transfers	(268)
Provisions	6,579
Balance at 31 December 2015	78,773
LAND AND BUILDINGS - NET VALUE	Thousand Euros
Balance at 31 December 2014	205,802
Balance at 31 December 2015	203,338

PLANT AND MACHINERY

Cost	
Balance at 1 January 2014	601,747
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	(137)
Transfers and other	34,955
Balance at 31 December 2014	636,565
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	18,371
Transfers and other	40,314
Balance at 31 December 2015	695,250
Accumulated depreciation	
Balance at 1 January 2014	474,785
(Net) additions / retirements for change in scope	-
Retirements and transfers	(11,484)
Provisions	35,523
Balance at 31 December 2014	498,824
(Net) additions / retirements for change in scope	-
Retirements and transfers	21,155
Provisions	31,816
Balance at 31 December 2015	551,795
PLANT AND MACHINERY – NET VALUE	Thousand Euros
Balance at 31 December 2014	137,741
Balance at 31 December 2015	143,455

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

Transfers for financial year 2015 and 2014 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 2014	351,697
(Net) additions / retirements for change in scope	21
(Net) additions / retirements	17,643
Transfers and other	227
Balance at 31 December 2014	369,588
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	21,238
Transfers and other	(37,195)
Balance at 31 December 2015	353,631
Accumulated depreciation	
Balance at 1 January 2014	283,436
(Net) additions / retirements for change in scope	21
Retirements and transfers	(6,772)
Provisions	24,138
Balance at 31 December 2014	300,823
(Net) additions / retirements for change in scope	-

Retirements and transfers	(27,626)
Provisions	23,036
Balance at 31 December 2015	296,233
OTHER FACILITIES, EQUIPMENT, FURNITURE AND CONTAINERS - NET VALUE	Thousand Euros
Balance at 31 December 2014	68,765
Balance at 31 December 2015	57,398

“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 2014	22,991
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	19,986
Transfers and other	(25,945)
Balance at 31 December 2014	17,032
(Net) additions / retirements for change in scope	-
(Net) additions / retirements	16,882
Transfers and other	(2,887)
Balance at 31 December 2015	31,027
ADVANCED PAYMENTS AND PPE IN PROGRESS - NET VALUE	Thousand Euros
Balance at 31 December 2014	17,032
Balance at 31 December 2015	31,027

Transfers from “Advanced payments and property, plant and equipment in progress” refer mainly to the main projects the Group had in progress as of 31 December 2014: refit of several filling lines in the breweries located in Prat de Llobregat, Espinardo (Murcia) and Santarem (Portugal) as well as several production efficiency improvement projects completed during financial year 2015.

The Group main projects in progress as of 31 December 2015 consist in the new refit of some of the filling lines in the breweries located in Prat de Llobregat and Espinardo (Murcia), several logistic and operation improvements projects as well as the refit and improvement of the Group headquarters Barcelona.

As of 31 December 2015 there were property, plant and equipment elements acquired under finance lease for the amount of EUR 23,7 million as cost and EUR 19,2 million as accumulated repayment (EUR 23,4 million as cost and EUR 18,2 million as accumulated repayment at 31 December 2014).

As of 31 December 2015 there were no property, plant and equipment elements mortgaged as guarantee of loans from credit institutions.

During financial year 2015 the Group has capitalized finance expenses from property, plant and equipment for the amount of 44 thousands of euros.

7. Equity accounted investments

The detail and changes in subsidiaries of the Group accounted for using the equity method for years 2015 and 2014 are:

	Balance at 01.01.15	Income under equity method	Transfer to Profit and Loss (Note 25)	Other changes	Dividends	Other changes in Equity (Note 12.5)	Balance at 31.12.15
BEVERAGES SUBSET	5.704	1.221	-	(2.500)	-	-	4.425
DISTRIBUTION SUBSET	4.334	355	-	1.837	(302)	-	6.224
FOOD AND BEVERAGE SUBSET	4.881	605	(7)	-	(1.032)	-	4.447
EBRO FOODS, S.A.	267.243	14.013	-	-	(10.181)	7.226	278.301
Total	282.162	16.194	(7)	(663)	(11.515)	7.226	293.397

	Balance at 01.01.14	Income under equity method	Transfer to Profit and Loss (Note 25)	Changes consol. scope (Note 2.2)	Dividends	Other changes in Equity (Note 12.5)	Balance at 31.12.14
BEVERAGES SUBSET	6.918	(1.214)	-	-	-	-	5.704
DISTRIBUTION SUBSET	4.152	452	-	-	(270)	-	4.334
FOOD AND BEVERAGE SUBSET	5.084	460	(187)	-	(476)	-	4.881
EBRO FOODS, S.A.	245.118	15.023	-	6.857	(7.661)	7.906	267.243
Total	261.272	14.721	(187)	6.857	(8.407)	7.906	282.162

Financial information

Main financial data at 31 December 2015 and 2014 for the companies accounted for using the equity method are listed in Note 33.

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 15,426,438 shares, i.e. 10.03%. Quote at 31 December 2015 was EUR 18.16 per share. (EUR 13.71 per share in 2014).

Profit and loss accounted for using the equity method

Profit and loss accounted for using the equity method for financial year 2015 comprises, essentially, 10.03% of the profit and loss of Ebro Foods S.A., 50% of Grupo Cacaolat S.L., 50% of Trade Eurofradis S.L., 50% of Dehesa de Santa María S.L. and 24.95% of the profit and loss of United States Beverages LLC.

Changes in the scope of consolidation

Changes in the scope of consolidation for financial year 2014 refer to the increase of the interest in Ebro Foods S.A. No changes have occurred in financial year 2015 (see Note 2.2.d).

Other changes

Other changes for financial year 2015 refer to the repayment of part of the share premium of Grupo Cacaolat S.L. and to the capitalization of a financial credit to United States Beverage LLC for the amount of USD 2 million.

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 2015 and 2014 according to the nature of the transactions are as follows:

	Thousand Euros					
	Balance at 01.01.15	Inflows and outflows	Transfer to Profit and Loss Account	Adjustment to fair value	Transfers and other	Balance at 31.12.15
Credits and other receivables	41,487	4,234	-	-	-	45,721
Financial assets held for sale	8,645	6,622	(137)	(2,833)	-	12,297
Credits to associates and joint arrangements	26,147	-	190	-	(1,837)	24,500
Long term guarantees and deposits	1,977	(22)	-	-	-	1,955
Other financial investments	190	1,081	(34)	-	-	1,237
Total	78,446	11,915	19	(2,833)	(1,837)	85,710

	Thousand Euros					
	Balance at 01.01.14	Inflows and outflows	Transfer to Profit and Loss Account	Adjustment to fair value	Transfers and other	Balance at 31.12.14
Credits and other receivables	42,996	(1,509)	-	-	-	41,487
Financial assets held for sale	479	9,502	-	(1,336)	-	8,645
Credits to associates and joint arrangements	25,964	-	-	183	-	26,147
Long term guarantees and deposits	1,964	13	-	-	-	1,977
Other financial investments	190	-	-	-	-	190
Total	71,593	8,006	-	(1,153)	-	78,446

Financial assets held for sale

Balance in this item consists of several investments in company bonds and shares in several companies accounted for at fair value.

Credits to associates and joint arrangements

Balance at 31 December 2015 refers to a shareholder loan to Grupo Cacaolat S.L. for the amount of EUR 24,500 thousand. During financial year 2015 a financial credit to an associate has been capitalised for the amount of USD 2 million (see Note 7).

9. Inventories

In financial years 2015 and 2014 this item consisted of:

	Thousand Euros	
	2015	2014
Raw materials	29,786	26,835
Products in process	12,975	12,001
Finished products	28,573	25,710
Total	71,334	64,546

The charge for value adjustment recognised as expense in the Profit and Loss Account for financial year 2015 amounts to EUR 143 thousand. 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	
	2015	2014
Trade receivables for sales and services	129,849	133,574
Sundry debtors	1,603	2,858
Public Administrations (Note 23.3)	6,286	4,427
Total	137,738	140,859

The average credit period for the sales of goods is within 50-120 days, depending on the channel to which the sales are intended. Usually no interests are charged to receivables. This item includes a provision for doubtful receivables for the amount of EUR 5.3 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 2015 is as follows:

	2015
Current and less than 6 months	129,151
Between 6 and 12 months	451
Between 12 and 18 months	67
More than 18 months	180
Total	129,849

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 2015 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	
	2015	2014
Cash	67,364	50,054
Other cash equivalents	-	41,063
Total	67,364	91,117

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

Interests accrued related to Cash and cash equivalents are accounted for under "Other interest and similar income" of the consolidated profit and loss account (see Note 21).

12. Equity

12.1. Share Capital

As of 31 December 2015 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 Financial Statements all the shares issued are fully paid.

Changes in this item in the consolidated balance sheets for years 2015 and 2014 were:

	Thousand Euros	
	2015	2014
Opening balance	54,017	53,482
Share capital increase (bonus shares)	-	535
Closing balance	54,017	54,017

Shareholders, being a legal entity, with an interest in excess of 10% in S.A. DAMM share capital as of 31 December 2015 were the companies DISA CORPORACION PETROLIFERA, S.A., MUSROM GMBH and SEEGRUND, B.V. which held 30.6% (27.93% in 2014), 25.016% (25.016% in 2014) and 13.952% (13.952% in 2014) respectively (see Note 12.4).

12.2. Share premium

No changes have occurred in this item during financial years 2015 and 2014.

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, 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

Changes in the balance of this item of the consolidated balance sheet in year 2015 have been, in thousand euros:

	2015
Balance at 31 December 2014	184,081
Distribution of Profits	23,067
Transfer to Treasury shares and equity interests	200,973
Reversal of the commitment for treasure shares not settled - shares that did not accept the takeover bid	79,627
Net profit/(loss) of equity transactions (Note 12.4)	2,438
Balance at 31 December 2015	490,186

The Reserves Account breakdown, grouped in the Balance sheet, is as follows, in thousand euros:

	2015
Legal Reserve	10,803
Other Reserves	479,383
Balance at 31 December 2015	490,186

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 2015 the Parent Company allocated a capitalisation reserve for the amount of EUR 7,274 thousands (see Note 23).

Consolidation Reserves

The breakdown by entities of the balances of this item in the consolidated balance sheet, once the effect of the consolidated adjustments recognised in equity as a result of the consolidation process has been considered, are as follows:

	Thousands of euros	
	2015	2014
Full consolidation:		
Agora Europe, S.A.	1,385	1,393
Aguas San Martín de Veri, S.A.	5,121	3,248
Alfil Logistics, S.A.	1,220	1,206
Cafés Garriga 1850 S.L.	(719)	(723)
Cerbedam, S.L.	136	85
Cervezas Victoria Málaga S.L.	(25)	-
Compañía Cervecera Damm, S.L.	(969)	27,431
Compañía Damm de Aguas S.L.	(371)	(417)
Compañía de Explotaciones Energéticas, S.L.	2,296	2,459
Corporación Económica Damm, S.A.	(56,389)	(49,675)
Crouchback Investments, Ltd.	18	(2)
Damm Atlántica, S.A.	329	312
Damm Brewery Ltd.	88	55
Damm Distribución Integral, S.L.	3,316	3,140
Damm Innovación, S.L.	1,083	1,119
Damm Portugal Lda.	(865)	(747)
Damm Restauración S.L.	(906)	(1,044)
Dismenorca S.L.	117	-
Distridam, S.L.	2,249	1,963
Estrella de Levante, S.A.	7,724	12,733
Font Salem, S.L.	62,035	51,570
Font Salem Holding, S.L.	(330)	(704)
Font Salem Invetimentos Lda.	1,965	4,330
Font Salem Portugal S.A.	(369)	(831)
Fundació Damm	3,105	2,912
Gestión Fuente Liviana, S.L.	1,932	1,030
Holding Cervezero Damm S.L.	23,421	4,475
Inmuebles y Terrenos, S.A.	241	219
Licavisa, S.L.	1,404	1,111
Maltería La Moravia, S.L.	4,357	2,658
Osiris Tecnología y Suministros Hosteleros, S.A.	(2,125)	(2,124)
Pallex Iberia, S.L.	(476)	(407)
Plataforma Continental, S.L.	(3,767)	(3,359)
Representaciones Unidas Ulbe, S.L.	131	110
Reservas de Hielo, S.A.	621	601
Setpoint Events S.A.	6	-
Soluciones Tecnológicas para la Alimentación	36	45
Rodilla Sánchez, S.L.	(7,234)	(7,769)
Other attributable to parent company	6,174	(3,871)
TOTAL FULL CONSOLIDATION RESERVES	55,965	52,532
Associates:		
Ebro Foods, S.A.	97,581	82,559
Grupo Cacaolat S.L., Eudivasa, S.L., Port Parés, S.A., Trade Eurofradis, S.L., Dehesa de Santa María, S.L. y Comergrup, S.L.	2,455	2,772
TOTAL ASSOCIATES RESERVES	100,036	85,331
TOTAL CONSOLIDATION RESERVES	156,001	137,863

12.4. Treasury shares and equity interests

Changes in this item in year 2015 are as follows in thousand euros:

	Thousand of euros
Balance at 31 December 2014	-
Acquisition of shares that accepted the Bid	200,973
Acquisition of shares after the acceptance term	6,983
Disposal of treasury shares (Note 12.1)	(46,359)
Balance at 31 December 2015	161,597

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.

The Bid, offered at EUR 5.70 per share, was intended for the acquisition of 88,795,115 shares representing 32.88% of the share capital, for which current liabilities were accounted and charged to equity in the balance sheet at 31 December 2014 for the amount of EUR 281 million (Note 12.3).

The acceptance term for the Bid run from the 16 to the 30 March 2015. 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, and during the second semester of 2015, the parent company acquired 1,223,620 further shares at an average price of EUR 5.70 per share.

Therefore, the treasury shares acquired by the parent company during financial year 2015 have been 36,481,974 shares at the cost of EUR 207,956 thousand, representing 13.50% of the share capital.

c) Sale of treasury shares

During the last quarter of financial year 2015, the Parent Company has disposed of an aggregate of 8,132,778 shares at EUR 6 per share, with a profit of EUR 2,438 thousand credited directly to "Other reserves of the parent company" of the equity in the consolidated balance sheet at 31 December 2015 (see Notes 12.1 y 12.3).

After the transactions with shares above, at 31 December 2015 the balance under "Treasury shares and equity interests" consists of 28,349,196 shares, representing 10.5% of the share capital, with a carrying value of EUR 161,597 thousand.

During 2016 further shares have been sold (1,034,329 shares) under the same conditions as above.

12.5 Valuation adjustments

Financial assets held for sale

This item in the consolidated balance sheet discloses the amount net of tax of the adjustments in fair value of the assets classified as held for sale (see Note 8 – Non-current financial assets); differences accounted for in the consolidated profit and loss account when the assets from which they arise are sold, or when an impairment is carried.

Consolidated entities accounted for using the equity method

This item in the consolidated balance sheet discloses the amount net of tax of the valuation adjustments and the difference adjustments in the associates.

Changes in this item in financial years 2015 and 2014 are as follows (net of tax effect):

	Thousand Euros				
	2014	Capital gains/losses on valuation	Amount transferred to income	Transfers and others (Note 7 and 23)	2015
Financial assets held for sale (Note 8)	(1,220)	(2,970)	137	26	(4,027)
From cash flow hedges	(115)	(159)	269	5	-
Due to difference adjustments	4	-	-	-	4
Due to actuarial gains and losses (Note 17)	1,061	1,542	-	-	2,603
Consolidated entities accounted for using the equity method (Note 7)	9,003	-	-	7,226	16,229
VALUATION ADJUSTMENTS IN EQUITY	8,733	(1,587)	406	7,257	14,809

	Thousand Euros				
	2013	Capital gains/losses on valuation	Amount transferred to income	Transfers and others (Note 7 and 26)	2014
Financial assets held for sale (Note 8)	108	(1,319)	(9)	-	(1,220)
From cash flow hedges	168	(255)	(20)	(8)	(115)
Due to difference adjustments	(2)	6	-	-	4
Due to actuarial gains and losses (Note 17)	877	184	-	-	1,061
Consolidated entities accounted for using the equity method (Note 7)	1,097	-	-	7,906	9,003
VALUATION ADJUSTMENTS IN EQUITY	2,248	(1,384)	(29)	7,898	8,733

In financial years 2015 and 2014, 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 2015 the Board of Directors of the parent company resolved the distribution of two interim dividends for an aggregate amount of EUR 14,260,908 euros that are presented as decreasing the Group's equity. Provisional financial statements showed enough resources for the distribution of such interim dividend (see Note 25. Application of Results).

The supplementary dividend proposed by the Board of Directors to the Shareholders' General Meeting amounting to EUR 21,787 million will not be deducted from equity until it is approved by the Meeting (see Note 25).

12.7 Non-controlling interests

Detail by companies of "Non-controlling interests" in the consolidated balance sheet at 31 December 2015 and 2014 and the profit and loss of the external members in these years follows:

Entity	Thousand Euros			
	2015		2014	
	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.	41	3	38	-
Alfil Logistics, S.A.	2,475	409	2,150	173
Cerbeleva, S.L.	522	45	477	23
Distrialmo, S.L.	58	15	44	(5)
Distridam, S.L. y Barnadis Logística 2000 S.L.	1,992	599	1,625	383
Licavisa, S.L.	1,441	309	1,191	247
Dismenorca S.L.	1,946	126	1,820	113
Cervezas Calatrava S.L.	710	(10)	-	-
Rest	43	(38)	42	(125)
TOTAL	9,228	1,458	7,387	809

Changes in this item in years 2015 and 2014 are as follows:

	Thousand Euros	
	2015	2014
Opening balance	7,387	5,159
Incorporation of new companies to the Group	720	1,708
Dividends paid to non-controlling members	(337)	(289)
Income attributable to non-controlling members	1,458	809
Other changes	-	-
Closing balance	9,228	7,387

13. Deferred Income

Detail of this item in financial years 2015 and 2014 is as follows:

	Thousand Euros	
	2015	2014
Capital Grants	1,129	1,305
Emission Rights	64	233
Closing balance	1,193	1,538

Capital Grants:

Changes in this item during 2015 were:

	Thousand Euros
Balance at 1 January 2015	1,305
Additions	-
Transfers and others	(28)
Allocation to results	(148)
Balance at 31 December 2015	1,129

Changes in this item during 2014 were:

	Thousand Euros
Balance at 1 January 2014	1,224
Additions	103
Transfers and others	89
Allocation to results	(111)
Balance at 31 December 2014	1,305

Additions during financial year 2014 for the amount of EUR 103 thousand refer to government and regional grants for investments in processes, machinery and equipment.

Capital grants allocated to profit and loss in 2015 amount to EUR 148 thousand (were 111 in 2014), and the temporary allocation of the remaining grants will be between 2014 and 2040.

Emission Rights

Changes in this item during 2015 were:

	Thousand Euros
Balance at 1 January 2015	233
Additions	151
Transfers and others	(7)

	Thousand Euros
Allocation to results	(313)
Balance at 31 December 2015	64

Changes in this item during 2014 were:

	Thousand Euros
Balance at 1 January 2014	144
Additions	187
Transfers and others	15
Allocation to results	(113)
Balance at 31 December 2014	233

14. Debt with financial institutions

Loans

Debt with financial institutions at 31 December 2015 and 2014, as well as maturity expected by way of amortisation are as follows:

	Thousand Euros							
	Debts at 31 December 2015							
	Balance at 31.12.2015	Short term	Long term					Long term
		2016	2017	2018	201	2020	Later	Total
Other Loans	243,260	28,760	28,500	25,500	25,500	22,500	112,500	214,500
Credits	800	-	-	-	-	800	-	800
Finance leases (Note 15)	2,774	1,988	284	230	200	72	-	786
Interests payable	162	162	-	-	-	-	-	-
Total financial debt	246,996	30,910	28,784	25,730	25,700	23,372	112,500	216,086

	Thousand Euros							
	Debts at 31 December 2014							
	Balance at 31.12.2014	Short term	Long term					Long term
		2015	2016	2017	2018	2019	Later	Total
Hedging instruments debt	223	-	-	223	-	-	-	223
Other loans	152,813	51,625	66,625	22,563	6,000	6,000	-	101,188
Credits	3,684	3,681	3	-	-	-	-	3
Finance leases (Note 15)	4,915	2,654	2,126	80	38	17	-	2,261
Interests payable	301	301	-	-	-	-	-	-
Total financial debt	161,936	58,261	68,754	22,866	6,038	6,017		103,675

Directors estimate that the fair value of the Group borrowing tallies its carrying value.

Other loans and credits

Some of the main features of the Group borrowing are as follows:

In 2015 the Company renewed the corporate credit facilities by a syndicated financing agreement with several first-rate domestic and international entities. The aggregate amount the financing is EUR 400 million, of which:

- EUR 225 million were withdrawn in a 6 years loan, with 1 year grace period, aimed to the repayment at maturity of the Tranche B (RCF) withdrawn from the previous syndicated financing obtained in 2011. This loan is withdrawn as of 31 December 2015 in the amount of EUR 225,000 thousand.
- EUR 175 million through a (5 years) (RCF) facility undrawn as of 31 December 2015.

Subsidiaries Estrella de Levante S.A, Font Salem S.L ,Compañía Cervecera Damm S.L, Maltería La Moravia S.L, Aguas de San Martín de Veri S.A and Gestión Fuente Liviana S.L act as guarantors of such financing transactions.

As of 31 December 2015 the Group companies had undrawn credit facilities for the amount of EUR 282.2 million, which largely cover any requirement of Group for its 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.

Derivative financial instruments (Interest rate hedging)

As of 31 December 2014, the Group had two derivative financial instruments (swap) for an initial notional amount of EUR 20 and 10 million, subscribed in 2012 and 2013, that supplement the interest rate hedging of the parent company. The reference rate of the hedging was one month EURIBOR. During financial year 2015 the Group has cancelled such derivative financial instruments with a gross loss amounting to EUR 269 thousand (see Note 12.5)

Valuation technique of financial derivatives

Adoption of IFRS 13 requires an adjustment in valuation techniques used by the Company to obtain the fair value of its derivatives. The Company 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 Company 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 the time of default EAD is calculated using simulation scenarios with market price curves (e.g.: Monte Carlo).
- PD (Probability of default): Probability that one of the counterparties defaults at a given time.
- LGD (Loss given default): Severity = 1- (recovery rate): Percentage of the loss that finally occurs when one of the counterparties defaults.

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

Inputs applied to obtain the own credit risk and counterparty's (determination of the probability of default) are mainly based in the application of the own or similar companies' credit spreads currently

negotiated in the market (CDS curves, IRR debt issuances). For counterparties having credit rating available, credit spreads used are obtained from the (Credit Default Swaps) listed in the market.

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

15. Finance lease obligations

	Thousands of euros	
	2015	2014
Amounts payable under finance leases:	2,774	4,915
Less than one year	1,988	2,654
Between two and five years	786	2,261
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. All the lease obligations are denominated in euros.

Fair value of lease obligations of the Group tallies its carrying value.

16. 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 year 2015.

Information for comparison is not presented for this new obligation, and for these sole purposes the financial statements are classified as initial with regard to the application of the uniformity basis and comparability requirement provided for in the aforesaid resolution.

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 balance sheet at 31 December 2015 for subsidiaries of the Group located in Spain.

	2015
	Days
Average payment to suppliers time	63
Paid transaction ratio	64
Outstanding transactions ratio	60
	Amount (thousand euros)
Total payments made	708,443
Total outstanding payments	107,451

The payment term applicable to the companies of the Group in years 2015 and 2014 pursuant to the Act 3/2004, dated 29 December, on measures to fight default in business transactions, is a maximum of

60 days. The Group continues implementing policies that allow keeping the maximum payment delay allowed by the law in force.

The directors consider that the carrying amount of trade receivables is approximate to their fair value.

17. Retirement schemes (Post – Employment)

17.1 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 2015 and 2014, the balance for defined benefit obligations and the fair value of the scheme assets were:

	Thousand Euros	
	2015	2014
Present value of the obligations	64,994	73,455
Fair value of the scheme assets	66,294	74,042

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

	Thousand Euros	
	2015	2014
Present value of the obligations at the beginning of the financial year	73,455	67,278
Current service cost	131	85
Interests costs	1,060	1,954
Actuarial gains/(losses):	(4,901)	9,864
Actuarial gains/(losses) for changes in demographical assumptions	-	-
Actuarial gains/(losses) for changes on financial assumptions	(2,810)	11,382
Experience actuarial gains/(losses)	(2,091)	(1,518)
Cost for past services	-	(953)
Benefits paid	(4,751)	(4,773)
Present value of the obligations at 31 December	64,994	73,455

Changes in fair value of the scheme assets in financial years 2015 and 2014 are as follows:

	Thousand Euros	
	2015	2014
Fair value of scheme assets at beginning of the financial year	74,042	68,223
Interest revenue from scheme assets	1,058	1,994
Return on scheme assets (excluding the lesser net interest expense)	(2,760)	10,126
Employer contributions/(Redemptions)	(1,295)	(1,528)
Benefits paid	(4,751)	(4,773)
Fair value of scheme assets at 31 December	66,294	74,042

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

- 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 2015 and 2014, 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	
	2015	2014
Collective insurance policies (VIDACAIXA)	66,294	74,042

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	
	2015	2014
Present value of the obligations at 31 December	64,994	73,455
Scheme assets fair value at 31 December	66,294	74,042
Deficit/(Surplus) of the Plan	(1,300)	(587)
Limit to the asset	-	-

Net Asset/(Liability) at 31 December	(1,300)	(587)
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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	
	2015	2014
Current service cost	131	85
Net interest	3	(41)
Past service cost	-	(953)
Total expense/(revenue) recognised in profit and loss account	134	(909)

- 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 voluntary reserves.

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

Components of the items recognised in equity	Thousand Euros	
	2015	2014
Return on scheme assets (excluding the lesser expense of net interest)	2,760	(10,126)
Actuarial gains/(losses):	(4,901)	9,863
Actuarial gains/(losses) for changes in demographical assumptions	-	-
Actuarial gains/(losses) for changes on financial assumptions	(2,810)	11,381
Experience actuarial gains/(losses)	(2,091)	(1,518)
Total amount accounted for in equity	(2,141)	(263)

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 2015	Year 2014
Discount rate	1.90%	1.49%
Mortality tables	Perm/f-2000P	Perm/f-2000P
Disability tables	Inv. Tot (OM77)	Inv. Tot (OM77)
Pensions revision annual rate	2.0%	2.0%
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 2015, 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 2015
Discount rate (+1%)	58,943
Discount rate (-1%)	72,243
Annual accumulative CPI (+1%)	70,724
Annual accumulative CPI (-1%)	57,863

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 starting after the balance date is approximately EUR 139 thousand.

17.2 Defined contribution post-employment schemes

As of 31 December 2015, 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 2015 and 2014.

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 charge to the Consolidated Profit and Loss Account for financial year 2015 amounted approximately to EUR 43 million.

18. Other current liabilities

The detail of this heading at the end of financial year 2015 and 2014 is as follows:

	Thousand Euros	
	2015	2014
Public administrations (Note 23)	32,224	31,922
Personnel accruals	17,844	16,596
Dividends (Note 25)	7,309	8,159
Other debts	12,156	8,764
Own shares acquisition commitment (Note 12.4)	-	281,231
Closing balance	69,533	346,672

The item "Personnel accruals" includes outstanding remunerations to the employees as well as to other commitments with personnel under "Other personnel expenses" in Note 20.2 hereof.

19. Revenue

Net turnover includes the sales of finished product of beer, water 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 2015 to EUR 73,5 million (EUR 70,9 million in 2014).

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".

20. Expense

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

	Thousand Euros	
	2015	2014
Raw materials and consumables used	339,964	317,230
Personnel	135,659	127,431
Other operating expense	313,280	299,641

20.1. Raw materials and consumables used

This item breakdown is as follows:

	Thousand Euros	
	2015	2014
Purchases	342,454	316,154
Inventory change	(2,951)	1,076
Total	339,503	317,230

20.2. Personnel expense

	Thousand Euros	
	2015	2014
Wages and Salaries	97,041	90,356
Social Security	25,923	24,582
Other personnel expense	12,695	12,492
Total	135,659	127,431

Personnel expense heading includes the charges and credits to income described in Note 17 (Post-employment Benefits).

The number of employees of the Group as of 31 December 2015 and 2014, by professional category, is as follows:

	Number of Persons	
	2015	2014
Senior Management	13	15
Technical, Sales and Administration Personnel	1,618	1,319
Production Personnel	1,494	1,548
Total	3,125	2,882

As of 31 December 2015, the distribution of personnel and members of the Board of Directors by category and sex is as follows:

	2015		2014	
	Men	Women	Men	Women
Senior Management	11	2	13	2
Technical, Sales and Administration Personnel	1,035	583	866	453
Production Personnel	991	503	1,002	546
Total	2,037	1,088	1,881	1,001

Board of Directors	8	1	8	1
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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.

20.3. Operating leases

The Group as a Lessee

	Thousand Euros	
	2015	2014
Operating lease quotas recognised in income for the financial year	20,369	22,291

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 on average.

At the end of financial years 2015 and 2014 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			
	2015				2014			
	Vehicles	Pallets	Premises	Warehouses	Vehicles	Pallets	Premises	Warehouses
Less than 1 year	2,040	4,392	8,242	3,002	1,481	4,208	6,649	1,273
Between 1 and 5 years	5,099	10,980	20,605	7,505	3,702	10,520	16,623	3,182
Total	7,139	15,372	28,847	10,507	5,183	14,728	23,272	4,455

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 828 thousand (EUR 964 thousand in 2014), 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.

20.4. Other information

Auditor fees for the companies of Damm Group and subsidiaries paid to the main auditor and related entities during financial year 2015, amount to EUR 330 thousand (EUR 385 thousand in 2014), of which EUR 149 thousand (EUR 199 thousand in 2014) 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 48 thousand (EUR 42 thousand in 2014).

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 2015 to EUR 32 thousand (EUR 119 thousand in 2014).

21. Investment income

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

	Thousand Euros	
	2015	2014
Investment income	6	7
Other interest and financial income	1,178	2,340
	1,184	2,347

The amount under "Other interest and financial income" mainly refers to interests accrued from a finance credit to an associate, with other current financial assets and cash and cash equivalent in year 2015 (See Notes 8, 10.2 y 11).

22. Finance expenses

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

	Thousand Euros	
	2015	2014
Finance expenses and similar expenses	320	1,168
Loan interests	5,554	6,660
Total Finance expenses	5,874	7,828
Exchange differences (revenue)	(1,553)	(907)

23. Taxation

23.1 Consolidated Group Fiscal

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 2015 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 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 Damm, S.A.
Damm Atlántica, S.A.
Damm Distribución Integral, S.L.
Damm Innovación, S.L.
Damm Restauración, S.L.
Distrialmo, S.L.
Estrella de Levante Fábrica de Cerveza, S.A.
Font Salem Holding, S.L.
Font Salem, S.L.
Friosevinatural, S.L.
Gestión Fuente Liviana, S.L.
Holding Cervezero Damm, S.L.
Inmuebles y Terrenos, S.A.
Maltería La Moravia, S.L.
Neverseen Media S.L.
Osiris Tecnología y Suministros Hosteleros, S.L.
Pallex Iberia, S.L.
Plataforma Continental, S.L.
Pumba Logística, S.L.
Representaciones Reunidas Ulbe, S.L.
Reservas del Hielo, S.A.
Rodilla Sánchez, S.L.
Setpoint Events, S.A.
Soluciones Tecnológicas para la Alimentación, S.L.

23.2 Periods subject to tax audit

As of the 31 December 2015, 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, 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 Damm 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 the Tax Group 548/08, the audit activities are carried out also with S.A. Damm as parent company of the tax group. Such audit activities are currently in progress.

With regard to the Corporate Tax, on the 14 July 2011 and 13 June 2013, partial revision inquiries started for the deductions to the tax payable, mainly of the parent company, for years 2006 to 2008 and 2009 to 2011, respectively. Such partial revision is restricted to the deductions to the tax payable related to support programs to exceptional public interest events pursuant to art. 27 of the Act 49/2002 for these years.

As a result from such tax enquiries, contested tax assessments were signed, without penalties, for the amount of EUR 6,539 thousand and EUR 8,130 thousand (tax liability plus interests) 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. That notwithstanding, the Group will appeal such decision before the National Court (*Audiencia Nacional*).

The Directors of the Parent Company and the tax advisors of the Group consider that the arguments alleged in both appeals have solid pleas that back our thesis, based in formal and substance matters, arguments that have been confirmed in recent case law. Specifically, the National Court ruled for the taxpayer in two judgements issued in May 2012 and May 2013, that agree with the position held by the Group with regard to the determination of the base of the deduction related to the aforesaid support programs to exceptional public interest events.

Due to possible different interpretations of the tax laws, the result of the tax audits 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.

- **23.3 Balances held with the Tax Authorities**

Debtor and creditor balances with the Tax Authorities as of 31 December 2015 and 2014 were:

	Thousand Euros	
	2015	2014
Debtor balance		
Income tax	2,692	81
Value Added Tax	3,088	3,915
Other	506	431
Total	6,286	4,427

	Thousand Euros	
	2015	2014
Creditor balance		
Income tax	608	4,826
Value Added Tax	5,175	3,942
Special Taxes on Beer, Individuals Income Tax and other	26,441	23,154
Total	32,224	31,922

Debtor balances are included under “Other current liabilities” of the liabilities of the consolidated balance sheet.

23.4 Reconciliation of accounting and tax income

Deferred Corporation Tax expense arising from the effect of progressive regularization of the 3% difference of tax rates of the aforesaid tax in its assets and liabilities accounts is expected to be cancelled over the long and short term respectively. Such cancellation gave rise to an expense at 31 December 2105 of EUR 1,736 thousand

The reconciliation between the taxable income for the financial year and the accounting income for 2015 and 2014 in thousands of euros follow:

Year 2015	Increase	Decrease	Amount
Accounting Income for the financial year (after taxes)			93,786
Income tax	32,043	(3,828)	28,215
Income tax on Discontinued Activities	-	-	-
Rate adjustment (Effect in the Profit and Loss Account)	1,793	(20)	1,773
Total Income tax (continuing operations)			29,988
Individual Adjustments:			
Permanents Differences	6,386	(5,992)	394
Temporary Differences	21,409	(14,393)	7,016
Tax Consolidation Adjustments:			
Permanents Differences	-	-	-
Temporary Differences	-	-	-
Consolidation Adjustments :			
Temporary Differences	3,079	(16,194)	(13,115)
Tax Losses Offset	-	(4,712)	(4,712)
TAXABLE PROFIT			113,357

Year 2014	Increase	Decrease	Amount
Accounting income for the financial year (after taxes)			79,353
Income tax	33,981	(9,011)	24,970
Income tax on Discontinued Activities	-	-	-
Rate adjustment (Effect in the Profit and Loss Account)	2,593	(3,816)	(1,223)
Total Income tax (continuing operations)			23,747
Individual Adjustments:			
Permanents Differences	12,568	(777)	11,791
Temporary Differences	35,359	(3,633)	31,726
Tax Consolidation Adjustments:			
Permanents Differences	19,920	(98,971)	(79,051)
Temporary Differences	-	-	-
Consolidation Adjustments :			
Temporary Differences	4,974	(3,717)	1,257
Tax Losses Offset	-	(3,803)	(3,803)
TAXABLE PROFIT			65,020

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.

In financial year 2011 the companies that invested in new elements of property, plant and equipment used for the business activities made available to the taxpayer within the tax period started in 2011 availed themselves to the free depreciation possibility provided for in paragraph 1 of the Additional Provision 11, included in Royal Decree-Law 13/2010, dated 3 December that amended the Consolidated Text of the Corporate Tax approved by Royal Legislative Decree 4/2004, dated 5 March. In year 2012 the Derogating Provision of Royal Decree-Law 12/2012 abolished, effective on the 30/03/2012, the Additional Provision 11 that regulated such free depreciation and introduced a transition system through Transition Provision 37 for investments made until 30/03/12.

El Royal Decree/Law 12/2012 dated 30 March limited the maximum annual deduction on depreciation of goodwill acquired from independent third parties (art. 12.6 TRLIS) to 1% (instead of 5%) for years 2012 and 2013, a limitation that Act 16/2013 has extended to years 2014 and 2015. The aforesaid Royal Decree-Law 12/2012 amended art. 20 of the Consolidated Text of the Corporate Tax for the purposes of restricting the deductibility of net finance expenses, according to the percentage they represent over the operating profit. This restriction has not affected the Group companies during financial year 2015.

On the 28 December 2012 the Act 16/2012, dated 27 December, on the adoption of certain tax measures aimed to consolidate the public finances and promote economic growth and Regional Royal Decree 11/2012, dated 18 December, on the update of balance sheets for tax purposes in the national and regional regime respectively.

The Parent Company and several companies of the Group availed to this legislation. The effect in consolidated financial statements is explained in Note 3.3 hereof.

Likewise, during years 2013 and 2014 a limitation was set to the amortization of property, plant and equipment, intangible and real estate investment, and only the amount resulting from multiplying by 0.7 the relevant amount according to the amortisation method could be deducted. This required a positive 30% adjustment of the accounting amortizations made within the limits of the tax deduction.

Such limitation to the amortization of property, plant and equipment, intangible and real estate investment will be recovered on a straight-line basis during years 2015 and following in 10 years or according to the useful life of the assets under such limitation.

Finally, on the 29 October 2013 the Official Gazette (*BOE*) published the Act 16/2013 dated 29 October that set certain measures in environmental tax matters and adopted other economic and tax measures. It amended the Compiled Text of the Corporate Tax Act approved by Royal Legislative Decree 4/2004, dated 5 March setting forth the Transition Provision 41 which suppressed article 12.3 and amended art. 14, and therefore suppressed the possibility of deducting the impairment on any interest in other entity, all that effective the 1 January 2013.

23.5 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 2015 and 2014 follows:

	Thousand Euros			
	2015	%	2014	%
Pre-tax profit/(loss)	123,774		103,100	
Income tax theoretical	(34,657)	(28%)	(30,930)	(30%)
Rate adjustment effect (Impact in Profit and Loss Account)	(1,773)	(1%)	1,223	1%
Expenses that are not deductible for tax purposes	902	1%	50	-
Equity method total net profit effect	4,534	4%	4,416	4%
Tax loss not generating deferred tax asset	188	-	(579)	-
Tax losses offset and/or recognised in the year	1,237	1%	2,472	2%
Tax deduction and other	(419)	(1%)	(399)	-
Income tax	(29,988)	(24%)	(23,747)	(23%)

	Thousand Euros	
	2015	2014
Current income tax	(29,349)	(35,321)
Deferred income tax (expense and income)	(639)	11,574
	(29,988)	(23,747)

Current income tax is calculated by applying 28% to the estimated taxable base for the financial year.

23.6 Tax recognised in equity

Regardless of the income tax recognised in the consolidated profit and loss account, in financial years 2015 and 2014 the Group has passed on its consolidated equity the following accumulated taxes under the following:

	Thousand Euros	
	2015	2014
Financial assets held for sale	-	4
Cash flow hedging	(44)	118
Difference adjustments	1	(3)
Due to actuarial gains and losses and other adjustments	(600)	(79)
TOTAL before rate adjustment	(643)	40
Rate adjustment	29	(8)
TOTAL Taxes recognised in equity	(614)	32

23.7 Deferred tax

Under the law in force, in financial years 2015 and 2014 certain temporary differences have arisen that must be taken into account when calculating the relevant income tax expense.

The origin of the deferred tax accounted for in both years is:

Deferred Tax Credit with origin in:	Thousand Euros	
	2015	2014
Goodwill impairment losses	579	358
Credits and deductions	9,635	8,772
Other provisions	889	1,102
Capitalisation reserve	231	-
Financial assets held for sale valuation	10,118	11,250
Amortisation limitation	6,992	9,545
Balance update	7,298	10,878
Other	1,997	328
TOTAL Deferred Tax Assets	37,739	42,233

Deferred Tax Debtor with origin in:	Thousand Euros	
	2015	2014
Financial assets held for sale valuation	(2)	(28)
Liberty of depreciation	(7,860)	(10,242)
Other non-current liabilities	(989)	(1,048)
Uniformity adjustments	191	(80)
Allocation of capital gains	(6,426)	(6,975)
Other	(358)	(312)
TOTAL Deferred Tax Assets	(15,444)	(18,685)

The difference between 2015 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:

	Thousands of euros						
	Balance at 31 December 2014	Charge/credit in the Profit and Loss Account	Charge/credit in asset valuation reserve	Balance at 31 December 2015 before rate adjustment	Profit and Loss Account Rate Adjustment	Equity Rate Adjustments	Balance at 31 December 2015
Deferred tax assets							
- Credits and deductions	10.291	(1.098)	-	9.193	442	-	9.635
- Capitalisation Reserve	-	257	-	257	(26)	-	231
- Assets Valuation	11.248	74	-	11.322	(1.205)	-	10.117
- Amortization limit	9.546	(2.620)	-	6.926	66	-	6.992
- Balance update	10.878	(3.580)	-	7.298	-	-	7.298
- Other	270	4.218	(643)	3.845	(384)	5	3.466
Total	42.233	(2.749)	(643)	38.841	(1.107)	5	37.739

	Thousands of euros						
	Balance at 31 December 2014	Charge/credit in the Profit and Loss Account	Charge/credit in asset valuation reserve	Balance at 31 December 2015 before rate adjustment	Profit and Loss Account Rate Adjustment	Equity Rate Adjustments	Balance at 31 December 2015
Deferred tax liabilities :							
- Assets held for sale valuation	(28)	31	-	3	(29)	24	(2)
- Liberty of depreciation	(10.241)	2.854	-	(7.387)	(473)	-	(7.860)
- Other non-current liabilities	(1.049)	51	-	(998)	9	-	(989)
- Uniformity adjustments	(80)	325	-	245	(54)	-	191
- Allocation of capital gains	(6.975)	637	-	(6.338)	(83)	-	(6.421)
- Other	(313)	(51)	-	(364)	1	-	(363)
Total	(18.686)	3.847	-	(14.839)	(629)	24	(15.444)

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

24. Net profit and loss on impairment and disposal

24.1 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 2015 and 2014 is as follows:

	Thousand Euros	
	2015	2014
Impairment and disposal of property, plant and equipment (Note 6)	(77)	537
Goodwill impairment (Note 4)	(1,345)	(749)
Net profit and loss on impairment and disposal of non-current assets	(1,422)	(212)

“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 several points of sale of the Food and Beverages business.

25. Distribution of profit

Profit for the financial year of the Parent Company of the Group, S.A.Damm has been EUR 58,547 thousand. The proposal for the distribution of results for financial year 2015 the Board of Directors will submit to the approval of the Shareholders’ General Meeting is the following:

	Thousands of Euros
Dividends:	
Interim (*)	14,261
Supplementary	21,787
Active Dividends	36,048
Voluntary Reserves	22,499
Net Profit of the Parent Company for financial year 2015	58,547

(*) Accounted under “Interim dividend paid during the financial year” of equity.

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 2015, as follows:

	1st Divid.	2nd Divid.
Payment Date	15/10/15	15/01/16

	Million Euros	
Interim Dividend	7.0	7.3
Treasury liquidity	26.7	34.2
Undrawn credit liquidity	240.1	270.5
Total liquidity	266.8	304.8
	Euros	
Gross dividend per share	0.03	0.03

In addition, provisions 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.

26. 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 shares 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, if 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

	2015	2014	Changes
Net profit for the financial year (million euros)	92.33	78.54	(6.21)
Weighted average number of outstanding shares (million shares)	270.08	270.08	--
Less: Treasury shares (million shares)	27.14	--	27.14
Average number of outstanding shares (million shares)	242.94	270.08	(27.14)
Adjusted average number of shares for the calculation of diluted earnings per share (million shares)	242.94	270.08	(27.14)
Basic / diluted earnings per share (euros)	0.38	0.29	0.11

27. Events after the balance sheet date

There are no relevant subsequent events after the balance sheet date.

28. Transactions with related parties

28.1. 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 years 2015 and 2014 there have been no relevant transactions between the Company and its shareholders, other than those 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 related rebates.

Such transactions are as follows:

	Thousand Euros						
	2015						
	Purchases	Sales	Services received	Services provided	Financial income	Dividend received	Credits (Note 8)
Group Trade Eurofradis	-	25,568	834	220	-	100	-
Group Serhs	-	26,471	324	1	-	201	-
Euroestrellas Badalona S.L.	-	6,852	17	2	-	-	-

	Thousand Euros						
	2015						
	Purchases	Sales	Services received	Services provided	Financial income	Dividend received	Credits (Note 8)
Dehesa de Santa María, S.L.	-	51	-	-	-	1,032	-
Comergrup S.L.	2,973	-	115	-	-	-	-
Grupo Cacaolat S.L.	2,805	75	-	1,004	539	-	24,500
Quality Corn S.A.	4,054	-	-	-	-	-	-
United States Beverages	-	2,362	2,442	-	51	-	-
Ebro Foods, S.A.	5,021	-	-	-	-	10,181	-

	Thousand Euros						
	2014						
	Purchases	Sales	Services received	Services provided	Financial income	Dividend received	Credits (Note 8)
Group Trade Eurofradis	-	21,011	761	-	-	100	-
Group Serhs	-	23,519	339	-	-	170	-
Euroestrellas Badalona S.L.	-	6,249	4	-	-	-	-
Dehesa de Santa María, S.L.	-	-	-	-	-	476	-
Comergrup S.L.	2,833	1	126	-	-	-	-
Grupo Cacaolat S.L.	2,207	1,426	-	8	-	-	24,500
Quality Corn S.A.	1,586	-	-	-	-	-	-
United States Beverages	-	2,001	-	-	41	-	1,647
Ebro Foods, S.A.	4,327	-	-	-	-	7,661	-

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 2015 and 2014.

28.2. 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. That notwithstanding, the remuneration effectively received is significantly below the amount that would be received in application of such provision.

Therefore, the members of the Board of Directors of the parent company received during 2015 the following gross amounts:

	Thousand Euros
Fixed remuneration	950
Variable remuneration	-
Payments as per the Articles of Association	7,500
Allowances	668
	9,118

In addition, the members of the Board of Directors of the parent company have received EUR 300 thousand by way of payment as per the Articles of Association and EUR 493 thousand by way of allowances under their membership in the board of directors of companies of the Group.

28.3. Senior Management remuneration

a) Identification of Senior Managers that are not executive directors

Name	Office
Enric Crous Millet	Chief Executive Officer
Jorge Villavecchia Barnach-Calbó	Chief Executive Officer
Pedro Marín Giménez	Operations Deputy Chief
Jaume Alemany Gas	Marketing Head Officer
Xavier Vila Vila	Sales Head Officer
Angel Guarch López	Chief Financial Officer
Francisco Soler Buigas	Management Control Head Officer
Patricio Valverde Espin	Engineering Head Officer
Antonio Obradors Vidal	Estate Head Officer
Jaume Bonavia Bermejo	Logistics Head Officer
María Carceller Arce	Casual Food Head Officer
Antoni Folguera Ventura	Font Salem Chief Executive Officer
Ana Portet Rovira	Distribution Head Officer

b) Total Remuneration

Total remuneration for years 2015 and 2014 amounted to EUR 5,127 thousand and EUR 4,643 thousand respectively.

In addition, several Senior Managers are included in the outsourced policy mentioned in Notes 3 and 17.2. The amount of post-employment benefits paid during financial year 2015 for certain Senior Managers amounted to EUR 43 thousand.

29. Information regarding conflicts of interests of the Directors

3. At the end of financial year 2015 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.

30. Guarantees provided to third parties

As of 31 December 2015 the Group had suretyships arising from its activities and arrangements for the amount of EUR 35 million.

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.

31. 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.

32. 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 41.4 million.

In addition, during financial year 2015, 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 4.8 million.

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 2015 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.

33. Subsidiaries, Joint Arrangements and Associates

The detail of Damm Group subsidiaries, joint arrangements and associates as of 31 December 2015 follows (see table):

34. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

DAMM GROUP SUBSIDIARIES

Company	Registered Address	Activity	Accounting method used	Effective Interest		Thousands of Euros				
				Holder	%	Investee Details				
						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%	2.346	873	1.473	(149)	2.312
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%	13.293	3.326	9.967	681	11.585
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%	2.494	2.191	303	(124)	5.844
Alfil Logistics, S.A. (*)	Ríos Rosas, 44 MADRID	Logistic activities operation and sale	Full Consolidation	S.A.Damm	60,00%	23.569	17.940	5.629	1.021	83.493
Artesanía 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%	2.330	1.415	915	434	5.657
Barnadis Logistica 2000, S.L.	La Máquina nº 23, GAVA (BARCELONA)	Wholesale of any kind of beverages and food	Full Consolidation	Distridam, S.L.	100,00%	458	271	187	191	870
Cafés Garriga 1850 S.L. (*)	Ronda Santa Maria ,16 BARBERÀ DEL VALLES (Barcelona)	Coffee, tea and substitutes preparation and sale	Full Consolidation	Damm Restauración S.L.	100,00%	3.267	2.388	879	71	2.072
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%	3.954	3.736	218	(311)	2.116
Cerbedam, S.L.	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	2.175	1.945	230	95	4.770
Cerbeleva, S.L. (**)	Mayor, 171 ESPINARDO (Murcia)	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	70,00%	6.783	5.043	1.740	149	17.027
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.	100,00%	4.188	2.412	1.776	(24)	294
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%	1.200	1.210	(10)	15	2.759
Cervezas Victoria 1928, S.L.	Veracruz 62 (Edificio Paris - P.I. San Luis) MÁLAGA	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervezero Damm, S.L.	100,00%	37	48	(11)	(14)	-
Compañía Cervecera Damm, S.L. (*)	Rosellón, 515 Barcelona	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cervezero Damm, S.L.	100,00%	263.734	54.476	209.258	12.167	192.283
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%	25.427	274	25.153	(151)	-
Compañía de Explotaciones Energéticas, S.L. (*)	Rosselló, 515 BARCELONA	Electricity cogeneration	Full Consolidation	S.A.Damm	100,00%	22.881	3.571	19.310	830	14.598
Corporación Económica Damm, S.A. (*)	Rosselló, 515 BARCELONA	Lease, use and operation of real estate and holding of securities and financial assets	Full Consolidation	S.A.Damm	99,94%	269.250	195.700	73.550	3.371	10.181
Crouchback Investments, LTD	3rd. Floor, 20-23 Greville Street LONDON (UK)	Holding of securities and financial assets	Full Consolidation	Corporación Económica Damm, S.A.	100,00%	2.778	5	2.773	336	-
Damm Atlántica S.A. (*)	Rosselló, 515 BARCELONA	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	1.845	1.414	431	41	9.810
Damm Brewery UK, L.T.D	166 Picadilly, LONDON	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	271	241	30	(62)	650
Damm Brewery Sweden AB	Regeringsgatan 30, 111 53 Stockholm, Sweden	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	5	-	5	-	-
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%	19.778	10.704	9.074	175	965
Damm Innovación, S.L.	Rosselló, 515 BARCELONA	Securities holding	Full Consolidation	S.A.Damm	100,00%	6.859	-	6.859	(60)	138
Damm Portugal Unipersonal L.D.A	Quinta da Mafarra, SANTAREM (Portugal)	Wholesale of any kind of beverages and food	Full Consolidation	S.A.Damm	100,00%	3.152	4.108	(956)	(92)	3.694
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%	49.121	33.594	15.527	(1.464)	1.032
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%	5.411	1.439	3.972	257	5.654
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%	10.101	3.983	6.118	1.894	44.643
Distrialmo, S.L. (**)	Rosselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	90,00%	2.467	1.886	581	146	5.519

DAMM GROUP SUBSIDIARIES

Estrella Dammm Services Canada, Inc.	666 Burrard Street VANCOUVER (Canada)	Corporate services provision	Full Consolidation	S.A.Damm	100,00%	25	8	17	11	62
Estrella de Levante Fábrica de Cerveza, S.A. (*)	Mayor, 171 ESPINARDO (Murcia)	Brewery and sale of beer and derivatives	Full Consolidation	Holding Cerveceros Dammm, S.L.	100,00%	38.463	21.297	17.166	2.935	55.954
Expansión 1 DDI S.L.	Roselló, 515 BARCELONA	Wholesale of any kind of beverages and food	Full Consolidation	Damm Distribución Integral, S.L.	100,00%	5		5	-	
Font Salem, S.L. (*)	Partida Frontó, s/n SALEM (Valencia)	Production, bottling and sale of soft drinks and beer	Full Consolidation	S.A.Damm Crouchback Investments, LTD	96,30% 3,70%	155.598	44.226	111.372	13.720	198.107
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%	36.724	20.009	16.715	(205)	-
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%	38.653	36.228	2.425	822	-
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%	55.819	17.213	38.606	823	49.867
Friosevinnatural, S.L. (*)	P.I. Fuente del Rey Nave 1-D Ctra. Isla Menor, Km 0,5. 41.700 Dos Hermanas (Sevilla)	Product distribution for own stores and franchisees	Full Consolidation	Cafeteros desde 1933, S.L.	100,00%	1.687	1.352	335	(55)	-
Fundación Dammm	Rosellón, 515 Barcelona	Foundation	Full Consolidation	S.A.Damm	100,00%	3.565	397	3.168	4	3.703
Gestión Fuente Liviana, S.L. (*)	Ctra. de Cañete, s/n HUERTA DEL MARQUESADO (Cuenca)	Mineral water and spirits marketing	Full Consolidation	Compañía Dammm de Aguas, S.L.	100,00%	9.648	2.276	7.372	1.009	10.685
Holding Cerveceros Dammm, 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%	257.851	67	257.784	4.631	1.789
Inmuebles y Terrenos, S.A.	Ronda Ponent (Pol Manso Mateu), 41 El Prat de Llobregat (BARCELONA)	Lease, use and operation of movable and immovable property	Full Consolidation	Compañía Cerveceros Dammm, S.L.	100,00%	959	33	926	23	56
Licavisa, S.L. (**)	Polígono industrial Aimair Parcela C-3-D, San Martín de la Vega (Madrid)	Beverages retail of any kind	Full Consolidation	Damm Distribución Integral, S.L.	60,00%	5.649	2.047	3.602	774	15.298
Maltería la Moravia, S.L. (*)	Rosellón, 515 Barcelona	Preparation and sale of malt and derivatives	Full Consolidation	Holding Cerveceros Dammm, S.L.	100,00%	18.639	3.440	15.199	794	29.151
Neverseen Media S.L.	Río Bullaque 2 MADRID	Contents production, edition, design, acquisition and operation	Full Consolidation	S.A. Dammm	100,00%	373	66	307	(193)	64
Osiris Tecnología y Suministros Hosteleros, S.L.	Roselló, 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 Innovación, S.L.	37,20% 62,80%	1.503	1.547	(44)	(1)	-
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%	2.636	2.580	56	74	11.549
Plataforma Continental, S.L. (*)	Samaniego, s/n MADRID	Brewery and sale of beer, residues and derivatives	Full Consolidation	S.A.Damm	100,00%	12.037	15.949	(3.912)	(357)	-
Pumba Logística S.L.	Río Bullaque 2, MADRID	Transport activities operation and management	Full Consolidation	Corporación Económica Dammm, S.A. Compañía de Explotaciones Energéticas, S.L.	99,90% 0,10%	6.362	7.700	(1.338)	(1.643)	1.667
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%	313	149	164	30	1.327
Reservas de Hielo, S.A.	Roselló, 515 BARCELONA	Lease of premises to Group companies	Full Consolidation	S.A.Damm	100,00%	1.294	25	1.269	11	90
Rodilla Sanchez, S.L. (*)	Preciados, 25 MADRID	Sandwiches catering and sale / Catering	Full Consolidation	Damm Restauración S.L.	100,00%	30.048	36.655	(6.607)	1.718	27.578
Setpoint Events S.A.	Roselló, 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%	4.051	4.968	(917)	(2.543)	4.623
Soluciones Tecnológicas para la Alimentación, S.L.	Roselló, 515 BARCELONA	Creation and operation of a virtual market in internet	Full Consolidation	Osiris Tecnología y Suministros Hosteleros, S.L.	100,00%	19	1.981	(1.962)	(7)	-

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

(**) Companies audited by other auditor

DAMM GROUP ASSOCIATES AND JOINT ARRANGEMENTS

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%	1.639	1.685	(46)	(82)	3.407
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.	10,15%	3.646	3.037	609	1	12.554
Dehesa de Santa María, S.L.	Avda Princesa Sofia, 34 MÉRIDA (Badajoz)	Food and beverages chain specialized in tapas / Catering	Equity Method	Damm Restauración S.L	50,00%	2.214	1.567	647	1.210	4.985
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 Damm, S.A.	10,03%	3.403.676	1.437.417	1.966.259	144.846	2.461.915
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%	2.014	1.161	853	549	6.437
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%	978	607	371	26	2.581
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%	1.029	766	263	2	1.928
Estrella Iruña Services, S.A. (**)	Políg. Ind. Talluntxe I, calle 4 34, NOAIN (Navarra)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50,00%	1.181	273	908	79	2.518
Estrella Vega Baja Services, S.L. (**)	Tauro, 20 - Pol. Ind. Llano Espartal Travesía 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%	1.728	1.261	467	101	4.253
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%	3.743	2.364	1.379	135	8.787
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%	2.322	1.365	957	87	5.070
Eudivasa, S.L.	San Vicente Mártir, 299 VALENCIA	Beverages manufacture and sale / Distribution	Equity Method	Damm Distribución Integral, S.L.	40,00%	4.399	3.627	772	(57)	13.747
Euroestrellas Badalona	C/ Luxemburgo s/n BADALONA (Barcelona)	Wholesale of any kind of beverages and food / Distribution	Equity Method	Damm Distribución Integral, S.L.	10,00%	3.307	1.897	1.410	187	9.542
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%	145.656	114.444	31.212	2.467	54.705
Jap Alacant Serveis, S.A. (**)	Tauro, 20 - Pol. Ind. Llano Espartal Travesía nº2 ALICANTE	Wholesale of any kind of beverages and food / Distribution	Equity Method	Trade Eurofradis, S.L.	50,00%	5.807	4.166	1.641	570	7.243

ASSOCIATES AL DAMM GROUP Y JOINT ARRANGEMENTS

Plataforma Logistica Madrid S.L.	San Martín de la Vega (Madrid), calle Uranio, numero 16	Distribution of all kind of beverages and all kind of food, bricolage and drugstore products	Equity Method	Licavisa, S.L.	50,00%	118	81	37	15	115
	Poligono Industrial Aimayr			Estrella Madrid Services, S.A.	50,00%					
Port Pares, S.A.	Sant Pere, s/n RIPOLLET (Barcelona)	Food, bricolage and drugstore products	Equity Method	Damm Distribución Integral, S.L.	13,66%	13.884	9.696	4.188	1.580	47.403
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%	9.545	7.462	2.083	(539)	8.220
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%	5.063	3.264	1.799	420	12.174
Trade Eurofradis, S.L. (**)	Edison, 1 MANRESA (Barcelona)	Administrative management services / Distribution	Equity Method	Damm Distribución Integral, S.L.	50,00%	1.860	30	1.830	416	241
United States Beverages LLC	700 Canal Street, STAMFORD	Distribución cerveza y otros licores./ Distribución	Equity Method	S.A.Damm	40,83%	6.876	12.421	(5.545)	138	15.168

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

(**) Companies audited by other auditor

(***) Data from Interim Financial Information for the Second Quarter of 2015.

DAMM GROUP DIRECTORS' REPORT

1. Business evolution and position of the Group

Consolidated revenue for financial year 2015 exceeded EUR 960 million, 5.5% more than 2014, in an economic background that showed a certain improvement in the economy with consumption recovery but still with an uncertain evolution. These uncertainties result in certain instability in demand, affected by a very high unemployment rate that directly affects the consumption of the Group main product categories.

That notwithstanding, the performance of Damm Group business has certainly been positive, with sale increases in all the channels and markets in which it acts. In that sense, it is worth mentioning that the weather, both during the Summer season, which represents approximately 40% of the Group activity, and during the rest of the year, has been very favourable for the consumption of the products marketed by the Group.

In the aggregate for the year, the evolution as compared to previous year is positive in consolidated turnover (+5.5%) thanks to the contribution of all the activities of the Group, as well as to the diversity of brand, products and activities that allows the Group to adapt its offer to changing markets requirements.

As for production costs, they have increased accordingly to the increase in revenue, but limitedly thanks to the improvement in efficiency and productivity, as a result of the investment effort of the Group in the last years, and to the price decrease of certain raw materials that, nevertheless, has been partially absorbed by the increase in manufacturing costs of certain products and an increase in logistics associated to a wider dispersion of the final destination of the Group products and activities.

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

It is worth pointing out the Group constant growth in the internationalization process. Currently the Group brands and activities are present in more than 100 countries, with significant increases in volume and notoriety in the last few years.

The Group personnel, all business included, is at the end of financial year 2015 3,125 persons, was 2,882 at the end of financial year 2014.

Finally, the Group has held its 10% interest in Ebro Foods, S.A.

2. Profit for financial year 2015

The combination of all the above factors place Operating Profit (EBIT) close to EUR 111 million, 19.3% more than the previous year, and the Result Attributed to the Parent Company of the Group is EUR 2.3 million, 17.55% more than 2014.

The comparison of consolidated results for years 2015 and 2014 (in thousands of euros) follows:

Consolidated results	2015	2014	DIFFERENCE
Consolidated revenue	962,639	912,788	5.5%

Consolidated results	2015	2014	DIFFERENCE
EBITDA – Operating profit + Amortization + Impairment and PPE disposal	178,034	165,886	7.32%
EBIT – Operating profit	110,887	92,953	19.29%
NET PROFIT	92,328	78,544	17.55%
EARNINGS PER SHARE	0.38	0.29	31.03%

Additionally, the main figures of the consolidated balance sheet at the end of financial years 2015 and 2014 are the following (in thousands of euros):

MAIN FIGURES	2015	2014	DIFFERENCE
EQUITY	673,023	486,732	38.27%
NET FINANCIAL DEBT	191,752	78,504	144.26%
INVESTMENTS	80,738	69,351	16.42%

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 2015 and the sustainability of the business cash generation allow the achievement of debt servicing, shareholders' remuneration by way of dividend and the development of new products.

In that sense, the Group presents the following figures for net financial debt under "Cash and cash equivalents", "Other financial current assets", "Debt with financial institutions", "Other non-current liabilities" and "Other current liabilities" of consolidated balance sheet at 31 December 2015 and 2014:

<i>(Thousands of euros)</i>	2015	2014
Long term loans and credits	(215,300)	(101,191)
Long term finance leases debts	(786)	(2,261)
Hedging instruments debts	-	(223)
Total long term debt with financial institutions	(216,086)	(103,675)
Short term loans and credits	(28,922)	(55,607)
Short term finance leases debts	(1,988)	(2,654)
Total short term debt with financial institutions	(30,910)	(58,261)
Total debt with financial institutions	(246,996)	(161,936)
Other financial liabilities <i>(under "Other non-current liabilities" and "Other current liabilities")</i>	(14,609)	(15,989)
Cash and cash equivalents	67,364	91,117
Other financial current assets	2,489	8,304
Treasury shares and equity interests	161,597	-
Net financial debt	(30,155)	(78,504)
Net financial debt / Ebitda	0.17x	0.47x

During financial year 2015 the Group has renewed its corporate credit facilities by a syndicated financial agreement with several first rate domestic and international entities (see Note 14).

Additionally, as of 31 December 2015 the Group companies had undrawn credit facilities for the amount of EUR 282.2 million.

Finally, the information required by the Act 31/2014, dated 3 December, amending the Companies Act, is stated in in Note 16 of the consolidated financial statements for financial year 2015.

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 0.38 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 2015 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 a increasingly sophisticated market.

Environment

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

The Group has invested in renewable and energetically efficient sources (cogeneration, trigeneration, solar photovoltaic) and currently a large part of the Group energy requirements are feed from these sources. Additionally, in 2014 the Group renewed the energy cogeneration assets with an improvement in energy costs efficiency.

4. Events after the balance sheet date

There are no significant subsequent events after the balance sheet date.

5. Principal 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.

7. Research and development activities

The Group research and development activities during financial year 2015 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 in these fields a total amount of EUR 3.5 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.

S.A. DAMM and Subsidiaries (the Damm Group)

**Consolidated Financial Statements for the year ended 31 December 2014,
prepared in accordance with International Financial Reporting Standards
(IFRSs) as adopted by the European Union, and Consolidated Directors'
Report, together with the Auditors' Report**

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 37). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 37). 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),

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sociedad Anónima Damm (“the Parent”) and Subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Sociedad Anónima Damm and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 2.1 to the accompanying consolidated financial statements) 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Sociedad Anónima Damm and Subsidiaries as at 31 December 2014, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent's directors consider appropriate about the situation of Sociedad Anónima Damm and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Sociedad Anónima Damm and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Raimon Ripoll

7 April 2015

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 37). In the event of a discrepancy, the Spanish-language version prevails.

S.A. DAMM and Subsidiaries (the Damm Group)
CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2014
 (THOUSANDS OF EUROS)

	<u>Note</u>	<u>31/12/14</u>	<u>31/12/13</u>
Non-current assets		902,304	882,522
Goodwill	4	47,229	44,337
Other intangible assets	5	22,894	25,466
Property, plant and equipment	6	429,340	440,241
Investments accounted for using the equity method	7	282,162	261,272
Non-current financial assets	8	78,446	71,593
Deferred tax assets	26.7	42,233	39,613
Current assets		312,652	389,822
Inventories	9	64,546	67,695
Trade and other receivables	10.1	140,859	119,748
Other current financial assets	10.2	8,304	93,638
Other current assets	-	7,826	3,431
Cash and cash equivalents	11	91,117	105,310
TOTAL ASSETS		1,214,956	1,272,344
Equity		486,732	721,977
Share capital	12.1	54,017	53,482
Share premium	12.2	32,312	32,312
Other reserves of the Parent	12.3	184,081	449,353
Reserves at consolidated companies	12.3	137,863	125,395
Valuation adjustments	12.5	8,733	2,248
Profit for the year attributable to the Parent		78,544	70,073
Interim dividend paid in the year	12.6 / 28	(16,205)	(16,045)
Equity attributable to the Parent		479,345	716,818
Non-controlling interests	12.7	7,387	5,159
Total equity		486,732	721,977
Deferred income	13	1,538	1,368
Non-current liabilities		179,041	266,176
Bank borrowings	15	103,675	182,874
Provisions	14	524	852
Other non-current liabilities	-	56,157	55,487
Deferred tax liabilities	26.7	18,685	26,963
Current liabilities		547,645	282,823
Bank borrowings	15	58,261	86,761
Trade and other payables	17	142,712	130,615
Other current liabilities	19	346,672	65,447
TOTAL LIABILITIES		1,214,956	1,272,344

The accompanying Notes 1 to 37 are an integral part of the consolidated balance sheet at 31 December 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 37). In the event of a discrepancy, the Spanish-language version prevails.

S.A. DAMM and Subsidiaries (the Damm Group)
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
 (THOUSANDS OF EUROS)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Continuing operations:			
Revenue	20	898,374	899,634
Other operating income	-	14,414	9,708
Changes in inventories of finished goods and work in progress	-	(2,600)	865
Procurements	22.1	(317,230)	(336,382)
GROSS PROFIT		592,958	573,825
Staff costs	22.2	(127,431)	(127,070)
Depreciation and amortisation charge	5 and 6	(72,721)	(72,243)
Other expenses	22.4	(299,641)	(274,906)
Net impairment losses and net gains or losses on disposal of non-current assets	27.1	(212)	261
PROFIT FROM OPERATIONS		92,953	99,867
Net impairment losses on financial instruments	27.2	-	(40,183)
Income from equity investments	23	7	4
Other interest and similar income	23	2,340	7,006
Finance and similar costs	24	(7,828)	(9,496)
Exchange differences	24	907	(287)
Share in results for the year of investments accounted for using the equity method (companies accounted for using the equity method)	7	14,721	9,113
Net gains (losses) on disposal of financial instruments and fair value adjustments in step acquisitions	8 and 25	-	3,074
PROFIT BEFORE TAX		103,100	69,098
Income tax	26.5	(23,747)	1,629
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		79,353	70,727
PROFIT FOR THE YEAR		79,353	70,727
Attributable to:			
Non-controlling interests	12.7	(809)	(654)
PROFIT ATTRIBUTABLE TO THE PARENT		78,544	70,073
Earnings per share (in euros):			
From continuing operations	29	0.29	0.26
From continuing and discontinued operations	29	0.29	0.26

There is no dilutive effect on the shares of the Damm Group's Parent and, accordingly, the diluted earnings per share is equal to basic earnings per share.

The accompanying Notes 1 to 37 are an integral part of the consolidated income statement for 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 37). In the event of a discrepancy, the Spanish-language version prevails.

S.A. DAMM and Subsidiaries (the Damm Group)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

2014

(THOUSANDS OF EUROS)

	2014	2013
A.- CONSOLIDATED PROFIT FOR THE YEAR before non-controlling interests	79,353	70,727
B.- OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY	6,514	(17,293)
Items that will not be reclassified to profit or loss:		
1. Actuarial gains and losses and other adjustments	263	1,254
2. Companies accounted for using the equity method	7,906	(3,093)
3. Tax effect	(79)	(376)
Items that may be reclassified to profit or loss:		
4. Measurement of financial instruments:	(1,319)	(21,823)
<i>a) Available-for-sale financial assets</i>	(1,319)	(21,823)
5. Arising from cash flow hedges	(364)	287
6. Translation differences	8	(3)
7. Rate adjustment	(8)	-
8. Tax effect	107	6,461
C.- TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT	(29)	26,144
1. Measurement of financial instruments:	(12)	37,109
<i>a) Available-for-sale financial assets</i>	(12)	37,109
2. Arising from cash flow hedges	(29)	240
3. Tax effect	12	(11,205)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B+C)	85,838	79,578
a) Attributable to the Parent	85,029	78,924
b) Attributable to non-controlling interests	809	654

The accompanying Notes 1 to 37 are an integral part of the consolidated statement of comprehensive income for 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 37). In the event of a discrepancy, the Spanish-language version prevails.

THE DAMM GROUP
CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(THOUSANDS OF EUROS)

	NOTE	Share capital	Share premium	Reserves of the parent	Consolidation reserves	Equity valuation adjustments	Profit (loss) for the year	Interim dividend paid in the year	Equity attributable to the Parent	Non-controlling interests	Total equity
Balance at 31 December 2011		51,996	32,312	427,669	105,589	(6,603)	81,908	(15,599)	677,272	4,781	682,053
- Final dividend charged to prior year profit								(7,799)	(7,799)		(7,799)
- Distribution of profit:	28										
a Reserves	12.3			23,105			(23,105)		-		-
a Dividends							(38,937)	23,398	(15,599)		(15,599)
- Distribution of profit to consolidation reserves	12.3				19,806		(19,806)		-		-
- Other adjustments to equity				65					65		65
- Total comprehensive income for the year						8,851	70,073		78,924	654	79,578
- Interim dividend	12.6							(16,045)	(16,045)		(16,045)
- Changes in the scope of consolidation	12.7								-	(6)	(6)
- Dividend distribution to non-controlling interests and other adjustments	12.7								-	(270)	(270)
- Increases and reductions (+/-)									-		-
S.A.Damm capital increase (bonus issue)	12.1	1,486		(1,486)					-		-
Balance at 31 December 2013		53,482	32,312	449,353	125,395	2,248	70,073	(16,045)	716,818	5,159	721,977
- Final dividend charged to prior year profit								(8,022)	(8,022)		(8,022)
- Distribution of profit:	28										
a Reserves	12.3			17,494			(17,494)		-		-
a Dividends							(40,111)	24,067	(16,044)		(16,044)
- Distribution of profit to consolidation reserves	12.3				12,468		(12,468)		-		-
- Other adjustments to equity									-		-
- Total comprehensive income for the year						6,485	78,544		85,029	809	85,838
- Interim dividend	12.6							(16,205)	(16,205)		(16,205)
- Changes in the scope of consolidation	12.7								-	1,708	1,708
- Dividend distribution to non-controlling interests and other adjustments	12.7								-	(289)	(289)
- Increases and reductions (+/-)									-		-
Other movements (see Note 12.4)	12.4			(282,231)					(282,231)		(282,231)
S.A.Damm capital increase (bonus issue)	12.1	535		(535)					-		-
Balance at 31 December 2014		54,017	32,312	184,081	137,863	8,733	78,544	(16,205)	479,345	7,387	486,732

The accompanying Notes 1 to 37 are an integral part of the consolidated statement of changes in equity for 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 37). In the event of a discrepancy, the Spanish-language version prevails.

DAMM GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014
(THOUSANDS OF EUROS)

	2014	2013
1. -CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before tax from continuing operations	103,100	69,098
Adjustments for:	61,809	91,564
Depreciation and amortisation charge	72,721	72,243
Results of companies accounted for using the equity method	(14,721)	(9,113)
Net impairment losses and net gains or losses on disposal of non-current assets	212	(261)
Income from equity investments	(7)	(4)
Finance income	(2,340)	(7,006)
Change in write-downs and allowances	(657)	(10,973)
Finance costs	7,828	9,496
Change in the fair value of financial instruments	-	40,183
Allocation of grants to profit or loss	(320)	(214)
Exchange differences	(907)	287
Net gains (losses) on disposal of financial instruments	-	(3,074)
Changes in working capital	(5,712)	(26,611)
Inventories	3,731	(5,581)
Trade and other receivables	(20,664)	(1,408)
Other current assets	(2,388)	(1,247)
Other current financial assets	1,535	-
Trade and other payables	12,286	(4,982)
Other current liabilities	(212)	(13,393)
Changes in provisions and other non-current liabilities	(423)	9,976
Cash generated by operations	158,774	144,027
Income tax paid	(37,028)	(23,219)
Net cash flows from operating activities (I)	121,746	120,808
2.- CASH FLOWS FROM INVESTING ACTIVITIES		
Finance income and dividends received	11,613	14,049
Payments due to investments	(80,941)	(64,823)
Investments in assets	(62,484)	(59,737)
Financial assets	(9,503)	-
Investments in Group companies, joint ventures and associates	(8,954)	(1,024)
Payments due to other payables	-	(4,062)
Proceeds from disposals	86,209	30,119
Financial assets	83,798	28,697
Investments in Group companies, joint ventures and discontinued associates	-	1,242
Investments in assets	612	180
Collections due to other payables	1,799	-
Net cash flows from investing activities (II)	16,881	(20,655)
3.- CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs and dividends paid	(47,510)	(48,725)
Proceeds and payments relating to financial liability instruments	(105,310)	(46,222)
Issuance of bank borrowings	30,000	27,091
Repayment of bank borrowings	(135,310)	(73,313)
Net cash flows from financing activities (III)	(152,820)	(94,947)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)	(14,193)	5,206
Cash at beginning of year	90,552	42,626
Cash and cash equivalents at beginning of year	14,758	57,478
Cash at end of year	50,054	90,552
Cash and cash equivalents at end of year	41,063	14,758

The accompanying Notes 1 to 37 are an integral part of the consolidated statement of cash flows for 2014.

THE DAMM GROUP

Notes to the Consolidated Financial Statements for the year ended 31 December 2014

1. Group activity

The Parent, S.A. DAMM (hereinafter, "the Company") was incorporated in Spain pursuant to the Spanish Companies Law, and its company object is the brewing and sale of beer, its residues and by-products. Its registered office is at Calle Rosselló no. 515, Barcelona.

In addition to the operations carried on directly by it, S.A. DAMM is the head of a group of subsidiaries that engage in various business activities and which compose, together with S.A. DAMM, the DAMM Group ("the Group"). Therefore, S.A. DAMM is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements, which also include the interests in joint ventures and investments in associates.

The nature of the Group's operations and its main business activities are described in Note 21 (Business and geographical segments).

These consolidated financial statements for 2014 include, based on the consolidation methods applicable in each case, all the Group companies, in accordance with Article 42 of the Spanish Commercial Code. At 31 December 2014, the Damm Group is not required to prepare consolidated financial statements with a scope exceeding that used in these consolidated financial statements.

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

2.1. Basis of presentation

The consolidated financial statements for 2014 of the DAMM Group were formally prepared:

- By the directors, at the Board of Directors Meeting held on 25 March 2015.
- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The principal accounting policies, basis of consolidation and measurement bases applied in preparing the Group's consolidated financial statements for 2014 are summarised in Note 3.

- Taking into account all the mandatory accounting principles and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 3 (accounting policies).
- Pursuant to the Spanish Commercial Code and all other Spanish corporate law, the mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.

- Pursuant to all other applicable Spanish accounting legislation.
- So that they present fairly the Group's consolidated equity and financial position at 31 December 2014 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Company and by the other Group companies (the companies whose financial statements were audited by the auditor of the Parent or by other auditors are disclosed in Note 36).

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2014 (IFRSs) differ from those used by the Group companies (local standards in accordance with the chart of accounts), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in Europe.

The Group's consolidated financial statements for 2013 were approved by the shareholders at the Annual General Meeting of S.A. DAMM on 30 June 2014.

Standards and interpretations in force in 2014

The following standards were approved, published and effective from 1 January 2014 and were applied:

- Consolidation model: IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosures of Interests in Other Entities*, IAS 27 (Revised) *Separate Financial Statements* and IAS 28 (Revised) *Investments in Associates and Joint Ventures*.
- Amendments to IAS 32 *Financial Instruments: Offsetting Financial Assets and Financial Liabilities*.
- Amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets*.
- Amendments to IAS 39 *Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting*.

The adoption of these standards did not have a significant impact on the interim consolidated financial statements.

Specifically, with respect to the changes introduced by IFRS 11 *Joint Arrangements*, whereby joint ventures must be accounted for using the equity method instead of being consolidated proportionately, the Group already accounted for its joint ventures using the equity method.

Accordingly, the entry into force of IFRS 11 did not have any impact on the interim financial statements for the first half of 2014 or on the comparative data presented.

Meanwhile, in 2014, the European Union adopted the following standards and interpretations, which became effective for the annual period beginning on 1 January 2015:

- IFRIC 21 *Levies*
- Annual improvements to IFRSs 2010-2012 Cycle
- Annual improvements to IFRSs 2011-2013 Cycle
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The Group has not adopted these new standards early. Their application is not expected to have any significant impact on the consolidated financial statements.

Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the directors of the Group's Parent.

In the Group's consolidated financial statements for 2014 estimates were occasionally made by the senior executives of the Group and of the consolidated companies, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of goodwill arising on consolidation (see Note 4)
- The impairment losses on certain assets (see Notes 4, 5 and 6)
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations (see Note 18)
- The useful life of tangible and intangible assets (see Notes 5 and 6)
- Provisions (see Note 14)
- Full commitment to acquire treasury shares (see Notes 12.4 and 19)
- Estimation of fair value: IFRS 13 *Fair Value Measurement* establishes that for the balance sheet amounts measured at fair value, the disclosures on the fair value measurements must be made by level, in accordance with the following classification:
 - Level 1: quoted prices in active markets for identical assets or liabilities.
 - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
 - Level 3: inputs for the asset or liability based on the Group's estimates.

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale financial assets (Note 8)	8,645	-	-	8,645
Total assets	8,645	-	-	8,645
Liabilities:				
Derivative financial instruments (Note 15)	-	223	-	223
Total liabilities	-	223	-	223

Although most of the inputs used to measure the derivatives are within level 2 of the fair value hierarchy, the credit risk adjustments use level 3 inputs, such as credit estimates on the basis of the credit rating or of comparable companies in order to assess the probability of default of the company or its counterparties. The company assessed the significance of credit valuation adjustments in the total valuation of derivative financial instruments and concluded that they are not significant in terms of the overall valuation of derivatives. Therefore, the Company decided that the entire derivative financial liability should be classified in level two of the fair value hierarchy.

The Company uses mid market prices as observable inputs based on external information sources that are recognised in the financial markets.

There were no transfers between level 1 and level 2 in the reporting period.

Although these estimates were made on the basis of the best information available at 31 December 2014 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

Comparative information

The financial information was prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, in a consistent manner with those applied in 2013.

For comparative information purposes, the Group presents, in addition to the figures for the year ended 31 December 2014 for each item in the consolidated balance sheet, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of comprehensive income and the notes thereto, the figures for the year ended 31 December 2013.

In 2014, the Group reclassified to "Revenue" the income from transport and haulage included in product sales revenue since they are items inherent in its activity and as they relate to income obtained regularly within the Company's own production, sale and rendering of services economic cycle.

In 2013, these items were recognised under "Other operating income" in the consolidated income statement (see Note 20).

Consequently, for comparative purposes, the Group reclassified EUR 22,351 thousand and EUR 19,774 thousand from "Other operating income" to "Revenue" in the 2013 separate and consolidated income statements, respectively.

Likewise, the segment financial information for 2013 provided was restated to include this reclassification.

The amendment of the information did not have an effect on 2013 consolidated profit, since only the related reclassifications were made to the 2013 separate and consolidated income statement items, as described in the preceding paragraph.

Changes in the scope of consolidation

Note 2.2.d) includes the main changes in the scope of consolidation in 2014 and 2013, and the consolidation method used in each case.

Functional currency

These consolidated financial statements are presented in thousands of euros.

2.2. Basis of consolidation

a) Subsidiaries:

Subsidiaries are entities over which the Group has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when, for example, there are agreements with other shareholders that give the Group control. Under IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

All intra Group transactions, balances, income and expenses are eliminated on consolidation.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a bargain purchase) is credited to profit or loss on the acquisition date.

Also, the share of third parties of:

- The equity of their investees is presented within the Group's equity under "Non-Controlling Interests" in the consolidated balance sheet (see Note 12.7).
- The profit or loss for the year is presented under "Non-Controlling Interests" in the consolidated income statement, in the statement of comprehensive income and in the statement of changes in equity (see Note 12.7).

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Note 36 to these notes to the consolidated financial statements details the subsidiaries and information thereon (including the name, country of incorporation and the proportion of ownership interest of the Parent).

b) Joint ventures:

"Joint ventures" are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated companies.

A joint venture is a contractual arrangement whereby two or more companies ("venturers") have interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

The financial statements of the jointly controlled entities are consolidated with those of the Group using the equity method in accordance with IFRS 11. Under this method, investments are initially recognised at cost and their carrying amount is increased or reduced in order to recognise the portion relating to the investor of the profit or loss for the year obtained by the investee after the acquisition date. The Group recognises its share of the joint venture's profit or loss in its own profit or loss for the year. Any dividends received from investees reduce the carrying amount of the investment.

The assets and liabilities assigned by the Group to joint operations and the Group's share of the jointly controlled assets are recognised under "Investments Accounted for Using the Equity Method" in the accompanying consolidated balance sheet". Similarly, the profit or loss attributable to the Group arising from joint ventures is recognised under "Share in Results for the Year of Investments Accounted for Using the Equity Method" in the accompanying consolidated income statement.

With respect to the changes introduced by IFRS 11 *Joint Arrangements* whereby joint ventures must be accounted for using the equity method, which eliminates proportionate consolidation, the Group already accounted for its joint ventures using the equity method.

Accordingly, the entry into force of IFRS 11 did not have any impact on the interim financial statements for the first half of 2014 or on the comparative data presented.

c) Associates:

Associates are companies over which the Group is in a position to exercise significant influence, but not effective or joint control. Significant influence is the power to participate in the investee's financial and operating decisions, but not to exercise full or joint control over it. It is presumed that the Group exercises significant influence if it holds (directly or indirectly) 20% or more of the voting power of the investee.

However, the following entities, in which the Group holds less than 20% of the voting power are considered to be its associates:

Entity	% Voting Power
Port Parés, S.L.	13.66%
Comergrup, S.L.	10.15%
Ebro Foods, S.A.	10.03%
Euroestrellas Badalona S.L.	10.00%

Port Parés, S.L., Comergrup, S.L and Euroestrellas Badalona S.L.

These companies are deemed to be associates since there is a dependent relationship as a result of the significance for these three companies of the amounts of the transactions carried out with Group companies.

The Ebro Foods Group

Although the Damm Group holds less than 20% of the share capital and voting power of Ebro Foods, S.A., the Group exercises significant influence, which is evidenced, inter alia, in the following matters:

- It holds a significant ownership interest, which rose to 10.03% in 2014.
- The Ebro Foods Group's Board of Directors comprises two directors.
- It takes part in the policy-setting processes since its representation on the Ebro Foods Group's Board of Directors includes the Executive Committee, the Strategy and Investment Committee and the Selection and Remuneration Committee.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale, in which case the Group applies IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. At 31 December 2014 and 2013, no investments had been classified as held for sale. Under the equity method, investments in associates are initially recognised at cost and their carrying amount is subsequently increased or reduced in order to recognise the portion relating to the investor of the profit or loss for the year obtained by the investee.

Any difference between the cost of the investment and the portion relating to the investor in the net fair value of the associate's identifiable assets and liabilities at the acquisition date is recognised as goodwill and included in the carrying amount of the investment. Also, any difference between the investor's share in the net fair value of the associate's identifiable assets and liabilities and the cost of the investment is recognised in the income statement.

The Group applies the requirements of IAS 39 in order to determine whether it is necessary to recognise impairment losses on any net investments it may have in associates. Where necessary, the Group checks the

impairment on the entire carrying amount of the investment, in accordance with IAS36 *Impairment of Assets*, as an individual asset, by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any reversals of this impairment are recognised in accordance with IAS 36, as the recoverable amount of the investment increases subsequently.

In the case of transactions with an associate, any unrealised gains or losses are eliminated in the Group's percentage ownership interest in its share capital

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support.

d) Changes in the scope of consolidation:

Additions to the scope of consolidation (acquisition of holdings):

1. Subsidiaries:

a) Internal transactions:

In 2014, the Group incorporated Setpoint Events S.A. with an initial contribution of EUR 3 million, which is identified in Note 36 to these consolidated financial statements.

In 2013, the Group carried out the merger by absorption of Aguas de El Run S.A. and Velagar S.A. by the companies holding 100% of their share capital Aguas de San Martín de Veri S.A. and Distridam S.L., respectively.

Furthermore, in 2013, the Group incorporated Pumba Logística, S.L. with an initial contribution of EUR 2 million.

These internal transactions did not have any on the Group's equity since they were corporate transactions carried out between subsidiaries.

b) External transactions:

In 2014, the Group formed Dismenorca, S.L. with share capital of EUR 3,000 represented by 3,000 fully subscribed and paid-in shares of EUR 1.00 par value each.

Subsequently, two capital increases were agreed enabling an external shareholder to participate in the share capital of the subsidiary (49%) through the contribution of the following net assets:

	Thousands of Euros
Intangible assets	1,784
Property, plant and equipment	87
Inventories	79

In 2013 there were no external transactions that gave rise to additions to the scope of consolidation.

2. Associates:

In 2014, the Group increased its nominal interest in Ebro Foods S.A. by an additional 0.28% from the 9.75% held at 31 December 2013, and decreased its nominal interest in United States Beverages Llc by 1.05% following the capitalisation of a loan contributed by one of the Company's shareholders.

In 2013, the Group incorporated Plataforma Logística Madrid S.L., in which the subsidiary Licavisa S.L. and the associate Estrella Madrid Services S.A., each have a 50% ownership interest, with a combined initial contribution of EUR 30 thousand.

3. Joint ventures:

No new joint ventures were added to the scope of consolidation in 2013 or in 2014.

Exclusions from the scope of consolidation:

No companies were excluded from the scope of consolidation in 2014.

In 2013, the Group liquidated Agora Italia S.r.l. This transaction did not have a material impact on the consolidated financial statements for 2013.

2.3. Exposure to financial risks

a) Categories of financial instruments

	Thousands of	
	31/12/14	31/12/13
Financial assets:		
Loans and receivables measured at amortised cost	219,873	284,500
Cash and cash equivalents	91,117	105,310
Available-for-sale financial assets (Note 8)	8,645	479
Financial liabilities:		
Bank borrowings measured at amortised cost	161,713	268,746
Financial derivatives (Note 15)	223	889
Other payables	495,523	201,579

b) Financial risk management policy

Capital management

The Group manages its capital to ensure that the Group companies will be able to continue to operate as profitable businesses while maximising the return for shareholders through an optimum debt-to-equity balance.

The strategy of the Group as a whole continues to focus on sales growth through the implementation of the investment and production and logistics reorganisation plan, on penetration in the beer business in geographical areas with current presence, continued internationalisation of the activity, the vertical integration of businesses such as distribution and diversification into other complementary sectors.

The Group's capital structure includes debt that in turn comprises the loans detailed in Note 15, cash, liquid assets and shareholders' equity, which includes share capital and retained earnings, as described in Note 12.

Capital structure

The Financial Area, which is responsible for financial risk management, reviews the capital structure regularly, and the Group's level of borrowings.

The Group's objective is not to exceed the 50% gearing ratio.

This is understood to be arrived at by dividing net financial debt by equity, as follows:

	Gearing	
	Thousands of Euros	
	2014	2013
Non-current loans and credits	(101,191)	(177,045)
Non-current finance lease payments payable	(2,261)	(4,940)
Payables relating to hedging instruments	(223)	(889)
Total non-current bank borrowings	(103,675)	(182,874)
Current loans and credits	(55,607)	(84,068)
Current finance lease payments payables	(2,654)	(2,693)
Total current bank borrowings	(58,261)	(86,761)
Total bank borrowings	(161,936)	(269,635)
Other financial liabilities (in "Other non-current liabilities" and "Other current liabilities")	(15,989)	(15,757)
Cash and cash equivalents	91,117	105,310
Other current financial assets	8,304	93,638
Net financial debt	(78,504)	(86,444)
Equity (Pre-offer – Note 12.4)	767,963	721,977
Equity (Post-offer – Note 12.4)	486,732	721,977
Gearing (Pre-offer – Note 12.4)	10.22%	11.97%
Gearing (Post-offer – Note 12.4)	16.13%	11.97%

Financial risk management

The Group's exposure to financial risks affects primarily the exposure to interest rate fluctuations and changes in the financial markets (price risk). The Group does not use derivative financial instruments for speculative purposes.

Foreign currency risk

The foreign currency risk is not material since the Group does not have any investments or carry out significant transactions outside the euro zone, and its financing is denominated in euros.

Also, most sales are performed within Spain and purchases abroad are not significant.

Credit risk

The Group's main financial assets are cash and cash equivalents, and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is mainly attributable to its trade receivables. The Group does not have a significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by Group management based on prior experience and its assessment of the current economic environment. The credit risk in this area is partially covered by the various insurance policies taken out by the Group companies.

In addition, some Group companies used financial instruments that include the possibility to eliminate credit risk.

The credit risk arising from financial assets held by the Group as a consequence of its cash management is minimal since these investments are arranged with short-term maturities through nationally and internationally renowned banks with high credit ratings in all cases.

At 31 December 2014 and 2013, the financial assets on the consolidated balance sheet that could be in arrears are as follows, in thousands of euros:

	2014	2013
Non-current financial assets (Note 8)	78,446	71,593
Trade and other receivables (Note 10)	140,859	119,748

The age of the receivable balances at 31 December 2014, which represent substantially all the balance of "Trade and Other Receivables" in the consolidated balance sheet at 31 December 2014, is detailed in Note 10.1. Within this detail, it is important to note that the balance of trade and other receivables past-due in the 0 to 6 months age range amounted to EUR 4.2 million (2013: EUR 3.5 million) substantially all of which arose as a result of delays caused by administrative management reasons, which were resolved in the first quarter of 2015.

With regard to "Non-Current Financial Assets" detailed in Note 8, it is important to note that these do not include past-due receivables at year-end that were not impaired.

Liquidity risk

The Group's financial structure has a low liquidity risk in view of the low level of financial gearing and the high operating cash flows generated each year.

It is also important to note that, as indicated in Note 15, in 2014, the Group held corporate financing facilities amounting to more than EUR 300 million. Furthermore, in view of its sound financial position, the Group has comfortably met the requirements with regard to certain financial ratios (covenants) established in these financing agreements.

In this regard, at 31 December 2014, Group companies had been granted undrawn credit facilities amounting to EUR 236.8 million, which sufficiently cover any Group need in accordance with the current short-term commitments.

Interest rate risk

Variations in interest rates change the fair value of both assets and liabilities that accrue a fixed interest rate and future flows of assets and liabilities tied to a floating rate. The risk generated by changes in the price of money is managed by entering into derivative instruments whose function is to hedge these risks to which the Group is exposed.

At 31 December 2014, the Group held interest rate swaps (IRSs) for a portion of the Parent's debt (see Note 15). The debt structure at 31 December 2014, distinguishing between debt tied to fixed interest rates and debt tied to floating interest rates, after taking into consideration the derivatives entered into, is as follows:

	Thousands of Euros (*)		
	31/12/14	31/12/15	31/12/16
At a fixed interest rate	22,500	17,500	12,500
At a floating interest rate	139,436	86,176	22,422
Debt	161,936	103,676	34,922
% Fixed rate / Total debt	14%	17%	36%

(*) Debt at nominal value

The floating interest rate is subject to Euribor.

Taking into consideration the contractual conditions of the financing in place at 31 December 2014, the current and forecast market situation and the interest rate swap agreements, a 50 basis point increase in the yield curve would have a negative impact of EUR 706 thousand on 2014 profit after tax, without taking into consideration any positive impact on the market valuation of the assets. Conversely, a 50 basis point reduction in the yield curve would have a positive impact of EUR 783 thousand on 2014 profit.

Price risk

As indicated in Note 8, the Group holds investments in companies whose securities are listed on the continuous market.

In view of the nature of these investments, risks may arise in relation to the performance of the markets and, therefore, may have an uneven effect on the trend in the market value of the investments, thereby affecting the various line items of the consolidated balance sheet and the consolidated income statement.

As indicated in Note 8, as a result of the trend in share prices in 2014, the value of the investment decreased.

The sensitivity analysis described below was determined by the Group's price risk exposure at 31 December 2014.

If the prices of these investments at that date had been 5% higher/lower:

- The profit for 2014 would not have been affected (as was the case in 2013) as a result of the changes that would have occurred in the fair value of these investments (see Note 27.2).

- The Group's equity would have increased/decreased by EUR 294 thousand (2013: EUR 29 thousand) as a result of the changes that would have occurred in the fair value of these investments.

3. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union, were as follows:

3.1. Goodwill

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

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

If it is attributable to specific assets and liabilities of the companies acquired, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.

1. If it is attributable to specific intangible assets, recognising it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.
2. The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

In accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, any goodwill acquired from 1 January 2004 onwards is recognised at acquisition cost, while goodwill acquired prior to this date is recognised at its carrying amount as at 31 December 2003. In both cases, at the end of each reporting period, goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and any impairment is written down. Impairment losses are recognised under "Net Impairment Losses on Non-Current Assets" in the consolidated income statement since, as established in IFRS 3, goodwill is not amortised (see Note 4).

At the end of each reporting period or whenever there are indications of impairment, the Group tests these assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

- The recoverable amounts are calculated for each cash-generating unit. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets and is not larger than an operating segment determined in accordance with IFRS 8 Operating Segments.
- Each year the Group prepares forecasts for each cash-generating unit, generally covering a four-year period. The main components of these forecasts are:
 - Earnings projections
 - Projected investment and working capital
 - Sensitivity analysis based on the variables affecting the recoverable amount.

Other variables that affect the calculation of recoverable amount are:

- The discount rate to be applied, which is an estimate of the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU for which the estimates of future cash flows have not been adjusted.
- The cash flow growth rate used to extrapolate the projected cash flows beyond the period covered by budgets or forecasts.

The forecasts are prepared on the basis of past experience and on the best available estimates, which are consistent with information from outside sources. The cash flow projections are based on the business plans approved by the directors.

Where it is necessary to recognise an impairment loss of a cash-generating unit to which goodwill has been allocated in full or in part, firstly the carrying amount of goodwill corresponding to said unit is reduced. If the impairment exceeds the amount of goodwill, secondly, a reduction is made, in proportion to their carrying amount, to the other assets of the cash-generating unit, up to the limit of the higher value between the following: fair value less costs to sell, their value in use and zero.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Any deficiency of the cost of investments in consolidated companies and associates below the related underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is classified as negative goodwill and is allocated as follows:

1. If the negative goodwill is attributable to specific assets and liabilities of the companies acquired, increasing the value of the liabilities (or reducing the value of the assets) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: amortisation, accrual, etc.
2. The remaining amount is presented under "Other Operating Income" in the income statement for the year in which the share capital of the subsidiary or associate is acquired.

3.2. Other intangible assets

The other intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

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

Other intangible assets can have an indefinite useful life when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated entities or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortised, but rather at the end of each reporting period the consolidated companies review the remaining useful lives of the assets in order to ensure that they continue to be indefinite or, if this is not the case, to take the appropriate steps.

Intangible assets with finite useful lives are amortised over those useful lives using methods similar to those used to depreciate property, plant and equipment. The amortisation rates, which were determined on the basis of the average years of estimated useful life of the assets, are basically as follows:

	Annual
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	Rate
Intellectual property	20%
Administrative concessions	3% – 4%
Computer software	25% – 33.33%
Leasehold assignment rights	10%
Licences	10%

In both cases, the consolidated entities recognise any impairment loss on the carrying amount of these assets with a charge to “Net Impairment Losses on Non-Current Assets” in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for property, plant and equipment.

Administrative concessions

Concessions are only recognised as assets when they have been acquired for consideration (in the case of concessions that can be transferred) or for the amount of the expenses incurred to directly obtain the concession from the state or from the related public agency.

In general, amortisation is taken on the basis of the pattern in which the asset’s economic benefits are consumed, over the term of the concession. In cases where that pattern cannot be determined reliably, the straight-line method is used over the term.

In the event of non-compliance, leading to the loss of the concession rights, the carrying amount of the concession must be written off.

Intellectual property

Trademarks acquired for consideration are recognised at acquisition cost.

The expenses incurred in developing intellectual property that is not economically feasible must be recognised in full in the income statement for the year in which this circumstance becomes known.

Intellectual property is amortised on a straight-line basis over a maximum period of five years.

Trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Computer software

The acquisition and development costs incurred in relation to the basic computer systems used in the Group’s management are recognised with a charge to “Other Intangible Assets” in the consolidated balance sheet.

Computer system maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

Computer software may be contained in a tangible asset or have physical substance and, therefore, incorporate both tangible and intangible elements. These assets will be recognised as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortised on a straight-line basis over a period of between three and five years from the entry into service of each application.

Emission allowances and industry regulations

The Group recognises CO2 emission allowances as non-amortisable intangible assets. The allowances received at zero cost under the related national allocation plans are measured at the lower of the market price prevailing on the date on which the allowances are received and the market value at year-end, and an item of deferred income is recognised for the same amount.

In 2014, the Group received at zero cost emission allowances equal to 29,395 tonnes, under the approved national allocation plans. These plans also provide for the allocation at zero cost of emission allowances in 2015 (per the notifications issued in November 2014 by the Ministry of the Environment – Secretariat-General for the Prevention of Pollution and Climate Change) equal to 26,242 tonnes. In 2014, the Group consumed 42,057 tonnes of emission allowances (2013: 34,819 tonnes).

The regulated activities of Group subsidiary Compañía de Explotaciones Energéticas, S.L., form part of the 1991-2000 National Allowance Plan, whose priority energy policies include increasing autoproducers' contribution to electricity generation and, in particular, generation based on renewable energies.

The electricity exporting activity carried on by this subsidiary is regulated mainly by Electricity Industry Law 54/1997, of 27 November, which stipulates that electricity is generated on a free-market basis, based on a system of sale offers tendered by the producers and a system of purchase bids submitted by consumers eligible to choose their power supply source ("eligible consumers") and by the distributors and retailers, and by Royal Decree 661/2007, of 25 May, which replaced Royal Decree 434/2004, of 12 March, regulating the production of electricity under the special regime.

Leasehold assignment rights

Leasehold Assignment Rights" are recognised at acquisition cost, are subject to impairment losses and are amortised on a straight-line basis over ten years.

Franchises

These relate primarily to the amounts paid on the acquisition by various Group companies of stores under franchise agreements, which are amortised on a straight-line basis over ten years.

3.3. Property, plant and equipment

Items of property, plant and equipment of certain consolidated companies acquired after 31 December 1983 and before 31 December 1996 are carried at cost, revalued before those dates, pursuant to the applicable legislation. Subsequent additions were measured at cost. The revaluation surpluses or net increases in value resulting from revaluation are depreciated over the tax periods in the remaining useful lives of the revalued assets.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other specific-purpose or general purpose borrowings directly attributable to the acquisition or production of the assets.

In accordance with IAS 16, items of property, plant and equipment are stated in the balance sheet at acquisition or production cost less any accumulated depreciation and any recognised impairment losses.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated income statement and is based on the application of the following depreciation rates, which are determined on the basis of the average years of estimated useful life of the various assets:

	Annual Rate	Useful Life (Years)
Buildings	3% - 9%	11-33
Plant	8% - 10%	10-12
Machinery and tools	8% - 12%	8-12
Furniture	10% - 25%	4-10
Computer hardware	25%	4
Other items of property, plant and	10 - 15%	7-10

The Group companies depreciate their property, plant and equipment by the straight-line method, or by the declining-balance method for certain items, at annual rates based on the years of estimated useful life detailed in the foregoing table.

Assets held under finance leases are recognised in the corresponding asset category and are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. At 31 December 2014, "Property, Plant and Equipment" in the consolidated balance sheet included EUR 5,250 thousand relating to assets held under finance leases (see Note 6).

The Parent's directors consider that the carrying amount of the assets does not exceed their recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Investments made in leased premises that cannot be separated from the lease asset are amortised over their useful life, which is the shorter of the term of the lease agreement, including the renewal period where there is evidence that the renewal will occur, and the economic life of the asset.

Article 9 of Law 16/2012, of 27 December 2012, adopting various tax measures aimed at shoring up public finances and boosting economic activity, established the possibility to revalue assets. In 2013, various Group companies resolved to revalue their assets.

The Group companies that availed themselves of the option provided by this legislation were: S.A. Damm, Compañía Cervecería Damm S.L., Estrella de Levante Fábrica de Cerveza S.A., Font Salem S.L., Maltería La Moravia S.L., Aguas de San Martín de Veri S.A., Gestión Fuente Liviana S.L., Compañía de Explotaciones Energéticas S.L., Inmuebles y Terrenos S.A., Reservas de Hielo S.A. and Cafés Garriga 1850 S.L.

The revaluation was carried out, as required, on all the items that could be revalued and on the related depreciation and amortisation, except in the case of properties, in respect of which it was possible to opt for revaluing each on an individual basis. The main economic effects on the consolidated financial statement as a result of applying this legislation are as follows:

- The increase in the carrying amount of the revalued assets at the various Group companies was not reflected in the consolidated financial statements since, although this policy is covered by local regulations, it is not acceptable under IFRSs since the Group recognises its assets under the historical cost model. Therefore, the carrying amount of these assets was not revalued in the consolidated financial statements.
- However, the tax value of these assets did increase. This increase in tax value of the revalued assets, the maximum limit of which is their market value, will be deductible in years beginning on or after 1 January 2015. A deferred tax asset was recognised for the difference between the carrying amount and the increased tax base of the revalued assets, amounting to EUR 10.9 million, with a credit to "Income Tax" in the consolidated income statement for the year ended 31 December 2013.

- The transaction gave rise to the payment of 5% in tax in July 2013 on the increase in tax value. This amounted to EUR 1.8 million, recognised under “Income Tax” in the consolidated income statement for the year ended 31 December 2013, since the Group deems it to be a tax on the increase in the tax base of the revalued assets for income tax purposes, which is also a non-deductible expense for income tax purposes.

3.4. Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible assets with an indefinite useful life are tested for impairment annually.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to 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 had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3.5. Investments in associates and interests in joint ventures

The value of these investments in the consolidated balance sheet includes, where applicable, the goodwill arising on the acquisition thereof.

3.6. Finance leases

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

Therefore, finance leases are deemed to be those in which substantially all the risks and rewards relating to the leased asset are transferred to the lessee.

The Group entities do not act as lessees of assets under finance leases.

When the consolidated companies act as the lessee, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a liability for the same amount (which will be the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus, where applicable, the price of exercising the purchase option). The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

Finance costs arising under finance lease agreements are charged to the consolidated income statement so as to reflect a constant periodic rate of return over the term of the agreements.

3.7. Operating leases

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

When the consolidated companies act as the lessor, they present the acquisition cost of the leased asset under "Property, Plant and Equipment". These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items and lease income is recognised in the income statement on a straight-line basis.

When the consolidated companies act as the lessee, lease costs, including any incentives granted by the lessor, are recognised as an expense on a straight-line basis.

3.8. Inventories

Inventories are stated at the lower of acquisition or production cost and net realisable value. Production cost includes the costs of direct materials and, where applicable, direct labour and production overheads.

The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. In periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is reduced so that inventories are not measured above actual cost.

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

Cost price is calculated using the weighted average method for raw materials and supplies, and production cost for work in progress and finished goods. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Group assesses the net realisable value of the inventories at the end of each reporting period and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

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 amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale should be expected to be completed within one year from the date of classification.

3.10. Profit (loss) from discontinued operations

A discontinued operation or activity is a line of business that the Group has decided to abandon or sell or has terminated on non-renewal of agreements, whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

The assets, liabilities, income and expenses of the discontinued operations and the non-current assets are presented separately in the balance sheet and income statement.

3.11. Financial assets

Financial assets are recognised in the consolidated balance sheet at the acquisition date and are initially recognised at fair value, including in general, the costs of the transaction.

The financial assets held by the Group companies are classified as:

1. Held-for-trading financial assets: assets acquired by the companies with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices. "Held-for-Trading Financial Assets" also includes financial derivatives not considered to qualify for hedge accounting.
2. Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity. The Group has the positive intention and ability to hold them from the date of purchase to the date of maturity. They do not include loans and accounts receivable originated by the company.
3. Originated loans and receivables: financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor.
4. Available-for-sale financial assets: these include securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments or financial assets at fair value through profit or loss, as defined in IAS 39 (see Note 8).

Held-for-trading financial assets and those classified as at fair value through profit or loss, and available-for-sale financial assets are measured at fair value at subsequent measurement dates. In the case of held-for-trading assets and assets that, in accordance with IAS 39, are classified as financial assets at fair value through profit or loss, gains and losses from changes in fair value are recognised in the net profit or loss for the year. In the case of available-for-sale investments, the gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year.

When there is objective evidence of impairment on an available-for-sale financial asset, the Group recognises the related impairment loss for the difference between that asset's cost and fair value, calculated as described in the following paragraph. In accordance with IAS 39, a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment. This evidence is deemed to exist if the market value of the asset has fallen by more than 40% over a period of 18 months without the value having recovered.

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price"). If this market price cannot be determined objectively and reliably for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or of the discounted present value of all the future cash flows (collections or payments), applying a market interest rate for similar financial instruments (same term, currency, interest rate and same equivalent risk rating).

Held-to-maturity investments and originated loans and receivables are measured at amortised cost, and the interest income is recognised in profit or loss on the basis of the effective interest rate (IRR). The amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees that, because of their nature, can be equated with a rate of interest. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the date on which the reference interest rate is to be revised for the first time.

The Group derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales, factoring of trade receivables in which the company does not retain any credit or interest rate risk.

Classification of financial assets as current and non-current

In the accompanying consolidated balance sheet, financial assets maturing within no more than twelve months are classified as current assets and those maturing within more than twelve months are classified as non-current assets.

3.12. Equity and financial liabilities

Financial liabilities and equity instruments are classified in accordance with the content and the substance of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The main financial liabilities held by the Group companies are classified as:

- Held-to-maturity financial liabilities, which are measured at amortised cost using the effective interest method.
- Financial liabilities at fair value through profit or loss, which are measured at fair value when included in the definitions of paragraphs 9 and 11 of IAS 39.

– Equity instruments

Capital and other equity instruments issued by the Group are recognised in equity at the proceeds received, net of direct issue costs.

– Financial liabilities

Bank loans

Interest-bearing bank loans and other financial liabilities are recognised at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments and hedge accounting

As indicated in Note 2.3, the Group's activities expose it mainly to the financial risks of fluctuations in interest rates and of market rates for the amounts included under "Non-Current Financial Assets". The Group analyses whether to enter into interest rate swaps or to call or put options on securities in the portfolio.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

A hedge is considered to be highly effective when the changes in fair value or in the cash flows of the hedged items are offset by the changes in the fair value or cash flows of the hedging instrument with effectiveness in a range of between 80% and 125%.

The fair value of the various financial instruments is obtained from their value at year-end for listed derivatives, Level 1, and from discounted cash flows for derivatives not traded on organised markets.

The fair values are adjusted for the expected impact of the counterparty's observable credit risk in the positive valuation scenarios and the impact of observable own credit risk in negative valuation scenarios. In 2014, it was not necessary to adjust the valuation of the derivatives in view of the low impact that this adjustment would have on their value (see Note 15).

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement.

If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. Conversely, for hedges that do not result in recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period as that in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer meets the criteria for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument that has been recognised in equity remains in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss.

Current/Non-current classification

In the accompanying consolidated balance sheet debts due to be settled within twelve months are classified as current items and those due to be settled within more than twelve months as non-current items.

Loans due within twelve months but whose long-term refinancing is assured at the discretion of the companies comprising the Group, through existing long-term credit facilities, are classified as non-current liabilities.

3.13. Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value.

3.14. Retirement benefit obligations

Pursuant to the collective agreements of S.A. Damm, Compañía Cervecería Damm, S.L., Estrella de Levante Fábrica de Cerveza, S.A.U., and Maltería La Moravia, S.L., the companies have assumed obligations with their employees arising from various types of benefits granted to latter to supplement the mandatory public social security system benefits for retirement, disability, and death of spouse. Furthermore, these and other Group companies have established various special payments to reward permanence at a company and reaching retirement.

In accordance with current legislation, with the objective of adapting to Law 30/1995 with regard to the pension obligations to their employees, the companies indicated above took out a group defined benefit insurance policy in order to externalise the pension obligations that these companies have assumed with the insured group of employees (see Note 18).

This contract is subject to the first additional provision of Law 8/1997, of 8 June, and in its implementing regulations approved by Royal Decree 1588/1999, of 15 October, on the externalisation of employers' pension obligations to employees and their beneficiaries.

In addition, S.A. Damm has assumed a series of obligations with certain of the Company's executive employees in relation to retirement, disability and life cover, which is externalised, in accordance with current legislation, through a defined contribution insurance policy. The Group's accounting policy for these obligations is to recognise the expense relating to the premiums on an accrual basis.

3.15. Other obligations to employees

In 2014 and 2013, several Group companies offered certain of their employees the option to take part in a corporate reorganisation plan. In this regard, in both years provisions were recognised to cover the obligations arising from this reorganisation plan.

3.16. Provisions

When preparing the financial statements of the consolidated companies, their respective directors made a distinction between:

- **Provisions:** credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing; and
- **Contingent liabilities:** possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37 (see Notes 14, 26 and 34).

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

3.17. Deferred income

Government grants

Government grants related to property, plant and equipment are treated as deferred income and are taken to income over the expected useful lives of the assets concerned (see Note 13).

Emission allowances

As described in Note 3.2, Compañía de Explotaciones Energéticas, S.L., Estrella de Levante S.A.U. and Font Salem, S.L. have received greenhouse gas emission allowances through the National Allocation Plan provided for in Law 1/2005.

These emission allowances received free of charge by the Group are initially recognised as an intangible asset and an item of deferred income at their market value when they are received, and they are allocated to "Other Operating Income" in the consolidated income statement as the CO2 emissions that they are intended to cover are made (see Note 13).

3.18. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when substantially all the risks and rewards have been transferred.

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

3.19. Expense recognition

An expense is recognised in the income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the recording of the increase in a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

3.20. Offsetting

Asset and liability balances must be offset and, therefore, the net amount is presented in the consolidated balance sheet when, and only when, they arise from transactions in which, contractually or by law, offsetting is permitted and the Group intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

3.21. Income tax; deferred tax assets and liabilities

The income tax expense represents the sum of the current tax expense and the deferred tax assets and liabilities.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities include 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, and tax loss and tax credit carryforwards. 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 (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered

probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

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

Since 2009 the Group has filed consolidated tax returns (tax group 548/08) through a resolution adopted by the shareholders of all the Group companies comprising the tax group at their respective general meetings (see Note 26).

3.22. Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year (see Note 29).

Diluted earnings per share are calculated by dividing net profit or loss attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

Since there are no equity instruments with a dilutive effect, basic earnings per share coincide with diluted earnings per share.

3.23 Foreign currency transactions

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

The balances in currencies other than the euro on the asset and liability sides of the balance sheet are deemed to be denominated in "foreign currency", and are translated to euros at the exchange rates prevailing at year-end, and any gains or losses are recognised in the income statement.

3.24. Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows with the meanings specified:

Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

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

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

Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

4. Goodwill

The detail of, and changes in, "Goodwill" in the consolidated balance sheet in 2014 and 2013, and the allocation of goodwill to the various cash-generating units to which it belongs, are as follows:

	Thousands of Euros				
	01/01/14	Change in the Scope of Consolidation (Note 2.2.d)	Additions/ Disposals	Impairment	31/12/14
Water products	18,741	-	-	-	18,741
Beer and other beverages	5,881	375	-	(32)	6,224
Distribution and catering	19,715	1,784	1,482	(717)	22,264
Total	44,337	2,159	1,482	(749)	47,229

	Thousands of Euros				
	01/01/13	Change in the Scope of Consolidation	Additions/ Disposals	Impairment	31/12/13
Water products	18,741	-	-	-	18,741
Beer and other beverages	5,881	-	-	-	5,881
Distribution and catering	19,762	-	646	(693)	19,715
Total	44,384	-	646	(693)	44,337

Impairment losses

The Group periodically assesses the recoverability of the goodwill described in the foregoing table for each cash-generating unit (Water Products, Beer and Other Beverages, and Distribution and Catering).

The changes affecting the impairment losses on these items in 2014 and 2013 were as follows:

	Thousands of Euros	
	2014	2013
Beginning balance	24,733	24,040
Impairment losses charged to income	749	693
Ending balance	25,482	24,733

The beginning balance for 2014 relates to the impairment in the opening balance sheet at the transition date (1 January 2005), amounting to EUR 6,833 thousand, and to the impairment losses recognised in subsequent years, amounting to EUR 17,900 thousand, arising from the annual impairment tests carried out on goodwill, which relate mainly to the Water Products cash-generating unit (CGU).

The recoverable amount of the cash-generating units was obtained by determining their value in use. This amount was calculated using cash flow projections based on the forecasts approved by the directors, covering a four-year time period (the cash flows of the projection periods not covered by the four years were obtained by extrapolating the previous data using as base data a constant growth rate of 1%, while not exceeding the average growth rate of the market in which they operate), which were discounted using a 7.44% and 8.5% discount rate for 2014 and 2013, respectively. Specifically, the variables used in the calculation of the recoverable amount of each CGU were as follows:

Key Assumptions	Water Products		Beer and Other Beverages		Distribution and Catering	
	2014	2013	2014	2013	2014	2013
Projection period (years)	4		4		4	
Key variables	Sales Gross Income Capex		Sales Gross Income Capex		Sales Gross Income	
Discount rate	7.44%	8.5%	7.44%	8.5%	7.44%	8.5%
Growth “g” rate	1%	0.25%	1%	0.25%	1%	1%

The discount rates and the constant growth rates do not vary significantly among CGUs since the activities relating to their goodwill are carried on in the same geographical market and since the CGUs comprise assets that carry on their activity in different phases of the same business.

The parameters included in the components of these discount rates were:

- Risk-free bond: 30-year Spanish bond
- Market risk premium: based on the report “Market Risk Premium used in 88 countries in 2014, a survey with 8,228 answers” (IESE BSchool June 2014).
- Proportion of equity to debt: 80% equity / 20% debt.

The reduction in the discount rate is due mainly to the decline in the risk premium in the Spanish economy.

Impairment tests are carried out separately on the recoverable amount of the Catering CGU and the recoverable amount of the Distribution CGU.

Apart from the discount rates, the most sensitive aspects included in the projections used by the Group are as follows:

- Beer and Other Beverages/Water Products:
 - o Volume trend: projected according to the estimates provided by “Canadean” for the Spanish beer and soft drinks and bottled water market. The volume of litres sold is estimated as stable for the projection period as a result of a recovery in the consumption of brand beer and water products and a comparatively worse performance by “private label brands” associated with a better performance by the Spanish economy.
 - o Market share trend: market share is expected to remain at current levels during the projection period.

- Price trend: estimated to be stable, with increases of between 0.5% and 1%.
- Operating costs: according to the combined prices and volume rates indicated above.
- EBITDA/Sales margins: slight increase over the projected period as a result of the increased operational gearing leverage and efficiency in business processes.
- Capex: comprises mainly investments in replacements at plants and renewal of the containers pool. The trend is stable and below level of the 2007-12 cycle, when the Group substantially increased its production and logistics base.
- Distribution:
 - Trend linked to the growth of the Water Products, and Beer and Other Beverages CGUs.
- Catering:
 - Sales: stabilisation in the decline in the market and constant annual growth below long-term inflation.
 - Costs: improvements due to the consolidation of the reorganisation and chain efficiency plans.

As a result, the Group decided to recognise an impairment loss in the Distribution and Catering CGU amounting to EUR 717 thousand and in the Beer and Other Beverages CGU amount to EUR 32 thousand under "Net Impairment Losses on Non-Current Assets" in the consolidated income statement. Lastly, it is important to note that significant changes are not expected in the key assumptions on which the calculation of the recoverable amounts of these CGUs is based, since they were adapted to the current situation and represent a prudent view in the context of the current market situation. Also, a 5% reduction in sales would not modify the conclusions obtained in relation to the recoverable amount of the unimpaired CGUs. However, in line with the policies established by the Group, the latter will carry out a periodic assessment and the trend in 2015 will involve a new analysis in which the new circumstance will define the recoverable amount of these CGUs and whether to recognise impairment in this connection.

The CGUs described above belong to the "Beer and Other Beverages" and "Distribution and Catering" segment within the Group's primary segments (see Note 21).

In accordance with the estimates and projections available to the Group's directors, the forecast cash flows attributable to the CGUs to which the goodwill is allocated should enable the Group to recover over time the value of each component of goodwill recognised at 31 December 2014.

5. Other intangible assets

The changes in "Other Intangible Assets" in 2014 and 2013 were as follows, in thousands of euros:

Cost	
Balances at 1 January 2013	48,220
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	900
Transfers and other	257
Balances at 31 December 2013	49,377
Additions/disposals (net) in the scope of consolidation	43
Additions/disposals (net)	2,040
Transfers and other	788
Balances at 31 December 2014	52,248

Accumulated amortisation	
Balances at 1 January 2013	21,737
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	(1,618)

Period provisions	3,792
Balances at 31 December 2013	23,911
Additions/disposals (net) in the scope of consolidation	29
Disposals and transfers	91
Period provisions	5,323
Balances at 31 December 2014	29,354

Net intangible assets:	Thousands of Euros
Balances at 31 December 2013	25,466
Balances at 31 December 2014	22,894

5.1. Intangible assets by class

The detail, by class, of "Intangible Assets" in the consolidated balance sheet at 31 December 2014 and 2013 is as follows:

SOFTWARE

Cost	
Balances at 1 January 2013	15,438
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	1,345
Transfers and other	257
Balances at 31 December 2013	17,040
Additions/disposals (net) in the scope of consolidation	27
Additions/disposals (net)	1,099
Transfers and other	632
Balances at 31 December 2014	18,798

Accumulated amortisation	
Balances at 1 January 2013	12,993
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	(1,047)
Period provisions	1,624
Balances at 31 December 2013	13,570
Addition/disposals (net) in the scope of consolidation	27
Disposals and transfers	(16)
Period provisions	3,146
Balances at 31 December 2014	16,727

SOFTWARE - CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	3,470
Balances at 31 December 2014	2,071

TRADEMARKS

Cost	
Balances at 1 January 2013	1,750
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	72
Transfers and other	-
Balances at 31 December 2013	1,822
Additions/disposals (net) in the scope of consolidation	16
Additions/disposals (net)	833
Transfers and other	-
Balances at 31 December 2014	2,671
Accumulated amortisation	
Balances at 1 January 2013	572
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	(51)
Period provisions	139
Balances at 31 December 2013	660
Additions/disposals (net) in the scope of consolidation	2
Disposals and transfers	(49)
Period provisions	148
Balances at 31 December 2014	761
TRADEMARKS - CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	1,162
Balances at 31 December 2014	1,910

EMISSION ALLOWANCES

Cost	
Balances at 1 January 2013	214
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	(4)
Transfers and other	-
Balances at 31 December 2013	210
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	102
Transfers and other	-
Balances at 31 December 2014	312
Accumulated amortisation	
Balances at 1 January 2013	-
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	-
Period provisions	-
Balances at 31 December 2013	-
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	-
Period provisions	-
Balances at 31 December 2014	-
EMISSION ALLOWANCES – CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	210

Balances at 31 December 2014	312
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FRANCHISES

Cost	
Balances at 1 January 2013	25,433
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	-
Transfers and other	686
Balances at 31 December 2013	26,119
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	-
Transfers and other	-
Balances at 31 December 2014	26,119
Accumulated amortisation	
Balances at 1 January 2013	4,992
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	1,131
Period provisions	1,887
Balances at 31 December 2013	8,010
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	-
Period provisions	1,887
Balances at 31 December 2014	9,897
FRANCHISES - CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	18,109
Balances at 31 December 2014	16,222

CONCESSION RIGHTS AND OTHER INTANGIBLE ASSETS

Cost	
Balances at 1 January 2013	5,385
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	(513)
Transfers and other	(686)
Balances at 31 December 2013	4,186
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	6
Transfers and other	156
Balances at 31 December 2014	4,348
Accumulated amortisation	
Balances at 1 January 2013	3,180
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	(1,651)
Period provisions	142
Balances at 31 December 2013	1,671
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	156
Period provisions	142
Balances at 31 December 2014	1,969
OTHER INTANGIBLE ASSETS - CARRYING AMOUNT	Thousands of

	Euros
Balances at 31 December 2013	2,515
Balances at 31 December 2014	2,379

The intangible asset amortisation charge recognised in the 2014 consolidated income statement amounted to EUR 5.4 million.

6. Property, plant and equipment

The changes in “Property, Plant and Equipment” in the consolidated balance sheet in 2014 and 2013 were as follows:

Cost	
Balances at 1 January 2013	1,226,288
Additions/disposals (net) in the scope of consolidation	(15)
Additions/disposals (net)	39,824
Transfers and other	(1,899)
Balances at 31 December 2013	1,264,198
Additions/disposals (net) in the scope of consolidation	21
Additions/disposals (net)	37,849
Transfers and other	(619)
Balances at 31 December 2014	1,301,449

Accumulated depreciation	
Balances at 1 January 2013	773,157
Additions/disposals (net) in the scope of consolidation	(15)
Disposals and transfers	(17,636)
Period provisions	68,451
Balances at 31 December 2013	823,957
Additions/disposals (net) in the scope of consolidation	21
Disposals and transfers	(19,217)
Period provisions	67,348
Balances at 31 December 2014	872,109

PROPERTY, PLANT AND EQUIPMENT - CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	440,241
Balances at 31 December 2014	429,340

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment is subject.

6.1. Property, plant and equipment by class

The detail, by class, of “Property, Plant and Equipment” in the consolidated balance sheet at 31 December 2014 and 2013 is as follows:

LAND AND BUILDINGS

Cost	
Balances at 1 January 2013	275,826
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	2,792
Transfers and other	9,145
Balances at 31 December 2013	287,763
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	357
Transfers and other	(9,856)
Balances at 31 December 2014	278,264
Accumulated depreciation -	
Balances at 1 January 2013	58,411
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	(282)
Period provisions	7,607
Balances at 31 December 2013	65,736
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	(961)
Period provisions	7,687
Balances at 31 December 2014	72,462
LAND AND BUILDINGS - CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	222,027
Balances at 31 December 2014	205,802

Transfers in 2014 relate mainly the reclassification of assets from the brewing plant in Santarem (Portugal).

PLANT AND MACHINERY

Cost	
Balances at 1 January 2013	597,271
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	1,010
Transfers and other	3,466
Balances at 31 December 2013	601,747
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	(137)
Transfers and other	34,955
Balances at 31 December 2014	636,565
Accumulated depreciation -	
Balances at 1 January 2013	443,506
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	(8,115)
Period provisions	39,394
Balances at 31 December 2013	474,785
Additions/disposals (net) in the scope of consolidation	-
Disposals and transfers	(11,484)
Period provisions	35,523
Balances at 31 December 2014	498,824

PLANT AND MACHINERY - CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	126,962
Balances at 31 December 2014	137,741

The investments under "Plant and Machinery" comprise investments in new bottling tanks and machinery for producing new formats and labelling at the various plants owned by the Group.

Transfers in 2014 relate mainly to the completion of improvements and investments in progress at the end of the previous year at the Group's main production plants, and to the upgrade of the cogeneration machinery relating to the Group's energy activities.

OTHER PLANT, TOOLS, FURNITURE AND BOTTLING

Cost	
Balances at 1 January 2013	335,347
Additions/disposals (net) in the scope of consolidation	(15)
Additions/disposals (net)	15,486
Transfers and other	879
Balances at 31 December 2013	351,697
Additions/disposals (net) in the scope of consolidation	21
Additions/disposals (net)	17,643
Transfers and other	227
Balances at 31 December 2014	369,588

Accumulated depreciation -	
Balances at 1 January 2013	271,240
Additions/disposals (net) in the scope of consolidation	(15)
Disposals and transfers	(9,239)
Period provisions	21,450
Balances at 31 December 2013	283,436
Additions/disposals (net) in the scope of consolidation	21
Disposals and transfers	(6,772)
Period provisions	24,138
Balances at 31 December 2014	300,823

OTHER PLANT, TOOLS, FURNITURE AND BOTTLING - CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	68,261
Balances at 31 December 2014	68,765

"Other Plant, Tools, Furniture and Bottling" includes mainly the investments made by the Group in relation to product dispensers and returnable bottles, as well as items of the Group's transport equipment.

ADVANCES AND PROPERTY, PLANT AND EQUIPMENT IN THE COURSE OF CONSTRUCTION

Cost	
Balances at 1 January 2013	17,844
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	20,536
Transfers and other	(15,389)

Balances at 31 December 2013	22,991
Additions/disposals (net) in the scope of consolidation	-
Additions/disposals (net)	19,986
Transfers and other	(25,945)
Balances at 31 December 2014	17,032
ADVANCES AND PROPERTY, PLANT AND EQUIPMENT IN THE COURSE OF CONSTRUCTION – CARRYING AMOUNT	Thousands of Euros
Balances at 31 December 2013	22,991
Balances at 31 December 2014	17,032

The transfers under “Advances and Property, Plant and Equipment in the Course of Construction” relate primarily to the Group’s main projects ongoing at 31 December 2013 (redevelopment of the bottling lines at the brewing plant located in Prat de Llobregat, the upgrade of the cogeneration machinery relating to the Group’s energy activities and various bottling and packaging improvement projects) which were completed in 2014.

The Group’s main projects ongoing at 31 December 2014 were the redevelopments of some of the lines at the breweries in Prat de Llobregat and Espinardo (Murcia), several projects to enhance logistics and operations, as well as the refurbishment and improvement of facilities at the Group’s headquarters located in Barcelona.

At 31 December 2014, the Group had various items of property, plant and equipment that it had acquired under finance leases, the cost of which amounted to EUR 23.4 million and with accumulated depreciation of EUR 18.2 million (31 December 2013: a cost of EUR 23.8 million and accumulated depreciation of EUR 16.9 million).

At 31 December 2014, the Group did not have any items of property, plant and equipment mortgaged as security for loans received from banks.

In 2014, the Group capitalised borrowing costs on property, plant and equipment amounting to EUR 36 thousand.

7. Investments accounted for using the equity method

The detail of, and changes in, the Group investees accounted for using the equity method in 2014 and 2013 are as follows:

	Thousands of Euros						
	Balance at 01/01/14	Share of Results of Entities Accounted for Using the Equity Method	Transfer to Income (Note 25)	Changes in the Scope of Consolidation (Note 2.2)	Dividends	Other Changes in Equity (Note 12.5)	Balance at 31/12/14
BEVERAGES SUBGROUP	6,918	(1,214)	-	-	-	-	5,704
DISTRIBUTION SUBGROUP	4,152	452	-	-	(270)	-	4,334
CATERING SUBGROUP	5,084	460	(187)	-	(476)	-	4,881
EBRO	245,118	15,023	-	6,857	(7,661)	7,906	267,243
Total	261,272	14,721	(187)	6,857	(8,407)	7,906	282,162

	Thousands of Euros						
	Balance at 01/01/13	Share of Results of Entities Accounted for Using the Equity Method	Transfer to Income (Note 25)	Changes in the Scope of Consolidation (Note 2.2)	Dividends	Other Changes in Equity (Note 12.5)	Balance at 31/12/13
BEVERAGES SUBGROUP	11,717	(4,799)	-				6,918
DISTRIBUTION SUBGROUP	3,862	492	-	15	(217)	-	4,152
CATERING SUBGROUP	5,039	476	(86)	-	(345)	-	5,084
EBRO	244,267	12,944	-	-	(9,000)	(3,093)	245,118
Total	264,885	9,113	(86)	15	(9,562)	(3,093)	261,272

Financial information

A detail of the main financial data at 31 December 2014 and 2013 relating to the companies accounted for using the equity method is included in Note 36.

None of the associates are listed, except Ebro Foods, S.A., whose shares are admitted to official trading on the Madrid Stock Exchange. The number of shares admitted to trading is 100% of its share capital, of which the Group owns 15,426,438 shares, representing 10.03% of the total (9.75% at 31 December 2013). At 31 December 2014, the share price was EUR 13.71/share. (2013: EUR 17.03).

Share of results of entities accounted for using the equity method

In 2014, the share of results of entities accounted for using the equity method primarily consisted of 10.03% of the results of Ebro Foods S.A., 50% of the results of Grupo Cacaolat S.L., 50% of the results of Trade Eurofradis S.L., 50% of Dehesa de Santa María S.L. and 24.95% of the results of United States Beverages LLC.

Changes in the scope of consolidation

The changes in the scope of consolidation in 2014 relate to the increase in the investment in Ebro Foods S.A. (see Note 2.2.d).

The changes in the scope of consolidation in 2013 relate to the initial recognition of the investment in Plataforma Logística Madrid S.L. (see Note 2.2.d).

Other information

There are no significant restrictions on the associates' capacity to transfer funds to the Group companies that invest in them.

8. Non-current financial assets

The detail of, and changes in, "Non-Current Financial Assets" in the consolidated balance sheets, by type of transaction, in 2013 and 2014 are as follows:

	Thousands of Euros					
	Balance 01/01/14	Additions or disposals	Transfer to Income (Note 27.2)	Fair Value Adjustments	Transfers and Other	Balance 31/12/14
Trade and other receivables	42,996	(1,509)	-	-	-	41,487
Available-for-sale financial assets	479	9,502	-	(1,336)	-	8,645
Loans to associates and joint ventures	25,964	-	-	183	-	26,147
Long-term guarantees and deposits	1,964	13	-	-	-	1,977
Other financial assets	190	-	-	-	-	190
Total	71,593	8,006	-	(1,153)	-	78,446

	Thousands of Euros						
	Balance 01/01/13	Additions or acquisitions	Exclusions or Reductions	Transfer to Income (Note 27.2)	Fair Value Adjustments	Transfers and Other	Balance 31/12/13
Trade and other receivables	24,905	17,830	-	-	-	261	42,996
Available-for-sale financial assets	27,910	-	(5,608)	(37,109)	15,286	-	479
Loans to associates and joint ventures	26,196	-	(180)	(52)	-	-	25,964
Long-term guarantees and deposits	1,599	823	(449)	-	-	(9)	1,964
Other financial assets	190	-	-	-	-	-	190
Total	80,800	18,653	(6,237)	(37,161)	15,286	252	71,593

Available-for-sale financial assets

The balance of "Available-for-Sale Financial Assets" at 1 January 2013 mainly consisted of the investment in 1,781,798 shares of Pescanova, S.A. whose acquisition cost was EUR 40.2 million, and in 1,532,429 shares of Sacyr Vallehermoso, S.A., whose acquisition cost was EUR 5.1 million. The fair value of these shares based on the share price at 2012 year-end was EUR 25 million and EUR 2.5 million, respectively, which were recognised in the financial statements for 2012.

A series of events occurred in the first half of 2013 that disclosed a situation of insolvency at Pescanova, S.A. and, as a result, objective evidence of impairment on the value of the investment held by the Group in this company (6.2% of the share capital).

As a result, the Group decided to recognise impairment on the investment it holds in Pescanova, S.A.

At 31 December 2013, the investment had been fully written off. Therefore, no effect was recognised in relation to this investment in 2014.

The fair value adjustments relate primarily to the loss on the shares of Pescanova, S.A. until their impairment and subsequent transfer to the 2013 income statement (see Note 12.5).

At 2014 year-end, the balance of this line item relates to various investments in corporate bonds and shares of various companies that were recognised at fair value.

Loans to associates and joint ventures

The balance at 31 December 2014 related to two loans to associates that earned a market rate of interest plus a market spread for a total amount of EUR 1,647 thousand, and a participating loan to Grupo Cacaolat S.L. for EUR 24,500 thousand.

9. Inventories

The detail of "Inventories" in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Raw materials	26,835	27,911
Work in progress	12,001	14,537
Finished goods	25,710	25,247
Total	64,546	67,695

The Group recognised an allowance for certain maintenance materials used by it that were impaired but still used, recognising income of EUR 493 thousand in the income statement. In view of the nature of the inventories and their normal rotation levels, there is generally no obsolescence and, therefore, the allowance for obsolete inventory is not significant.

10. Trade and other receivables and Other current financial assets

10.1 Trade and other receivables

	Thousands of Euros	
	2014	2013
Trade receivables	133,574	110,959
Other receivables	2,858	4,112
Tax receivables (Note 26.3)	4,427	4,677
Total	140,859	119,748

The average credit period for the sale of goods ranges from 50 to 120 days, depending on the channel to which the sales relate. Interest is not normally charged on accounts receivable. This line items includes a provision for doubtful debts amounting to EUR 5.2 million, the balance of which was mainly recognised in prior years. The directors consider that this provision is in line with the risks inherent to the business, based on past experience and combined with additional cover (insurance policies) that is described in Note 2.3 Risk Policy.

The age of the customer receivables at 31 December 2014 is as follows:

	2014
Current and within 6 months	129,368
Between 6 and 12 months	2,553
Between 12 and 18 months	638
After 18 months	1,015
Total	133,574

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

10.2. Other current financial assets

The amount recognised at 31 December 2014 relates mainly to the amount of the Group's deposits at year-end maturing between three months and one year that, in view of their characteristics, were not classified as cash equivalents, and other financial assets maturing in the short term.

11. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" is as follows:

	Thousands of Euros	
	2014	2013
Cash	50,054	90,552
Cash equivalents	41,063	14,758
Total	91,117	105,310

The balance of "Cash Equivalents" relates mainly to the Group's deposits at year-end maturing within three months.

The interest earned on cash and cash equivalents was recognised under "Other Interest and Similar Income" in the consolidated income statement (see Note 23).

12. Equity

12. 1. Share capital

At 31 December 2013, the Parent's share capital amounted to EUR 53,481,845 and was represented by 267,409,225 shares of EUR 0.20 par value each.

On 30 June 2014, at the General Meeting the shareholders resolved to increase the share capital entirely with a charge to reserves through the issuance of 2,674,047 new, fully paid shares of EUR 0.20 par value each.

The shares were allotted without payment in the proportion of one new share for each 100 shares held as shareholder on 13 July 2014. The allotment rights in relation to the new shares were traded from 14 to 28 July 2014, inclusive. The shares resulting from this capital increase were admitted to trading on 18 September.

As a result, at 31 December 2014, the Parent's share capital amounted to EUR 54,016,654.40 and was represented by 270,083,272 shares of EUR 0.20 par value each. At the date of authorisation for issue of these consolidated financial statements, all the issued shares were paid and had been admitted to trading on the electronic open outcry market of the Barcelona Stock Exchange, and all carry the same voting and dividend rights.

	Thousands of Euros	
	2014	2013
Beginning balance	53,482	51,996
Capital increase	535	1,486
Ending balance	54,017	53,482

The shareholders (legal entities) with an ownership interest of more than 10% in the share capital of S.A. DAMM at 31 December 2014 were DISA CORPORACION PETROLIFERA, S.A. (27.931%), MUSROM GMBH (25.016%) and SEEGRUND, B.V. (13.952%).

12.2. Share premium

There were no changes in "Share Premium" in 2014 or 2013.

The balance of "Share Premium" arose as a result of the share capital increases carried out in 1954, 2003 and 2005, after deducting transaction costs.

Also, the capital increases with a charge to share premium in 2009, 2010 and 2011, approved by the shareholders at the related General Meetings gave rise to a reduction of EUR 3,055 thousand in the share premium.

The Consolidated Spanish Public Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

12.3. Reserves

Legal reserve

Under the Consolidated Spanish Public Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The Parent of the Group has recognised a legal reserve amounting to EUR 10,696 thousand, included under "Other Reserves of the Parent" in the accompanying consolidated balance sheet and, following the proposed distribution of 2014 profit (see Note 28), it will have reached the stipulated level.

Other Reserves of the Parent

The changes in "Other Reserves of the Parent" in the consolidated balance sheet in 2014 were as follows, in thousands of:

	2014
Balance at 31 December 2013	449,353
Distribution of profit	17,494
Capital increase (bonus share issue)	(535)
Other changes in equity	(1,000)
Commitment to acquire treasury shares (Note 12.4)	(281,231)
Balance at 31 December 2014	184,081

The breakdown of "Reserves" in the balance sheet is as follows, in thousands of euros:

	2014
Legal reserve	10,696
Other reserves	454,616
Commitment to acquire treasury shares (Note 12.4)	(281,231)
Balance at 31 December 2014	184,081

Consolidation reserves

The detail, by entity, of "Consolidation Reserves" in the consolidated balance sheets, after considering the effect of consolidation adjustments recognised in equity as a result of the consolidation process, is as follows:

	Thousands of Euros	
	2014	2013
Full consolidation:		
Agora Europe, S.A.	1,395	1,395
Agora Italia S.r.l.	(2)	12
Aguas San Martín de Veri, S.A.	3,248	1,805
Alfil Logistics, S.A.	1,206	1,314
Cafés Garriga 1850 S.L.	(723)	(669)
Cerbedam, S.L.	85	77
Compañía Cervecera Damm, S.L.	27,431	19,613
Compañía Damm de Aguas S.L.	(417)	(417)
Compañía de Explotaciones Energéticas, S.L.	2,459	2,377
Corporación Económica Damm, S.A.	(49,675)	(22,047)
Crouchback Investments, Ltd.	(2)	231
Damm Atlántica, S.A.	312	293
Damm Brewery Ltd.	55	83
Damm Distribución Integral, S.L.	3,140	2,780
Damm Innovación, S.L.	1,119	1,119
Damm Portugal Lda.	(747)	(519)
Damm Restauración S.L.	(1,044)	(1,044)
Distridam, S.L.	1,963	1,561
Estrella de Levante, S.A.	12,733	10,629
Font Salem, S.L.	51,570	39,571
Font Salem Holding, S.L.	(704)	(719)
Font Salem Invetimentos Lda.	4,330	6,508

	Thousands of Euros	
	2014	2013
Font Salem Portugal S.A.	(831)	(831)
Fundació Damm	2,912	2,685
Gestión Fuente Liviana, S.L.	1,030	1,119
Holding Cervezero Damm S.L.	4,475	2,957
Inmuebles y Terrenos, S.A.	219	126
Licavisa, S.L.	1,111	868
Maltería La Moravia, S.L.	2,658	1,500
Osiris Tecnología y Suministros Hosteleros, S.A.	(2,124)	(2,124)
Pallex Iberia, S.L.	(407)	(428)
Plataforma Continental, S.L.	(3,359)	(2,681)
Representaciones Unidas Ulbe, S.L.	110	91
Reservas de Hielo, S.A.	601	569
Soluciones Tecnológicas para la Alimentación	45	52
Rodilla Sánchez, S.L.	(7,769)	(5,896)
Other reserves attributable to the Parent	(3,871)	(8,328)
TOTAL FULLY CONSOLIDATED RESERVES	52,532	53,632
Associates:		
Ebro Foods, S.A.	82,559	69,615
Grupo Cacaolat S.L., Eudivasa, S.L., Port Parés, S.A., Trade Eurofradis, S.L., Dehesa de Santa María, S.L. and Comergrup, S.L.	2,772	2,148
TOTAL RESERVES OF ASSOCIATES	85,331	71,763
TOTAL CONSOLIDATION RESERVES	137,863	125,395

The balance of "Consolidation Reserves" for 2014 and 2013 includes the transition reserves to IFRSs, amounting to EUR 2,476 thousand. These arose from the adaptation of the consolidated financial statements at 1 January 2004 (transition date) to the International Financial Reporting Standards as approved by the European Union (EU-IFRSs). The various related items in the transition reserves are explained in the notes to the financial statements for the year ended 31 December 2005.

12.4. Commitment to acquire treasury shares

On 1 December 2014, shareholders at the Company's Extraordinary General Meeting, held at first call, attended by 367 present or duly represented shareholders holding 247,586,023 shares representing 91.67% of the Company's share capital (the "General Meeting") approved (i) the de-listing of Company shares from the Barcelona Stock Exchange, (ii) the preparation by the Company of a tender offer for its own shares (the "Offer"), under article 34 of the Securities Market Act 24/1988, of 28 July, and article 10 of the RD 1066/2007, of 27 July, governing public takeovers, and (iii) the reduction of the Company's share capital in the amount that the shares included in the Offer exceed the applicable legal limit with respect to treasury shares, through the redemption thereof; and (iv) the delegation of powers to the Company's Board of Directors to execute the resolutions adopted.

Thirty-four Company shareholders holding 220,744,559 shares representing 81.73% of total share capital voted to de-list Company shares and undertook, at the General Meeting, to block the shares owned by them until the Offer was settled, through the issuance of the related authorisation and blocking certificates.

A total of 39,456,402 shares of the blocked shares contributed, equivalent to 14.61% of the capital, are subject to liens and charges. Due to the existence of these charges, these blockings cannot be counted as blocked shares in the Offer, and, accordingly, the Offer also targets such shares.

In view of the foregoing, by virtue of the delegation of powers approved at the Annual General Meeting with respect to the Board of Directors of S.A. DAMM, the number of shares targeted by the Offer and the remaining characteristics thereof, were adjusted in the terms included in the prospectus.

Consequently, the Offer targets the acquisition of 88,795,115 shares of S.A. DAMM, representing 32.88% of the share capital. The remaining 181,288,157 shares completing the share capital of S.A. DAMM were blocked by

their respective owners. The 88,795,115 shares targeted by the Offer include 39,456,402 shares subject to charges and liens for the reasons indicated above.

Under prevailing accounting standards IAS 32 paragraph 23, a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. This financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. The Company's directors quantified the amount of this liability based on information available to the Company, in accordance with which the blocking commitments formally assumed by the shareholders whose shares are subject to charges and liens would not be affected, within the settlement period of the Offer, by a possible execution of such commitments. Consequently, the Company recognised a current liability with a charge to equity in the balance sheet at 31 December 2014 amounting to EUR 281 million (equivalent to 49,338,713 shares representing 18.27% of share capital at a price of EUR 5.70 per share), since it was considered that such amount reflects the best quantification of the estimated redemption amount arising from the acquisition of the shares targeted by the Offer.

On 11 March 2015, the Spanish National Securities Market Commission (CNMV) authorised the Offer and, pursuant to article 22 of RD 1066/2007, the Company published the related Tender Offer Announcement on 13 March.

As a result, under the terms set forth in the prospectus, the acceptance period ran from 16 March 2015 until 30 March 2015, both inclusive.

This acceptance period was still in effect at the date of authorisation for issue of these consolidated financial statements.

12.5 Valuation adjustments

Available-for-sale financial assets

"Available-for-Sale Financial Assets" in the consolidated balance sheet includes the amount after tax relating to the changes in fair value of the assets classified as available for sale (see Note 8 – Non-Current Financial Assets); these differences are recognised in the consolidated income statement when the assets giving rise to them are sold or when impairment is recognised on them.

Companies accounted for using the equity method

"Companies Accounted for Using the Equity Method" includes the amount after tax relating to the valuation adjustments and the adjustments for translation differences arising at the associates.

The changes in 2014 and 2013, net of the related tax effect, are as follows:

	Thousands of Euros				
	2012	Valuation Gains/ Losses	Amount Transferred to Income Statement	Transfers and Other (Note 7)	2013
Available-for-sale financial assets (Note 8)	(10,592)	(15,276)	25,976	-	108
Cash flow hedges	(201)	201	168	-	168
Translation differences	-	(2)	-	-	(2)
Actuarial gains and losses (Note 18)	-	877	-	-	877
Companies accounted for using the equity method (Note 7)	4,190	-	-	(3,093)	1,097
VALUATION ADJUSTMENTS	(6,603)	(14,200)	26,144	(3,093)	2,248

	Thousands of Euros				
	2013	Valuation Gains/Losses	Amount Transferred to Income Statement	Transfers and Others (Notes 7 and 26)	2014
Available-for-sale financial assets (Note 8)	108	(1,319)	(9)	-	(1,220)
Cash flow hedges	168	(255)	(20)	(8)	(115)
Translation differences	(2)	6	-	-	4
Actuarial gains and losses (Note 18)	877	184	-	-	1,061
Companies accounted for using the equity method (Note 7)	1,097	-	-	7,906	9,003
VALUATION ADJUSTMENTS	2,248	(1,384)	(29)	7,898	8,733

The amount of “Valuation Gains/Losses” and “Amount Transferred to Income Statement” in relation to available-for-sale financial assets relates mainly to, firstly, the decline in the price of the Pescanova, S.A. shares until they were written down and the subsequent transfer to the accompanying 2013 income statement and, secondly, the increase in the price of the Sacyr Vallehermoso S.A. shares until their disposal (see Notes 8 and 27.2, respectively).

In 2014 and 2013, the “Transfers and Other” column in relation to entities accounted for using the equity method includes the Group’s share in the increase in equity, mainly as a result of valuation adjustments and translation differences recognised in the equity of the associates’ financial statements.

12.6 Interim dividend paid

In 2014, the Board of Directors of the Parent approved the distribution of two interim dividends amounting to EUR 8.1 million, which were recognised as a reduction in the Group’s equity. The provisional accounting statements prepared by the Group’s parent, S.A. Damm, disclosed the existence of sufficient funds in order to distribute this interim dividend (see Note 28, Distribution of Profit).

The final dividend proposed by the Board of Directors, amounting to EUR 21,134 thousand, at the Annual General Meeting, will not be deducted from equity until the shareholders have approved it (see Note 28).

12.7 Non-controlling interests

The detail, by company, of “Non-Controlling Interests” in the consolidated balance sheets at 31 December 2014 and 2013, and the profit or loss attributable to non-controlling interests in those years is as follows:

Entity	Thousands of Euros			
	2014		2013	
	Non-Controlling Interests	Profit or Loss Attributable to Non-Controlling Interests	Non-Controlling Interests	Profit or Loss Attributable to Non-Controlling Interests
Aguas San Martín de Veri, S.A.	38	-	31	-
Alfil Logistics, S.A.	2,150	173	2,000	281
Cerbeleva, S.L.	477	23	455	50

Entity	Thousands of Euros			
	2014		2013	
	Non-Controlling Interests	Profit or Loss Attributable to Non-Controlling Interests	Non-Controlling Interests	Profit or Loss Attributable to Non-Controlling Interests
Distrialmo, S.L.	44	(5)	48	(10)
Distridam, S.L. and Barnadis Logística 2000 S.L.	1,625	383	1,589	181
Licavisa, S.L.	1,191	247	996	228
Dismenorca S.L.	1,820	113	-	-
Other	42	(125)	40	(76)
TOTAL	7,387	809	5,159	654

The changes in “Non-Controlling Interests” in 2014 and 2013 are summarised as follows:

	Thousands of Euros	
	2014	2013
Beginning balance	5,159	4,781
Inclusion of companies in the Group	1,708	-
Dividends paid to non-controlling interests	(289)	(270)
Profit (Loss) attributable to non-controlling interests	809	654
Other changes	-	(6)
Ending balance	7,387	5,159

13. Deferred income

The detail of “Deferred Income” in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Grants related to assets	1,305	1,224
Emission allowances	233	144
Ending balance	1,538	1,368

Grants related to assets:

The changes in “Grants Related to Assets” in 2013 were as follows:

	Thousands of Euros
Balance at 1 January 2013	1,144
Additions	323
Transfers	(117)
Amount allocated to profit or loss	(126)
Balance at 31 December 2013	1,224

The changes in "Grants Related to Assets" in 2014 were as follows:

	Thousands of Euros
Balance at 1 January 2014	1,224
Additions	103
Transfers	89
Amount allocated to profit or loss	(111)
Balance at 31 December 2014	1,305

The additions in 2014, amounting to EUR 103 thousand, related to state and autonomous community grants for investments in processes, machinery and fixtures.

The grants related to assets that were allocated to income in 2014 amounted to EUR 111 thousand, and the other grants will be recognised from 2014 until 2040.

Emission allowances

The changes in "Emission Allowances" in 2013 were as follows:

	Thousands of Euros
Balance at 1 January 2013	150
Additions/Disposals	82
Amount allocated to profit or loss	(88)
Balance at 31 December 2013	144

The changes in "Emission Allowances" in 2014 were as follows:

	Thousands of Euros
Balance at 1 January 2014	144
Additions/Disposals	187
Transfers	15
Amount allocated to profit or loss	(113)
Balance at 31 December 2014	233

14. Provisions

14.1 Long-term provisions

The changes in “Long-Term Provisions” in the 2014 consolidated balance sheet were as follows:

	Administrative Proceedings (Note 26.2)	Employee Obligations and Other Provisions	Total
Balance at 1 January 2014	764	88	852
Additions and period provisions	-	-	-
Amounts used	(423)	(88)	(511)
Amounts released/transferred	183	-	183
Balances at 31 December 2014	524	-	524

The change in the “Administrative Proceedings” column relates mainly to the reversal in 2014 of the provision existing at 31 December 2013. The latter initially covered the amounts of the tax assessments signed on a contested basis relating to the reviews of personal income tax for 2009 to 2011, with a credit to “Income Tax” in the accompanying consolidated income statement (see Note 26).

15. Bank borrowings

Bank loans

The detail of the bank borrowings at 31 December 2014 and 2013 and the repayment schedules is as follows:

	Thousands of Euros							
	Borrowings at 31 December 2014							
	Balance at 31/12/14	Current Maturity	Non-Current Maturity					Non- Current Maturity
	2015	2016	2017	2018	2019	Thereafter	Total	
Payables relating to hedging instruments	223	-	-	223	-	-	-	223
Other loans	152,813	51,625	66,625	22,563	6,000	6,000	-	101,188
Credits	3,684	3,681	3	-	-	-	-	3
Finance lease payments payable (see Note 16)	4,915	2,654	2,126	80	38	17	-	2,261
Interest payable	301	301	-	-	-	-	-	-
Total bank borrowings	161,936	58,261	68,754	22,866	6,038	6,017		103,675

	Thousands of Euros							
	Borrowings at 31 December 2013							
	Balance at 31/12/13	Current Maturity 2014	Non-Current Maturity					Non- Current Maturity Total
		2015	2016	2017	2018	Thereafter		
Payables relating to hedging instruments	889	-	-	-	889			889
Other loans	228,334	54,735	54,322	93,131	26,146			173,599
Credits	32,296	28,850	2,958	-	488			3,446
Finance lease payments payable (see Note 16)	7,633	2,693	2,706	2,135	79	20		4,940
Interest payable	483	483	-	-	-			-
Total bank borrowings	269,635	86,761	59,986	95,266	27,602	20		182,874

The directors consider that the fair value of the Group's borrowings matches their carrying amount.

Other loans and credits

Some of the principal features of the Group's borrowings are as follows:

In 2011, the Company renewed its corporate financing facilities through the syndicated financing agreement entered into between various first-class Spanish and international banks, and through bilateral financing with other entities. There were no additional, significant transactions in 2014 or 2013. The total financing obtained amounted to EUR 315,000 thousand, of which:

EUR 132,500 thousand were drawn down through a six-year loan, with a two-year grace period, for the purpose of repaying Tranche B (RCF) on maturity, drawn down on the syndicated loan mentioned above obtained in 2006. At 31 December 2014, the outstanding amount on the loan was EUR 82,813 thousand.

EUR 50,000 thousand were drawn down through a four-year loan, with a one-year grace period on the principal, in order to repay corporate financing facilities. At 31 December 2014, the outstanding amount on the loan was EUR 25 thousand.

EUR 132,500 thousand through a five-year RCF, of which EUR 15,000 thousand had been drawn down at 31 December 2014.

The subsidiaries Estrella del Levante S.A, Font Salem S.L., Compañía Cervecera Damm S.L., Maltería La Moravia S.L, Aguas de San Martín de Veri S.A and Gestión Fuente Liviana S.L act as guarantors of these financing transactions.

At 31 December 2014, Group companies had undrawn credit facilities totalling EUR 236.8 million, which sufficiently cover any need of the Group on the basis of its short-term obligations.

The Group's bank borrowings, credit facilities and other bank financing instruments are tied to Euribor plus a market spread.

Derivative financial instruments (Interest rate hedges)

The detail, by term to maturity, of the notional and/or contractual values of the financial derivatives held by the Group and outstanding at 31 December 2014, and of the associated hedging instrument, is as follows:

	Thousands of Euros					
	Balance at	Outstanding Notional Amount / Residual Maturity (*)				Non-Current Maturity
		Current Maturity	Non-Current Maturity			
			2 to 5 Years	5 to 10 Years	More than 10 Years	
31/12/14	2015					
Interest rate transactions:						
Other financial derivatives (swaps) – notional amount	22,500	10,000	12,500	-	-	12,500
Total	22,500	10,000	12,500	-	-	12,500

(*) Based on the term of the underlying liability

At 31 December 2014, the Group had entered into two derivative financial instruments (swaps) for an initial notional amount of EUR 20 million and EUR 10 million, entered into in 2012 and 2013, which complement the hedges of the Parent's interest rate exposure. The reference interest rate for the hedging instruments is the 1-month EURIBOR.

Financial derivative valuation techniques

The adoption of IFRS 13 requires an adjustment to the Company's valuation techniques in order to calculate fair value of its derivatives. The Company includes a credit risk adjustment in order to reflect both its own and counterparty risk in the fair value of the derivatives.

Specifically, in order to determine the adjustment for credit risk, a technique was applied based on the calculation, using simulations, of the total expected exposure (which includes both current and potential exposure) adjusted for the probability of default over time and for loss given default (or potential loss) assigned to the Company and to each counterparty.

More specifically, the credit risk adjustment was obtained using the following formula:

$EAD * PD * LGD$, where:

- EAD (exposure at default): the exposure at default in each time period. EAD is calculated by simulating yield curve scenarios (e.g. Monte Carlo).
- PD (probability of default): the probability that one of the counterparties will default in each time period.
- LGD (loss given default): = 1 - (recovery rate): percentage loss that will finally occur when one of the counterparties has defaulted.

The total expected exposure of the derivatives is obtained by using observable market inputs, such as interest rate, exchange rate and volatility curves based on the market conditions at the measurement date. The market information is derived from external information sources that are recognised in the financial markets.

The inputs applied in order to obtain own and counterparty credit risk (calculation of probability of default) are based mainly on the application of the Group's own credit spreads and those of comparable companies currently traded on the market (CDS curves, IRR of debt issues). For counterparties with available credit information, the credit spreads used are obtained from the credit default swaps quoted on the market.

In addition, a 40% standard recovery rate (LGD of 60%) was applied in the calculation of both own credit risk and the credit risk of the counterparty banks.

16. Obligations under finance leases

	Thousands of Euros	
	2014	2013
Amounts payable under finance leases:	4,915	7,633
Within one year	2,654	2,693
Between two and five years	2,261	4,940
After five years	-	-

The Group uses finance leases to fund the acquisition of a portion of its facilities and equipment. The average term of the finance leases is under five years.

All the lease obligations are denominated in euros.

The fair value of the Group's lease obligations matches their carrying amount.

17. Other financial liabilities

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs.

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July, following the entry into force of the Law, a table detailing the payment volumes and ratios relating to 2014 is included below.

This detail relates to the suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, it includes the figures relating to "Current Liabilities – Trade and Other Payables" in the accompanying balance sheet at 31 December 2014 in relation to the Group's subsidiaries located in Spain.

	31/12/14		31/12/13	
	Amounts (Thousands of Euros)	%	Amounts (Thousands of Euros)	%
Payments within the maximum payment period	334,185	45%	284,316	39%
Other payments	401,994	55%	452,553	61%
Total payments in the year	736,179	100%	736,869	100%
Payments outside the maximum payment period (days)	90 days	-	91 days	-
Weighted average period of late payment (days)	30 days	-	31 days	-
Weighted average period (days)	68 days	-	-	-
Payments at year-end not made in the maximum payment period	56.237	-	56.782	-

Weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers outside the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year outside the maximum payment period.

The maximum payment period applicable to Group companies in 2014 and 2013 under Law 3/2004, of 29 December, on combating late payment in commercial transactions, was 60 days. The Group continues to implement policies enabling the maximum payment period established by applicable legislation to be maintained.

The directors consider that the carrying amount of trade payables approximates their fair value.

18. Retirement (post-employment) plans

18.1 Defined benefit post-employment plans

Certain companies belonging to the Group have undertaken to supplement the public social security system post-employment benefits accruing to certain employees and to their beneficiary right holders in the event of retirement, permanent disability, death of spouse or death of parent.

The defined benefit plan consists of reversible annuities of a fixed amount, which bear no relation to employees' salary or social security parameters. The annuities guaranteed by the plan increase in line with actual CPI.

At 31 December 2014 and 2013, the detail of the on-balance-sheet amount relating to the defined benefit obligations and the fair value of the assets is as follows:

	Thousands of Euros	
	2014	2013
Present value of the obligations	73,455	67,278
Fair value of the plan assets	74,042	68,223

The reconciliation of the beginning balances to the ending balances of the defined benefit obligation is as follows:

	Thousands of Euros	
	2014	2013
Present value of the obligations at beginning of year	67,278	75,994
Current service cost	85	122
Interest cost	1,954	1,960
Actuarial losses (gains):	9,864	(4,648)
Actuarial losses (gains) arising from changes in demographic assumptions	-	-
Actuarial losses (gains) arising from changes in financial assumptions	11,382	(4,228)
Actuarial losses (gains) arising from experience	(1,518)	(420)
Past service cost	(953)	(1,041)
Benefits paid	(4,773)	(5,109)
Present value of the obligations at 31 December	73,455	67,278

The changes in the fair value of the plan assets in 2014 and 2013 were as follows:

	Thousands of Euros	
	2014	2013
Fair value of the plan assets at beginning of year	68,223	75,121
Interest income from plan assets	1,994	1,954
Return on plan assets (excluding the lower net interest expense)	10,126	(3,393)
Employer contributions (withdrawals)	(1,528)	(350)
Benefits paid	(4,773)	(5,109)
Fair value of the plan assets at 31 December	74,042	68,223

Plan assets are defined as those that will directly be used to settle obligations and that meet the following conditions:

- They are not owned by the consolidated entities, but by a legally separate third party that is not a related party of the Group.
- They can only be used to pay or finance post-employment benefits and are not available to the Group's creditors, even in the event of bankruptcy. They cannot be returned to the consolidated entities unless the assets remaining in the plan are sufficient to meet all obligations of the plan and of the entity relating to benefits for current or former employees, or to reimburse employee benefits already paid by the Group.
- When the assets are held by a long-term post-employment employee benefit entity (or fund), they are not non-transferable financial instruments issued by the entity.

The detail of the fair value of the assets assigned to the funding of post-employment benefits at 31 December 2014 and 2013 is as follows:

Nature of the Plan Assets Assigned to Fund Benefits	Thousands of Euros	
	2014	2013
Group insurance policies (VIDACAIXA)	74,042	68,223

Therefore, 100% of the plan assets relate to the category of insurance policies eligible for classification as plan assets

There are no other types of asset that could be classified as "reimbursement rights".

Since all the obligations are funded through insurance policies, the Entity is not exposed to unusual market risks and it is not necessary to use asset-liability matching techniques or longevity swaps. There are no transferable financial instruments held as plan assets, or plan assets that are buildings occupied by the entity.

The Entity does not have any responsibilities over the governance of the plan, other than participation in the negotiations of the collective agreements that define the benefits to be covered and payment of the required contributions. The insurance company manages the plan.

The reconciliation of the present value of the defined benefit obligations to the fair value of plan assets on the balance sheet is as follows:

	Thousands of Euros	
	2014	2013
Present value of the obligations at 31 December	73,455	67,278
Fair value of the plan assets at 31 December	74,042	68,223
Plan deficit (surplus)	(587)	(945)
Limit on assets	-	-
Net liabilities (assets) recognised at 31 December	(587)	(945)

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

The detail of the amounts recognised in the income statement relating to defined benefit post-employment remuneration is as follows:

Components of the Items Recognised in the Income Statement	Thousands of Euros	
	2014	2013
Current service cost	85	122
Net interest	(41)	7
Past service cost	(953)	(1,041)
Total expense (income) recognised in the income statement	(909)	(912)

- Current service cost - the increase in the present value of the obligations resulting from employee service in the current period -, under "Staff Costs".
- The interest cost and the expected return on plan assets are replaced in the new regulation by an amount of net interest, which is calculated by multiplying the defined benefit liability (or asset) by the discount rate at the beginning of the year.
- Any gain or loss arising from a paid-up option or settlement made under the plan is recognised in the income statement of the year in which the policyholder's right to the paid-up option or settlement arises. This gain or loss is the difference between the present value of the defined benefits that are settled, determined at the settlement date, and the settlement price, including the transferred plan assets and the payments made directly by the entity as part of the settlement.
- Past service cost arises from the reduction in benefits payable to a significant number of employees who cease to belong to the plan.
- Actuarial gains and losses arise from changes in the actuarial assumptions used for quantifying the obligations, the difference between the assumptions and experience, and income from the assets above net interest. The Group recognises the gains and losses in equity in the year in which they are incurred and subsequently reclassifies them to voluntary reserves.

The detail of the amounts recognised in equity relating to defined benefit post-employment remuneration is as follows:

Components of the Items Recognised in Equity	Thousands of Euros	
	2014	2013
Return on plan assets (excluding the lower net interest	(10,126)	3,393

Components of the Items Recognised in Equity	Thousands of Euros	
	2014	2013
expense)		
Actuarial losses (gains):	9,863	(4,648)
Actuarial losses (gains) arising from changes in demographic assumptions	-	-
Actuarial losses (gains) arising from changes in financial assumptions	11,381	(4,228)
Actuarial losses (gains) arising from experience adjustments	(1,518)	(420)
Total amount recognised in equity	(263)	(1,254)

The amount of the obligations was quantified using the following criteria:

- Valuation method: projected unit credit method, which 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 mutually compatible. Specifically, the most significant actuarial assumptions are as follows:

Actuarial Assumptions	2014	2013
Discount rate	1.49%	3.03%
Mortality tables	Perm/f-2000P	Perm/f-2000P
Disability tables	Total Disability	Total Disability
Annual pension increase rate	2.0%	2.0%
Cumulative annual CPI growth	2.0%	2.0%

- The estimated retirement age of each employee is the first at which the employee is entitled to retire.
- The discount rate was determined taking as a reference the rates at 31 December 2014, relating to securities with a similar term to the expected benefit payments, specifically, the iBoxx € Corporates AA 10+ index.

The effect on the defined benefit obligations at year-end, of the changes in the following assumptions, with all other assumptions remaining constant, is described below:

Actuarial Assumptions	2014 (Thousands of Euros)
Discount rate (+1%)	65,301
Discount rate (-1%)	82,723
Cumulative annual CPI growth (+1%)	79,099
Cumulative annual CPI growth (-1%)	62,515

In order to determine the fair value of the insurance contracts linked to pensions and the fair value of the plan assets, the value of the future insured payments discounted at the discount rate was taken into consideration, since the forecast flows of the payments guaranteed by the insurance company that underwrites the related policies are matched to the forecast future flows of the obligations. Therefore, any possible reasonable changes at year-end in the discount rate assumption would have the same effect on the fair value of the insurance contracts linked to pensions and the fair value of the plan assets.

The average weighted term of the defined benefit obligations at year-end is approximately 12 years.

In accordance with current legislation, all the obligations to supplement benefits assumed by the various Group companies have been externalised. In view of the defined benefit nature of these contracts, pursuant to the terms

and conditions of the latter, each year the Group pays the insurance company the amounts required to ensure that the assets assigned to cover these obligations, managed by the insurer, are sufficient. The best estimate of the contributions payable to the plan in the twelve-month period beginning after the balance sheet date is EUR 100 thousand.

18.2 Defined contribution post-employment plans

At 31 December 2014, the Group had recognised aid to supplement the public social security system post-employment benefits accruing to certain employees and to their beneficiary right holders in the event of retirement, permanent disability, death of spouse or death of parent. This aid was externalised in the “Plan de Pensiones de los empleados de S.A. Damm” (the S.A. Damm Employee Pension Plan). No contributions were made in 2014 or 2013.

In addition, S.A. Damm has assumed a series of obligations with certain executive employees in relation to retirement cover, which was externalised in prior years, in accordance with current legislation, through a defined contribution insurance policy. The charge in the 2014 consolidated income statement amounted to approximately EUR 63 thousand

19. Other current liabilities

The detail of “Other Current Liabilities” at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Tax payables (Note 26)	31,922	32,826
Staff accruals	16,596	16,444
Dividends (Note 28)	8,159	8,026
Other payables	289,995	8,151
Ending balance	346,672	65,447

“Other payables” includes the amount of the full commitment to acquire treasury shares approved by shareholders at the Extraordinary General Meeting held on 1 December 2014 (see Note 12.4).

“Staff Accruals” includes the remuneration payable to employees and other employee obligations as described in Note 22.2 to these consolidated financial statements, “Other Staff Costs”.

20. Income

Revenue includes the sales of finished products such as beer, water, soft drinks, coffee, sandwiches and the sales of electricity production surpluses arising from the third-party cogeneration activity. This amount is presented net of the expense relating to the excise duty levied on beer, which amounted to EUR 70.9 million in 2014 (2013: EUR 69.8 million).

In Note 21, on business segment reporting, the information is quantified by Group business activity. “Other Operating Income” primarily includes the Group’s income arising from the recovery of costs associated with its ordinary operating activities, such as “Income from Sales of Advertising Material”.

In 2014, the Group reclassified to "Revenue" the income from transport and haulage included in product sales revenue since they are items inherent in its activity and as they relate to income obtained regularly within the Company's own production, sale and rendering of services economic cycle.

In 2013, these items were recognised under "Other operating income" in the income statement.

Consequently, for comparative purposes, the Group reclassified EUR 19,774 thousand from "Other operating income" to "Revenue" in the 2013 consolidated income statement.

Likewise, the segment financial information for 2013 provided was restated to include this reclassification.

The amendment of the information did not have an effect on 2013 consolidated profit, since only the related reclassifications were made to the 2013 consolidated income statement items, as described in the preceding paragraph.

21. Business and geographical segments

Basis of segmentation -

Segment reporting is structured on a primary basis by Group business segment and on a secondary basis by geographical segment.

Business segments -

The business lines described below were established on the basis of the Group's organisational structure at 2014 year-end, taking into account the nature of the goods and services offered. Management analyses the Group's operating results in these four major segments that coincide with those detailed below, with a view to deciding which resources should be assigned to each segment and to evaluate their profitability.

In 2014, the Group engaged mainly in the following lines of business:

- **Beverages:** the production and sale of beer is the Group's main activity, under several brands (Estrella Damm, Voll Damm, Estrella de Levante, Budweiser, Skol, Keler, Estrella del Sur, etc.) and a range of products for third parties. This is in turn complemented by the bottling and sale of water (with a presence through the Veri and Fuente Liviana brands), various flavours of soft drinks and the equity investment in Grupo Cacaolat S.L.
- **Energy activities:** as part of its presence in the electricity sector, the Group has two cogeneration power plants located at the Parent's brewing plants in Prat de Llobregat (Barcelona) and Bell-lloc (Lleida).
- **Logistics activities:** these include activities as an intermodal logistics operator (road, rail, air and sea) and the management of warehouses located nationwide.
- **Distribution and Catering.** This business line encompasses the complementary services to the main activity of the production and marketing of beer and water products, and soft drinks, together with the activity relating to the operation of own establishments and franchises for the sale and consumption of coffee and other food products, operating nationwide.

Geographical segments -

The Group's production activities are carried out in the areas of Catalonia, Aragón, East Coast, Centre and Portugal. The Logistics and Distribution activities are carried out nationwide.

Basis and methodology for business segment reporting-

The segment reporting below is based on regularly prepared reports that are generated on the basis of the financial and management information obtained from the transactional systems of the various Group companies.

The reporting structure is designed as if each line of business were an autonomous business and had its own separate equity that is distributed on the basis of the risk to which the assets allocated to each line are subject, based on an internal cost percentage allocation system.

The information relating to the segments is as follows:

BUSINESS SEGMENTS AT THE DAMM GROUP

	Thousands of Euros											
	Beverages		Energy Activities		Logistics Activities		Distribution and Catering		Corporate Unit and Intergroup Adjustments		Group Total	
	2,014	2,013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue												
Sales	730,766	748,944	9,896	10,221	34,181	26,538	123,531	113,931	-	-	898,374	899,634
Inter-segment sales	52,838	46,789	5,274	4,990	59,657	56,989	1,578	1,750	(119,347)	(110,518)	-	-
Other operating income	12,820	11,536	-	-	1,763	146	3,687	3,081	(3,856)	(5,055)	14,414	9,708
Total operating revenue	796,424	807,269	15,170	15,211	95,601	83,673	128,796	118,762	(123,203)	(115,573)	912,788	909,342
Procurements and changes in inventories	(289,745)	(310,594)	(11,063)	(9,946)	57	(4)	(81,398)	(74,225)	62,319	59,252	(319,830)	(335,517)
Staff costs	(96,833)	(98,461)	-	-	(7,177)	(6,190)	(22,938)	(22,562)	(483)	143	(127,431)	(127,070)
Other operating expenses	(252,511)	(234,101)	(1,584)	(1,315)	(87,435)	(76,214)	(18,116)	(18,197)	60,005	54,921	(299,641)	(274,906)
Total operating expenses	(639,089)	(643,156)	(12,647)	(11,261)	(94,555)	(82,408)	(122,452)	(114,984)	121,841	114,316	(746,902)	(737,493)
Depreciation and amortisation charge	(64,289)	(63,783)	(1,819)	(1,592)	(1,342)	(871)	(4,645)	(5,533)	(26)	(464)	(72,721)	(72,243)
assets	102	-	4	267	-	-	(484)	(715)	166	709	(212)	261
Segment profit (loss) from operations	93,148	100,330	708	2,625	(896)	394	1,215	(2,470)	(1,222)	(1,012)	92,953	99,867
Share of profit (loss) of associates and business combinations	(1,214)	(4,799)	-	-	-	-	913	968	15,022	12,944	14,721	9,113
Gains (losses) on disposal of financial instruments and fair-value adjustments in step acquisitions	-	698	-	-	-	(21)	-	4	-	2,393	-	3,074
Net impairment loss (reversal)	-	-	-	-	-	-	-	-	-	-	-	-
Net finance income (expense)	(592)	5,295	68	143	40	43	382	(1,082)	(4,479)	(7,176)	(4,581)	(2,777)
Investment income	1,232	1,554	-	-	(154)	-	-	-	(1,071)	(1,550)	7	4
Change in financial provisions	487	(4,330)	(1)	(1)	1,017	-	114	-	(1,617)	(35,852)	-	(40,183)
Other gains (losses)	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) before tax	93,061	98,748	775	2,767	7	416	2,624	(2,580)	6,633	(30,253)	103,100	69,098
Income tax	(25,841)	(12,894)	278	(830)	349	(69)	(509)	2,597	1,976	12,825	(23,747)	1,629
Profit(loss) after tax from continuing operations	67,220	85,854	1,053	1,937	356	347	2,115	17	8,609	(17,428)	79,353	70,727
Profit(loss) after tax from continuing operations	(7)	2	-	-	23	(281)	(651)	(391)	(174)	16	(809)	(654)
Profit(loss) attributable to the Parent	67,213	85,856	1,053	1,937	379	66	1,464	(374)	8,435	(17,412)	78,544	70,073
Balance sheet												
ASSETS	1,208,268	1,213,603	24,107	23,811	31,087	28,814	95,725	94,577	(144,231)	(88,461)	1,214,956	1,272,344
Non-current assets	897,283	852,331	15,477	14,905	3,720	6,370	56,814	58,499	(353,152)	(310,855)	620,142	621,250
Current assets	305,282	354,355	8,630	8,906	27,367	22,444	29,694	26,840	(58,321)	(22,723)	312,652	389,822
Investments in associates	5,703	6,917	-	-	-	-	9,217	9,238	267,242	245,117	282,162	261,272
LIABILITIES	1,208,268	1,213,603	24,107	23,811	31,087	28,814	95,725	94,577	(144,231)	(88,461)	1,214,956	1,272,344
Total equity	462,269	686,075	19,371	20,161	4,895	7,003	26,751	23,980	(26,554)	(15,242)	486,732	721,977
Non-current liabilities	169,574	252,859	1,159	20	5,101	5,175	45,223	48,138	(40,478)	(38,648)	180,579	267,544
Current liabilities	576,425	274,669	3,577	3,630	21,091	16,636	23,751	22,459	(77,199)	(34,571)	547,645	282,823
Investments	63,007	57,806	2,325	4,529	1,328	5,376	2,592	2,548	99	-	69,351	70,259

Inter-segment sales are made at prevailing market prices.

The detail of certain of the Group's consolidated balances based on the geographical location of the production plants that gave rise to them is as follows:

	Thousands of Euros					
	Revenue (*)		Profit (Loss) before Tax		Total Assets	
	2014	2013	2014	2013	2014	2013
CATALONIA AND ARAGON AREA	666,169	632,523	88,230	93,528	1,061,114	1,151,248
CENTRAL AREA	164,414	148,274	(1,086)	(2,658)	97,840	96,622
LEVANTE AND BALEARIC ISLANDS AREA	273,298	296,329	16,647	17,053	177,860	146,973
PORTUGAL AREA	37,988	39,501	(3,312)	(2,235)	39,885	46,623
CORPORATE UNIT AND CONSOLIDATION ADJUSTMENTS	(226,734)	(200,275)	2,621	(36,590)	(161,743)	(169,122)
TOTAL	915,135	916,352	103,100	69,098	1,214,956	1,272,344

(*) All income in the income statement.

22. Expenses

The detail, by nature, of the Group's main expenses is as follows:

	Thousands of Euros	
	2014	2013
Procurements	317,230	336,382
Staff costs	127,431	127,070
Other operating expenses	299,641	274,906

22.1. Procurements

The detail of "Procurements" is as follows:

	Thousands of Euros	
	2014	2013
Purchases	316,154	341,082
Changes in inventories	1,076	(4,700)
Total	317,230	336,382

22.2. Staff costs

	Thousands of Euros	
	2014	2013
Wages and salaries	90,356	89,307
Social security costs	24,582	25,221
Other staff costs	12,492	12,542
Total	127,431	127,070

“Staff Costs” includes the charges and credits to the income statement described in Note 18, Post-Employment Benefits.

At 31 December 2014 and 2013, the number of Group employees, by professional category, is as follows:

	Number of Persons	
	2014	2013
Senior executives	15	14
Technical, sales and administrative personnel	1,319	1,295
Production staff	1,548	1,451
Total	2,882	2,760

The detail, by category and gender, of employees and directors at 31 December 2014 is as follows:

	2014		2013	
	Men	Women	Men	Women
Senior executives	13	2	13	1
Technical, sales and administrative personnel	866	453	803	492
Production staff	1,002	546	991	460
Total	1,881	1,001	1,807	953
Board of Directors	8	1	8	1

Compensation in kind

Neither the Group nor its companies have salary policies involving compensation in kind.

Share-based payments

Neither the Group nor its subsidiaries have set up remuneration systems tied to the evolution of the stock market price of the shares of the Parent based on the achievement of certain targets.

22.3. Operating leases

The Group as lessee

	Thousands of Euros	
	2014	2013
Lease payments under operating leases recognised in income for the year	22,291	21,263

Operating lease payments represent rentals payable by the Group mainly for certain of its warehouses, offices, machinery, vehicles and pallets. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years.

At 31 December 2014 and 2013, the Group had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions:

Minimum Operating Lease Payments	Thousands of Euros				Thousands of Euros			
	2014				2013			
	Vehicles	Pallets	Premises	Warehouses	Vehicles	Pallets	Premises	Warehouses
Within one year	1,481	4,208	6,649	1,273	1,253	1,845	6,818	1,158
Between 1 and 5 years	3,702	10,520	16,623	3,182	3,133	4,613	17,045	2,895
Total	5,183	14,728	23,272	4,455	4,386	6,458	23,863	4,053

The Group as lessor

The lease agreements in which the Group acts as lessor relate mainly to leases of certain warehouses to distributors. These leases are classified as operating leases.

The rental income from property obtained in 2014 amounted to EUR 964 thousand (2013: EUR 806 thousand), which was recognised under "Other Operating Expenses" in the accompanying consolidated income statement.

All the Group's lease agreements have an annual term with tacit renewal and there is no reasonable evidence of non-renewals.

22.4. Other operating expenses

The detail of "Other Operating Expenses" in the consolidated income statement is as follows:

	Thousands of Euros	
	2014	2013
Repair and upkeep expenses	37,900	38,615
Supplies	5,002	5,403
Leases, transport and independent professional services	128,179	116,753
Insurance and banking services	2,831	2,286
Taxes other than income tax and other operating	5,729	5,510

	Thousands of Euros	
	2014	2013
expenses		
Sundry expenses	120,000	106,339
OUTSIDE AND OPERATING EXPENSES	299,641	274,906

22.5. Other information

The fees for financial audit services provided to the various companies comprising the Damm Group and subsidiaries by the principal auditor and by other entities related to the auditor in 2014, amounted to EUR 378 thousand (2013: EUR 380 thousand), of which EUR 202 thousand (2013: EUR 179 thousand) related to services provided to Sociedad Anónima Damm. Also, the fees paid in this connection to other auditors who participated in the audit of various Group companies amounted to EUR 42 thousand (2013: EUR 36 thousand).

Fees relating to other professional services provided in 2014 to the various companies by the principal auditor and other related entities amounted to EUR 119 thousand (2013: EUR 127 thousand).

23. Investment income

The detail, by origin, of "Investment Income" in the consolidated income statements is as follows:

	Thousands of Euros	
	2014	2013
Income from equity investments	7	4
Other interest and finance income	2,340	7,006
	2,347	7,010

The amount recognised in "Other Interest and Finance Income" relates mainly to accrued interest relating to other current financial assets and cash and cash equivalents in 2014 (see Notes 10.2 and 11).

24. Finance costs

The detail, by origin, of "Finance Costs" in the consolidated income statements is as follows:

	Thousands of Euros	
	2014	2013
Finance and similar costs	1,168	1,854
Interest on loans	6,660	7,642
Total finance costs	7,828	9,496
Exchange differences	(907)	287

25. Net gains (losses) on disposal of financial instruments and fair value adjustments in step acquisitions

In 2013, the Group disposed of all the shares of Sacyr Vallehermoso S.A. that it held, which generated a gain of EUR 3,074 thousand (see Note 8).

26. Tax matters

26.1 Consolidated Tax Group

Since 2009, pursuant to the resolutions passed by the shareholders at the respective General Meetings of all the companies belonging the tax group, the Group has filed consolidated income tax returns within tax group 548/08.

The individual companies included in this group in 2014 are as follows:

Tax Group Companies
S.A. Damm
Agora Europe, S.A.
Aguas San Martín de Veri, S.A.
Alada 1.850 S.L.
Artesanía de la Alimentación S.L.
Cafés Garriga 1.850 S.L.
Cafeteros desde 1.933 S.L.
Cerbedam, S.L.
Comercializadora de Bebidas Damm, S.L.
Corporación Económica Damm, S.A.
Compañía Cervecera Damm, S.L.
Compañía Damm de Aguas, S.L.
Compañía de Explotaciones Energéticas, S.L.
Damm Atlántica, S.A.
Damm Distribución Integral, S.L.
Damm Innovación, S.L.
Damm Restauración, S.L.
Distrialmo, S.L.
Estrella de Levante, S.A.
Font Salem, S.L.
Font Salem, Holding, S.L.
Friosevinatural, S.L.
Gestión Fuente Liviana, S.L.
Holding Cervezero Damm, S.L.
Inmuebles y Terrenos, S.A.
Maltería La Moravia, S.L.
Osiris Tecnología y Suministros Hoteleros, S.L.
Pallex Iberia, S.L.

Tax Group Companies
Plataforma Continental, S.L. Pumba Logística S.L. Reservas del Hielo, S.A. Representaciones Unidas Ulbe, S.L. Rodilla Sánchez S.L. Setpoint Events S.A. Soluciones Tecnológicas para la Alimentación, S.L.

26.2 Years open for review by the tax authorities

At 31 December 2014, the Group had the last five years open for review by the Spanish tax authorities for corporation tax, and the last four years for which the statute-of-limitations period had not expired with respect to VAT, personal income tax and the special excise duty.

However, on 12 August 2014, partial reviews were commenced on corporate income tax for 2009-2012 at Aguas de El Run, S.A. Since it formed part of the Tax Group 548/08, the inspection proceedings were conducted with S.A. Damm, as Parent of the Tax Group, and with Aguas de San Martín de Veri, S.A. as absorbing company of Aguas de El Run, S.A. On 24 February 2015, the tax assessment arising from the inspection was signed on an uncontested basis, amounting to EUR 46,936.42 (EUR 40,923.42 of tax charge and EUR 6,013 of late-payment interest).

With respect to excise duties, on 1 September 2014, inspection procedures commenced for 2011 and 2012 at Font Salem, S.L. with respect to the tax on alcohol and derivative beverages and the tax on beer. On 4 February 2015, both assessments were signed on an uncontested basis, amounting to EUR 88,371.70 (EUR 75,627.31 of quota and EUR 12,744.39 of late-payment interest).

With regard to income tax, on 14 July 2011 and 13 June 2013, partial reviews were commenced on income tax credits, mainly of the Parent, with reference to 2006-2008 and 2009-2011, respectively. The partial review was restricted to the tax credits relating to the aid programmes for events of exceptional public interest provided for in Article 27 of Law 49/2002 with reference to these years.

As a result of these tax audits, on 11 May 2012 and 26 November 2013, tax assessments were signed on a contested basis amounting to EUR 6,539 thousand and EUR 8,130 thousand (tax debt plus interest) referring to 2006-2008 and 2009-2011, respectively, with no fines imposed. Appeals were made against these tax assessments at the Central Economic-Administrative Tribunal for which sentences have not yet been handed down.

The Parent's directors and the Group's tax advisers consider that the pleadings submitted in these appeals contain solid arguments that back the Group's viewpoint, in both form and substance, and that these arguments have been confirmed by recent cash law decisions in this respect. Specifically, the National Appellate Court ruled in favour of the taxpayer in two decisions handed down in May 2012 and May 2013 that coincide with the position held by the Group in relation to the calculation of the base for the tax credit connected with the aid programmes for events of exceptional public interest referred to above.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the tax advisers and directors consider that the possibility of material liabilities arising in this connection additional to those already recognised in these consolidated financial statements is remote.

26.3 Tax receivables and payables

The detail of the tax receivables and payables at 31 December 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Tax receivables		
Income tax	81	988
VAT	3,915	3,290
Other	431	399
Total	4,427	4,677

	Thousands of Euros	
	2014	2013
Tax payables		
Income tax	4,826	8,547
VAT	3,942	3,831
Special excise duty on beer, personal income tax and	23,154	20,448
Total	31,922	32,826

The tax payables were recognised under "Other Current Liabilities" on the liability side of the accompanying consolidated balance sheet.

26.4 Reconciliation of the accounting profit to the taxable profit

Income tax includes the deferred corporate income tax expense arising from the effect of the gradual adjustment of the spread of 3% and of 2% on the corporate income tax rate on the Group's asset and liability accounts, which will be repaid over the long and short term, respectively, and resulted in income of EUR 1,223 thousand at 31 December 2014.

The reconciliation of the accounting profit to the taxable profit for 2014 and 2013 is as follows, in thousands of euros:

2014	Increase	Decrease	Amount
Accounting profit for the year (after tax)			79,353
Income tax	33,981	(9,011)	24,970
Income tax (discontinued operations)	-	-	-
Rate adjustment (impact on income statement)	2,593	(3,816)	(1,223)
Total income tax (continuing operations)			23,747
Adjustments relating to individual companies:			
Permanent differences	12,568	(777)	11,791
Temporary differences	35,359	(3,633)	31,726
Tax consolidation adjustments:			
Permanent differences	19,920	(98,971)	(79,051)
Temporary differences	-	-	-
Consolidation adjustments:			
Temporary differences	4,974	(3,717)	1,257
Offset of tax loss carryforwards	-	(3,803)	(3,803)
TAXABLE PROFIT			65,020

2013	Increase	Decrease	Amount
Accounting profit for the year (after tax)			70,727
Income tax	-	-	(1,629)
Income tax (discontinued operations)	-	-	-
Total income tax (continuing operations)	-	-	(1,629)
Adjustments relating to individual companies:			
Permanent differences	14,198	(4,234)	9,964
Temporary differences	77,665	(24,206)	53,459
Tax consolidation adjustments:			
Permanent differences	-	(30,722)	(30,722)
Temporary differences	738	(1,965)	(1,227)
Consolidation adjustments:			
Temporary differences	48,687	(10,800)	37,887
Offset of tax loss carryforwards	-	(3,785)	(3,785)
TAXABLE PROFIT			134,674

The Company files consolidated tax returns as part of tax group 548/08, whose parent is Sociedad Anónima Damm. The companies comprising this tax group calculate the taxable profit (tax loss) on an aggregate basis which is divided among them, in accordance with the criteria established by the Spanish Accounting and Audit Institute for recognising and determining individual tax charges.

In 2011, the companies that made investments in new items of property, plant and equipment and investment property associated with their economic activity and that were placed at the taxpayer's disposal in the tax period commencing in 2011 opted to use accelerated depreciation as regulated in Additional Provision 11.1, provided for in Royal Decree-Law 13/2010, of 3 December, amending the Consolidated Spanish Corporation Tax Law ("the TRLIS"), approved by Legislative Royal Decree 4/2004, of 5 March. In 2012 the Single Repealing Provision of Royal Decree-Law 12/2012 revoked, with effect from 30 March 2012, Additional Provision 11, which regulated appreciated depreciation, and established transitional arrangements through Transitional Provision 37 for investments made until 30 March 2012.

Royal Decree-Law 12/2012, of 30 March, limited the maximum annual deduction for amortising goodwill acquired from independent third parties (Article 12.6 of the TRLIS) to 1% (instead of 5%) for 2012 and 2013. This limit was extended to 2014 and 2015 by Law 16/2013.

Royal Decree-Law 12/2012 amended Article 20 of the TRLIS for the purposes of restricting the deductibility of net income, based on the percentage that it represents of profit from operations. This restriction did not affect the Group companies in 2013.

The following legislation was published on 28 December 2012: Law 16/2012, of 27 December, adopting various tax measures aimed at consolidating public finances and fostering economic activity, and Royal/Territorial Decree 11/2012, of 18 December, on the revaluation of assets for tax purposes under state-wide and territorial legislation, respectively.

The Parent and various Group companies availed themselves of the option provided in this legislation. The effects on the consolidated financial statements are described in Note 3.3 to these consolidated financial statements.

Also, in 2013 and 2014 a limit was placed on the deductibility of the amounts of depreciation of property, plant and equipment and investment property and amortisation of intangible assets. This limit is calculated by multiplying the related amount, depending on the depreciation or amortisation method, by 0.7. As a result, 30% must be added to the depreciation and amortisation recognised within the tax deductibility limits.

Lastly, Law 16/2013, of 29 October, establishing certain measures on environmental taxation and adopting other tax and financial measures, was published in the Official State Gazette on 29 October 2013. This law amended the TRLIS, approved by Legislative Royal Decree 4/2004, of 5 March, establishing Transitional Provision Forty-One which repealed Article 12.3 and amended Article 14, thereby removing the possibility of deducting impairment suffered on investments in other entities, all of which took effect on 1 January 2013.

26.5 Income tax recognised in the income statement

The reconciliation of the income tax expense resulting from the application of the standard tax rate in force in Spain to the income tax expense recognised for 2014 and 2013 is as follows:

	Thousands of Euros			
	2014	%	2013	%
Profit before tax	103,100		69,098	
Theoretical income tax expense	(30,930)	(30%)	(20,729)	(30%)
Effect of rate adjustment (impact on income statement)	1,223	1%	-	-
Non-deductible expenses	50	-	699	1%
Effect of total net profit accounted for using the equity method	4,416	4%	2,734	4%
Reversal/recognition of tax provision	-	-	8,243	12%
Revaluation of assets	-	-	9,068	13%
Tax losses that do not generate deferred tax assets	(579)	-	(676)	(1%)
Tax losses offset and/or recognised in the year	2,472	2%	1,135	2%
Tax deductions and other items	(399)	-	1,155	2%
Income tax	(23,747)	(23%)	1,629	2%

	Thousands of Euros	
	2014	2013
Current income tax	(35,321)	(24,449)
Deferred income taxes (expenses and revenue)	11,574	26,078
	(23,747)	1,629

The current income tax expense is calculated by applying 30% to the estimated taxable profit for the year.

26.6 Tax recognised in equity

In addition to the income tax recognised in the consolidated income statement, in 2014 and 2013, the Group recognised the following cumulative amounts in consolidated equity:

	Thousands of Euros	
	2014	2013
Available-for-sale financial assets	4	(4,587)
Cash flow hedges	118	(158)
Translation differences	(3)	1
Actuarial gains and losses and other adjustments	(79)	(376)
TOTAL before rate adjustment	40	(5,120)
Rate adjustment	(8)	-
TOTAL tax recognised in equity	32	(5,120)

26.7 Deferred taxes

Pursuant to the tax legislation in force in 2014 and 2013 certain temporary differences arose that must be taken into account when quantifying the related income tax expense.

The deferred taxes arose in 2014 and 2013 as a result of the following:

Deferred Tax Assets Arising from:	Thousands of Euros	
	2014	2013
Impairment losses on goodwill	383	176
Credits and deductions	11,274	11,083
Other provisions	(290)	(106)
Timing of recognition of selling expenses	-	146
Measurement of available-for-sale financial assets	12,052	12,049
Limit on deductible depreciation	9,612	4,925
Adjusted depreciation - revaluation of assets	10,878	10,883
Other	302	457
TOTAL before rate adjustment	44,211	39,613
Tax rate adjustment	(1,978)	-
TOTAL deferred tax assets	42,233	39,613
Deferred Tax Liabilities Arising from:	Thousands of Euros	
	2014	2013
Measurement of available-for-sale financial assets	(33)	(35)
Accelerated depreciation	(12,289)	(16,007)
Other non-current liabilities	(1,259)	(1,264)
Uniformity adjustments	(96)	(284)
Allocation of goodwill	(8,333)	(8,922)
Other	(374)	(451)
TOTAL before rate adjustment	(22,384)	(26,963)
Rate adjustment	3,700	-
TOTAL deferred tax assets	(18,684)	(26,963)

The difference between the tax charge allocated to 2014 and prior years and the tax already paid or payable for such years, which is presented under “Deferred Tax Assets” (“Deferred Tax Liabilities”), arose as a result of temporary differences arising in various years.

The detail of the main deferred tax assets and liabilities recognised by the Group and of the changes therein during the year is as follows:

	Thousands of Euros							
	Balance at 31 December 2013	Charge/Credit to Income	Transfers and Other Adjustments	Charge/Credit to Asset Revaluation Reserve	Balance at 31 December 2014 before rate adjustment	Impact of rate adjustment on income statement	Impact of rate adjustment on equity	Balance at 31 December 2014
Deferred tax assets:								
- Credits and deductions	11,083	1,403	(1,212)	-	11,274	(983)	-	10,291
- Measurement of assets	12,049	3	-	-	12,052	(804)	-	11,248
- Limit on deductible depreciation	4,925	4,810	(123)	-	9,612	(66)	-	9,546
- Adjusted depreciation - revaluation of assets	10,883	(5)	-	-	10,878	-	-	10,878
- Other	673	(436)	121	37	395	(512)	387	270
Total	39,613	5,775	(1,214)	37	44,211	(2,365)	387	42,233

	Thousands of Euros							
	Balance at 31 December 2013	Charge/Credit to Income	Transfers and Other Adjustments	Charge/Credit to Asset Revaluation Reserve	Balance at 31 December 2014 before rate adjustment	Impact of rate adjustment on income statement	Impact of rate adjustment on equity	Balance at 31 December 2014
Deferred tax liabilities:								
- Measurement of available-for-sale financial assets	(35)	(2)	-	4	(33)	-	5	(28)
- Accelerated depreciation	(16,007)	3,718	-	-	(12,289)	2,048	-	(10,241)
- Other non-current liabilities	(1,264)	5	-	-	(1,259)	123	87	(1,049)
- Uniformity adjustments on consolidation	(284)	188	-	-	(96)	16	-	(80)
- Allocation of goodwill	(8,922)	589	-	-	(8,333)	1,353	5	(6,975)
- Other	(451)	77	-	-	(374)	47	15	(312)
Total	(26,963)	4,575	-	4	(22,384)	3,587	112	(18,685)

The temporary differences arising in connection with investments in associates and interests in joint ventures are not material.

27. Net impairment losses and net gains or losses on disposal of assets

27.1 Net impairment losses and net gains or losses on disposal of non-current assets

The detail of “Net Impairment Losses and Net Gains or Losses on Disposal of Non-Current Assets” in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Impairment and disposal of property, plant and equipment (Note 6)	537	954
Impairment of goodwill (Note 4)	(749)	(693)
Net impairment losses and net gains or losses on disposal of non-current assets	(212)	261

In addition, “Impairment and Disposal of Property, Plant and Equipment” includes the difference between the recoverable amount and the carrying amount of a large number of assets relating to the

processes for the refurbishment, improvement and modernisation of various production plants, logistics centres and numerous points of sale in the Catering business.

27.2 Net impairment losses on financial instruments

The detail of “Net Impairment Losses on Financial Instruments and Investments Accounted for Using the Equity Method” in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Impairment on available-for-sale financial assets (Note 8)	-	(40,183)
Net impairment losses on financial instruments	-	(40,183)

28. Distribution of profit

The profit for the year of the Parent of the Group, S.A. Damm, amounted to EUR 60,406 thousand. The distribution of the profit for 2014 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Dividends:	
Interim (*)	16,205
Final	21,134
Dividends payable	37,339
Legal reserve	107
Voluntary reserves	22,960
Net profit of the Parent for 2014	60,406

(*) Recognised under “Equity – Interim Dividend Paid in the Year”.

The provisional accounting statements prepared by the Group’s parent, S.A. Damm, in accordance with the applicable legal requirements, disclosed the existence of sufficient funds in order to distribute the interim dividends for 2014, which were the following:

	Dividend 1	Dividend 2
Date of payment	15/10/14	15/01/15

	Millions of Euros	
Interim dividend	8.1	8.1
Cash liquidity	66.3	30.1
Undrawn credit liquidity	212.6	227.8
Total liquidity	278.9	257.9
	Euros	
Gross dividend per share	0.03	0.03

Furthermore, according to the profit forecasts at each date, these dividends could be distributed. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

29. Earnings per share

Basic earnings per share / Diluted earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

Diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

Since there is no dilutive effect on earnings per share, basic earnings per share are the same as diluted earnings per share, and were calculated as follows:

	2014	2013	Change
Net profit (loss) for the year (millions of euros)	78.54	70.08	8.46
Weighted average number of shares issued (millions of shares)	270.08	267.41	2.67
Less: Treasury shares (millions of shares)	--	--	--
Average number of shares outstanding (millions of shares)	270.08	267.41	2.67
Adjusted average number of shares for the calculation of diluted earnings per share (millions of shares)	270.08	267.41	2.67
Basic / diluted earnings per share (in euros)	0.29	0.26	0.03

30. Events after the reporting period

In relation to the tender offer for own shares prepared by the Company (see Note 12.4), the National Securities Market Commission (CNMV) authorised the offer on 11 March 2015, setting the acceptance period from 16 to 30 March 2015, both inclusive.

No other significant subsequent events of note occurred after the reporting period.

31. Related party transactions

31.1. Related party balances and transactions

The transactions performed by the Company with its subsidiaries (related parties) as part of its normal business activities were eliminated on consolidation and, as a result, are not disclosed in this Note.

a) Significant shareholders

In 2014 and 2013, there were no notable transactions between the Company and its significant shareholders.

b) Associates, jointly controlled entities and other related parties

The transactions with associates, jointly controlled entities and other related parties refer mainly to purchases and sales of products made at the Group's usual list prices, less the related discounts.

These transactions are detailed below:

	Thousands of Euros						
	2014						
	Purchases	Sales	Services Received	Services Rendered	Finance Income	Dividends Received	Credits (Note 8)
Trade Eurofradis, S.L.	-	21,011	761	-	-	100	-
Eudivasa, S.A.	-	5,871	292	-	-	-	-
Port Parés, S.L.	-	17,648	47	-	-	170	-
Euroestrellas Badalona S.L.	-	6,249	4	-	-	-	-
Dehesa de Santa María, S.L.	-	-	-	-	-	476	-
Comergrup, S.L.	2,833	1	126	-	-	-	-
Grupo Cacaolat S.L.	2,207	1,426	-	8	-	-	24,500
Quality Corn, S.A.	1,586	-	-	-	-	-	-
United States Beverages,	-	2,001	-	-	41	-	1,647
Ebro Foods, S.A.	4,327	-	-	-	-	7,661	-

	Thousands of Euros						
	2013						
	Purchases	Sales	Services Received	Services Rendered	Finance Income	Dividends Received	Credits (Note 8)
Trade Eurofradis, S.L.	-	20,922	691	-	-	50	-
Eudivasa, S.A.	-	5,265	251	-	-	-	-
Port Parés, S.L.	-	17,751	41	-	-	167	-
Euroestrellas Badalona S.L.	-	6,041	4	-	-	-	-
Dehesa de Santa María, S.L.	-	-	-	-	-	344	-
Comergrup S.L.	2,617	-	105	-	-	-	-
Grupo Cacaolat S.L.	1,720	992	-	108	-	-	24,500
United States Beverages,	-	1,676	-	-	41	-	1,464
Ebro Foods, S.A.	4,147	-	-	-	-	9,000	-

c) Directors and senior executives

In 2014 and 2013, the directors, senior executives and shareholders represented on the Board of Directors did not take part in any unusual and/or significant transactions of the Group.

31.2. Remuneration of directors

Article 28 of the Parent's bylaws provides that the members of the Board of Directors will receive a profit-sharing payment for the year for an amount established on the basis of this profit. However, the remuneration effectively paid is significantly lower than that which would be payable according to this provision.

Consequently, in 2014, the members of the Parent's Board of Directors received the following gross amounts:

	Thousands of Euros
Fixed remuneration	900
Variable remuneration	-
Bylaw-stipulated emoluments	7,500
Subsistence allowance	761
	9,161

In addition, the members of the Parent's Board of Directors received EUR 300 thousand in bylaw-stipulated emoluments and EUR 495 thousand in subsistence allowance in relation to their membership of other Group companies' boards of directors.

31.3. Remuneration of senior executives

a) Identification of the senior executives who are not executive directors

Name or Company Name	Position
Enric Crous Millet	CEO
Jorge Villavecchia Barnach-Calbó	CEO
Pedro Marín Giménez	Chief Operating Officer
Jaume Alemany Gas	Marketing Manager
Marcial Navarro Segura	Services Manager
Xavier Vila	Sales Manager
Angel Guarch López	Finance Manager
Francisco Soler Buigas	Management Control Manager
Patricio Valverde Espin	Technical Manager
Antonio González López	Quality Manager
Antonio Obradors Vidal	Heritage Manager
Jaume Bonavia Bermejo	CEO Logistics Business
María Carceller Arce	CEO Catering Business
Antoni Folguera Ventura	CEO Font Salem
Ana Portet Rovira	CEO Distribution Business

b) Total remuneration

The total remuneration in 2014 amounted to EUR 4,643 thousand (2013: EUR 4,235 thousand).

Also, certain senior executives are covered by the externalised policy described in Notes 3 and 18.2. The post-employment benefits paid in 2014 to certain senior executives amounted to EUR 63 thousand.

32. Information regarding directors conflicts of interest

At the end of 2014, neither the directors nor persons related to them as defined in the Spanish Limited Liability Companies Law held any ownership interests in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the Parent's object.

33. Guarantee commitments to third parties

At 31 December 2014, the Group had provided guarantees arising from its activities and joint ventures amounting to EUR 40 million.

Likewise, in accordance with article 15 of Royal Decree 1006/2007, the Parent issued bank guarantees for EUR 509 million to the CNMV to guarantee the payment of the price of shares acquired as a result of the delisting tender offer (see Note 12.4).

The Group's directors do not expect any material liabilities additional to those recognised in the accompanying consolidated balance sheet to arise as a result of the transactions described in this Note.

34. Contingent liabilities and contingent assets

Contingent liabilities:

There is no pending trade litigation or any other contingency that could give rise to significant contingent liabilities for any of the Group companies.

Contingent assets:

There is no pending trade litigation or any other contingency that could give rise to significant contingent assets for any of the Group companies.

35. Information on the environment

In order to protect and enhance the environment, the Group has certain assets with a total investment of EUR 37.8 million.

The Group also incurred expenses in 2014 for the purpose of protecting and enhancing the environment. The expenses relating to recurring maintenance activities and other expenses totalled EUR 4.2 million.

In addition, the Group has commissioned an outside service for the regular collection of inert waste. A waste removal service has also been commissioned with authorised waste management companies for all other types of waste.

At 31 December 2014, the Company had not recognised any provision for possible environmental risks since it considers that there are no material contingencies in relation to possible lawsuits, compensation or other items in this connection. Furthermore, the Company has in place insurance policies and security plans that enable it to reasonably guarantee the coverage of any possible contingency that might arise from its environmental activities.

The Group also prepares an environmental report in which it explains in detail all the aspects and initiatives carried out in relation to this area.

36. Subsidiaries, joint ventures and associates

The table below contains data on the Damm Group's subsidiaries, joint ventures and associates at 31 December 2014:

SUBSIDIARIES OF THE DAMM GROUP

Company	Registered Address	Activity	Accounting method	Effective interest		Thousands of Euros				
				Holder	%	Investee details				
						Assets	Liabilities	Equity	Profit (loss)	Revenue
Agora Europe, S.A. (*)	Samaniego s/n MADRID	Performance and marketing of logistics activities electronically or over the internet.	Full Consolidation	S.A.Damm Damm Innovacion, S.L.	7.87% 92.13%	2,442	669	1,773	219	2,309
Aguas de San Martín de Yeri, S.A. (*)	Ctra. A Font de Suert s/n BISAURRI (Huesca)	Bottling and sale of water	Full Consolidation	Compañía Damm de Aguas, S.L.	99.59%	13,997	4,668	9,329	1,756	12,653
Alada 1850 S.L. (*)	Ronda de Santa Maria nº16 08210 Barberà del vallès (Barcelona)	Management of proprietary cafes, the "Jamaica Coffee Shop" trademark of franchises, and securities and real estate	Full Consolidation	Rodilla Sanchez S.L.	100.00%	3,398	19,520	(16,122)	(531)	7,041
Alfil Logistics, S.A. (*)	Ríos Rosas, 44 MADRID	Performance and marketing of logistics activities	Full Consolidation	S.A.Damm	60.00%	23,019	18,311	4,708	432	83,237
Artesanía de la Alimentación S.L. (*)	C/ Secoya nº 19, Madrid	Manufacture and sale of food products for the Rodilla store chain	Full Consolidation	Rodilla Sanchez S.L.	100.00%	2,002	4,847	(2,845)	133	5,173
Barnadís Logística 2000, S.L.	La Máquina nº 23, GAYA (BARCELONA)	Wholesale of all kinds of beverages and food products	Full Consolidation	Distridam, S.L.	100.00%	437	267	170	6	703
Cafés Garriga 1850 S.L. (*)	Ronda Santa María, 16 BARBERÀ DEL VALLES (Barcelona)	Preparation and sale of coffee, tea and substitutes	Full Consolidation	Damm Restauración S.L.	100.00%	3,346	2,546	800	(417)	1,050
Cafeteros desde 1933 S.L. (**)	Polígono Industrial Fuente del Rey. Carretera de la Isla Menor Km 0,5 nave ID, Dos Hermanas (Sevilla)	Operation or lease of restaurants, bars, cafes. Management of the "Café de Indias" trademark, and securities and real estate	Full Consolidation	Rodilla Sanchez S.L.	100.00%	4,376	9,612	(5,236)	(390)	2,201
Cerbedam, S.L.	Rosselló, 515 BARCELONA	Wholesale of all kinds of beverages and food products	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	1,398	1,263	135	51	4,017
Cerbeleva, S.L. (**)	Mayor, 171 ESPINARDO (Murcia)	Wholesale of all kinds of beverages and food products	Full Consolidation	Damm Distribución Integral, S.L.	70.00%	5,702	4,111	1,591	75	16,184
Circuito profesional de padel AJPP, S.L.	Calle Río Bullaque nº2, bajos Madrid	Performance of all activities related to padel, in particular the organisation, management and development of competitions and other related activities	Full Consolidation	Setpoint Events S.A.	100.00%	729	723	6	173	946
Comercializadora de Bebidas Damm, S.L.	Rosselló, 515 BARCELONA	Sale, distribution, import and exports of all kinds of beverages and food products	Full Consolidation	S.A.Damm	100.00%	417	442	(25)	(30)	122
Compañía Cervecera Damm, S.L. (*)	Rosellón, 515 Barcelona	Brewing and sale of beer and beer by-products	Full Consolidation	Holding Cervezero Damm, S.L.	100.00%	303,591	106,431	197,160	15,255	201,834
Compañía Damm de Aguas, S.L.	Rosselló, 515 BARCELONA	Acquisition, management, transfer, disposal, operation and holding of securities, shares, ownership interests and other debt or equity securities	Full Consolidation	S.A.Damm	100.00%	25,572	268	25,304	(98)	-
Compañía de Explotaciones Energéticas, S.L. (*)	Rosselló, 515 BARCELONA	Electricity co-generation	Full Consolidation	S.A.Damm	100.00%	24,145	4,562	19,583	1,039	15,045
Corporación Económica Damm, S.A. (*)	Rosselló, 515 BARCELONA	Lease, use and operation of real estate and holding of securities and financial assets	Full Consolidation	S.A.Damm	99.94%	263,752	190,782	72,970	1,395	7,661
Crouchback Investments, LTD	3rd. Floor, 20-23 Greville Street LONDON (UK)	Holding of securities and financial assets	Full Consolidation	Corporación Económica Damm, S.A.	100.00%	2,479	8	2,472	-	-
Damm Atlántica S.A.	Rosselló, 515 BARCELONA	Rendering of corporate services	Full Consolidation	S.A.Damm	100.00%	1,336	946	390	17	8,210
Damm Brewery UK, L.T.D	168 Picadilly, LONDON	Rendering of corporate services	Full Consolidation	S.A.Damm	100.00%	162	109	53	(28)	654
Damm Distribución Integral, S.L.	Rosselló, 515 BARCELONA	Holding of securities and financial assets	Full Consolidation	S.A. Damm	100.00%	17,663	8,764	8,899	176	913
Damm Innovación, S.L.	Rosselló, 515 BARCELONA	Holding of securities	Full Consolidation	S.A.Damm	100.00%	6,920	-	6,920	215	142
Damm Portugal Unipessoal L.D.A	Quinta da Maíarra, SANTAREM (Portugal)	Wholesale of all kinds of beverages and food products	Full Consolidation	S.A.Damm	100.00%	2,575	3,439	(864)	(119)	2,899
Damm Restauración, S.L.	Rosselló, 515 BARCELONA	Acquisition, management, transfer, disposal, operation and holding of securities, shares, ownership interests and other debt or equity securities	Full Consolidation	S.A.Damm	100.00%	48,994	32,003	16,991	(294)	476
Dismenorca S.L.	Calle Sabaters 16, 07760 Ciutadella de Menorca (Balears)	Wholesale of all kinds of beverages and food products	Full Consolidation	Damm Distribución Integral, S.L.	51.00%	4,812	1,097	3,715	230	4,490
Distridam, S.L. (**)	La Máquina nº 23, GAYA (BARCELONA)	Wholesale of all kinds of beverages and food products	Full Consolidation	Damm Distribución Integral, S.L.	68.40%	8,199	3,226	4,973	1,213	41,503
Distrialmo, S.L. (**)	Rosselló, 515 BARCELONA	Wholesale of all kinds of beverages and food products	Full Consolidation	Damm Distribución Integral, S.L.	90.00%	2,242	1,807	435	(48)	5,357

SUBSIDIARIES OF THE DAMM GROUP

Company	Registered Address	Activity	Accounting method	Effective interest		Thousands of Euros				
				Holder	%	Investee details				
						Assets	Liabilities	Equity	Profit (loss)	Revenue
Estrella de Levante Fábrica de Cerveza, S.A. (*)	Mayor, 171 ESPINARDO (Murcia)	Brewing and sale of beer and beer by-products	Full Consolidation	Holding Cerveceros Damm, S.L.	100.00%	35,374	20,249	15,125	1,790	46,404
Font Salem, S.L. (*)	Partida Frontó, s/n SALEM (Valencia)	Production, bottling and sale of soft drinks and beer	Full Consolidation	S.A.Damm	96.30%	146,705	38,795	107,910	10,527	192,246
			Full Consolidation	Crouchback Investments, LTD	3.70%					
Font Salem Holding, S.L.	Partida Frontó, s/n Polígono 2 SALEM (Valencia)	Acquisition, management, transfer, disposal, operation and holding of securities, shares, ownership interests and other debt or equity securities	Full Consolidation	Font Salem, S.L.	100.00%	28,183	11,263	16,920	373	500
			Full Consolidation							
Font Salem Investimentos SGPS Unipessoal LDA	Quinta da Mafarra, SANTAREM (Portugal)	Acquisition, management, transfer, disposal, operation and holding of securities, shares, ownership interests and other debt or equity securities	Full Consolidation	Font Salem Holding, S.L.	100.00%	29,412	60	29,352	(1,864)	-
Font Salem Portugal, S.A. (*)	Quinta da Mafarra, SANTAREM (Portugal)	Brewing and sale of beer and beer by-products	Full Consolidation	Font Salem Investimentos SGPS Unipessoal LDA	100.00%	41,359	12,026	29,333	(1,864)	36,015
Fricosevinatural, S.L. (*)	P.I. Fuente del Rey Nave 1-D Ctra. Isla Menor, Km 0,5. 41.700 Dos Hermanas (Sevilla)	Distribution of products for owned stores and franchises	Full Consolidation	Cafeteros desde 1933, S.L.	100.00%	1,771	1,358	413	(168)	-
Fundación Damm	Rosellón, 515 Barcelona	Foundation	Full Consolidation	S.A.Damm	100.00%	3,215	50	3,165	19	3,023
Gestión Fuente Liviana, S.L. (*)	Ctra. de Cañete, s/n HUERTA DEL MARQUESADO (Cuenca)	Marketing of mineral water and non-alcoholic beverages	Full Consolidation	Compañía Damm de Aguas, S.L.	100.00%	9,413	3,049	6,364	1,008	10,595
			Full Consolidation							
Holding Cerveceros Damm, S.L.	Rosellón, 515 Barcelona	Acquisition, management, transfer, disposal, operation and holding of securities, shares, ownership interests and other debt or equity securities	Full Consolidation	S.A.Damm	100.00%	288,118	33,104	255,014	51,946	67,756
Inmuebles y Terrenos, S.A.	Ronda Ponent (Pol Manso Mateu), 41 El Prat de Llobregat (BARCELONA)	Lease, use and operation of movable and immovable property	Full Consolidation	Compañía Cerveceros Damm, S.L.	100.00%	937	34	903	22	56
Licavisa, S.L. (**)	Polígono industrial Airmar Parcela C-3-D, San Martín de la Vega (Madrid)	Retail sale of all kinds of beverages	Full Consolidation	Damm Distribución Integral, S.L.	60.00%	5,150	2,172	2,978	618	14,476
Maltería la Moravia, S.L. (*)	Rosellón, 515 Barcelona	Brewing and sale of malt and malt products	Full Consolidation	Holding Cerveceros Damm, S.L.	100.00%	18,096	3,690	14,406	1,672	29,586
Osiris Tecnología y Suministros Hosteleros, S.L.	Roselló, 515 BARCELONA	Creation and commercial operation of an online store for the catering industry and rendering of related advisory, consulting or brokerage services	Full Consolidation	S.A.Damm	37.20%	1,503	1,546	(43)	(1)	-
			Full Consolidation	Damm Innovacion, S.L.	62.80%					
Palex Iberia, S.L. (*)	Rosellón, 515 Barcelona	Administrative, accounting and business support services, as well as logistics and ancillary transport services	Full Consolidation	S.A.Damm	100.00%	1,786	2,104	(318)	(69)	9,635
Plataforma Continental, S.L. (*)	Samaniego, s/n MADRID	Brewing and sale of beer, beer waste and beer by-products	Full Consolidation	S.A.Damm	100.00%	11,450	15,006	(3,556)	(408)	190
Pumba Logística S.L.	Rio Bullaque 2, MADRID	Performance and marketing of transport activities	Full Consolidation	Corporación Económica Damm, S.A.	99.90%	5,644	5,340	304	(1,081)	1,554
			Full Consolidation	Compañía de Explotaciones Energéticas, S.L.	0.10%					
Representaciones Reunidas Ulbe, S.L.	La Máquina nº 23, GAYA (BARCELONA)	Wholesale of all kinds of beverages and food products	Full Consolidation	Damm Distribución Integral, S.L.	100.00%	264	130	134	22	1,145
Reservas de Hielo, S.A.	Roselló, 515 BARCELONA	Lease of commercial premises to group companies	Full Consolidation	S.A.Damm	100.00%	1,286	29	1,257	20	86
Rodilla Sanchez, S.L. (*)	Preciados, 25 MADRID	Catering and sale of sandwiches/restaurant chain	Full Consolidation	Damm Restauración S.L.	77.12%	32,686	41,171	(8,485)	(806)	37,484
Setpoint Events S.A.	Roselló, 515 BARCELONA	Organisation of all kinds of sports and cultural competitions and events Creation and sale of all kind of artistic and cultural content	Full Consolidation	S.A.Damm	100.00%	3,386	1,760	1,626	(1,374)	2,861
Soluciones Tecnológicas para la Alimentación, S.L.	Roselló, 515 BARCELONA	Creation and commercial operation of a virtual market in internet	Full Consolidation	Osiris Tecnología y Suministros Hosteleros, S.L.	100.00%	17	1,971	(1,954)	(9)	-

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

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

DAMM GROUP ASSOCIATES AND JOINT VENTURES

Company	Registered Address	Activity/Subgroup	Accounting method	Effective interest		Thousands of Euros				
				Holder	%	Investee details				
						Assets	Liabilities	Equity	Profit/(loss)	Revenue
Bizkaia Izarra Zerbituak, S.A. (**)	Pol.Ind. Granada, manzana D-D2 ORTUELLA (Bizkaia)	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	1,103	679	424	17	3,112
Comergrup, S.L.	Narcís Monturiol, N°24 Sant Quirze del Vallés	Sale and distribution of all kinds of beverages and food products, market research and advisory/Distribution	Equity method	Damm Distribución Integral, S.L.	10.15%	3,595	2,987	608	(12)	11,846
Dehesa de Santa María, S.L.	Avda Princesa Sofía, 34 MÉRIDA (Badajoz)	Restaurant chain specialised in Spanish tapas/Catering	Equity method	Damm Restauración S.L.	50.00%	2,613	1,111	1,502	921	3,158
Ebro Foods, S.A. (***)	Paseo de la Castellana, 20 MADRID	Manufacture, preparation, sale, research, export and import of all kinds of food and dietary products/Food	Equity method	Corporación Económica Damm, S.A.	10.03%	3,160,193	1,305,083	1,855,110	154,744	2,120,722
Estrella del Henares Services, S.A. (**)	C/ Cobre 18, Polígono Camponuevo. Cobefia. 28- Madrid	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Damm Distribución Integral, S.L. Trade Eurofradis	50% 50%	4	2	2	(1)	-
Estrella del Sol Services, S.A. (**)	Aptado de Correos N° 195 FUENGIROLA (Málaga)	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	1,787	973	814	387	5,651
Estrella Disagrup, S.L. (**)	Polígono Industrial I-Dos C/ Jornalers, 77 - ALBERIC (Valencia)	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	1,090	734	356	56	2,926
Estrella Huelva Services, S.A. (**)	Polígono Tartesos nave 25-26, calle C HUELVA	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	941	674	267	3	1,668
Estrella Iruña Services, S.A. (**)	Políg. Ind. Talluntze I, calle 4 34, NDAIN (Navarra)	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	1,087	242	845	29	2,472
Estrella Vega Baja Services, S.L. (**)	Tauro, 20 - Pol. Ind. Llano Espartal Travesía nº2 ALICANTE	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Jap Alacant Serveis, S.A.	100.00%	1,508	976	532	-	-
Estrella Indal Services, S.A. (**)	San Rafael 13, Políg. Ind. San Rafael, HUERCAL DE ALMERÍA (Almería)	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	1,163	777	386	35	3,876
Estrella Madrid Services, S.A. (**)	Uranio 16, Políg. Ind. Aimagr, SAN MARTIN DE LA VEGA (Madrid)	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	4,355	2,941	1,414	230	8,668
Estrella Moncayo Services, S.A. (**)	Benjamin Franklin 14, Políg. Cogullada ZARAGOZA	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	2,335	1,469	866	83	4,600
Eudivasa, S.L.	San Vicente Mártir, 299 VALENCIA	Manufacture and sale of beverages/Distribution	Equity method	Damm Distribución Integral, S.L.	40.00%	4,116	3,287	829	19	13,121
Euroestrellas Badalona	C/ Luxemburgo s/n BADALONA (Barcelona)	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Damm Distribución Integral, S.L.	10.00%	3,400	2,113	1,287	187	8,571
Grupo Cacaolat, S.L. (*)	Avda. Països Catalans 32 ESPLUGUES DE LLOBREGAT (Barcelona)	Manufacture and sale of smoothies and dairy products/Beverages	Equity method	S.A.Damm	50.00%	149,008	115,236	33,772	(407)	49,588
Jap Alacant Serveis, S.A. (**)	Tauro, 20 - Pol. Ind. Llano Espartal Travesía nº2 ALICANTE	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	50.00%	6,089	4,594	1,495	428	6,925

Plataforma Logística Madrid S.L.	San Martín de la Vega (Madrid), calle Uranio, número 16	Distribution of all kinds of beverages and	Equity method	Licavisa, S.L.	50.00%	63,301	37,705	25,596	(8)	-
	Polígono Industrial Aimajr	food, DIY and drugstore products		Estrella Madrid Services, S.A.	50.00%					
Port Pares, S.A.	Sant Pere, s/n RIPOLLET (Barcelona)	Food, DIY and drugstore products	Equity method	Damm Distribución Integral, S.L.	13.66%	12,861	7,709	5,152	1,330	43,370
Quality Corn, S.A.	Finca Ariéstolas s/n ALMUNIA DE SAN JUAN (Huesca)	Preparation and sale of cereals and by-products/Beverages	Equity method	S.A.Damm	20.10%	7,343	5,256	2,087	30	3,846
Sein Izarra Zerbituak, S.L. (**)	Lanbarren Poligonoa, S/N Bajo Pabellón A-4, OIARTZAUN (Guipuzkoa)	Wholesale of all kinds of beverages and food products/Distribution	Equity method	Trade Eurofradis, S.L.	49.10%	4,804	3,433	1,371	232	11,018
Trade Eurofradis, S.L. (**)	Edison, 1 MANRESA (Barcelona)	Administrative management services/Distribution	Equity method	Damm Distribución Integral, S.L.	50.00%	1,691	171	1,520	222	-
United States Beverages LLC	700 Canal Street, STAMFORD	Distribution of beer and other spirits/Distribution	Equity method	S.A.Damm	24.95%	6,470	11,429	(4,959)	138	13,602

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

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

(***) Data relating to the interim financial information for the second half of 2014.

37. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

DIRECTORS' REPORT FOR THE DAMM GROUP

1. Business performance and situation of the Group

Consolidated income in 2014 was over EUR 900 million, up 0.4% on 2013, against an economic backdrop of slight recovery by domestic demand. However, although the economy is rebounding somewhat, demand remains sluggish. There are still deflationary risks and a high unemployment rate, which affect consumption in the main sectors in which the Group operates.

In this regard, there were signs of a certain slowdown in the second half of the year with respect to the first. Moreover, weather during the summer season, which represents approximately 40% of Group activity, has not been favourable for the consumption of the products marketed by the Group.

These two factors undermined turnover in the second half of the year. For the full year, the performance compared to 2013 was slightly positive in terms of consolidated turnover (+0.4%) thanks to the contribution by the Group's other activities, as well as to the wealth of our portfolio of brands, products and Group activities, which enables the Group to adapt its offer to changing markets requirements.

The reduction in production costs from the previous year was due in part to the gains made in efficiency and productivity as a result of the investment efforts made by the Group in recent years, and in part to the decrease of certain commodity prices which, nevertheless, have been partially cushioned by a product mix with higher manufacturing costs and an increase in logistics costs associated with a wider dispersion of the final destination of Group products and activities.

Elsewhere, overheads were up on the previous year, led by sharp increases in marketing, trade-marketing and sponsoring activities, linked to events with major media coverage, which strengthen the Group's firm commitment to the development of its brands and businesses in Spain and abroad, as well as with the sponsorship of sport, cultural and social events developed by the Group and Fundació Damm.

Lastly, worth pointing out is the immense progress in the Group's internationalisation process. The Group's brands and activities are currently present in over 85 countries and have registered significant growth in volume and brand awareness in recent years.

The Group's workforce, including all businesses, consisted of 2,882 employees at 2014 year-end, compared to 2,760 at 2013 year-end.

The Group also increased its ownership interest in Ebro Foods, S.A. in the first half of 2014 to 10% of its share capital.

2. 2014 results

As a result of all the factors mentioned above, Operating Profit (EBIT) in 2014 amounted to EUR 93 million, down 6.9% on the year before, while profit attributable to the Parent of the Group was EUR 78.5 million, up 12.1%.

In this regard, it must be highlighted that the result for 2013 was affected by the remeasurement of the Group's investment in Pescanova, S.A., which led to a charge in the income statement of EUR 28 million, after considering its tax effect.

A comparison of the consolidated results for 2014 and 2013 is presented below (in thousands of euros):

Consolidated Results	2014	2013	DIFFERENCE
Consolidated income	912,788	909,342	0.4%
EBITDA – Profit from operations + Depreciation and amortisation charge + Net impairment losses and net gains or losses on disposal of non-current assets	165,886	171,849	-3.46%
EBIT – Profit from operations	92,953	99,867	-6.9%
NET PROFIT	78,544	70,073	12.1%
EARNINGS PER SHARE	0.29	0.26	11.5%

Also, the main aggregates on the consolidated balance sheet at 2014 and 2013 year-end are as follows (in thousands of euros):

MAIN AGGREGATES	2014	2013	DIFFERENCE
EQUITY	486,732	721,977	-32.6%
NET FINANCIAL DEBT	78,504	86,444	-9.2%
INVESTMENTS	69,351	70,259	-1.3%

Financial position

The Group has a sound financial position following a major investment cycle carried out in recent years thanks largely to funds generated by the business. At 31 December 2014, the financial assets, cash position and sustainable cash generation by the business enable the Company to service debt, pay shareholders through dividends and meet the commitments acquired to shareholders as a result of the delisting (tender offer) – see Note 7 below-.

In this regard, the Group presents the following figures for net financial debt under “Cash and cash equivalents”, “Other current financial assets”, “Bank borrowings”, “Other non-current liabilities” and “Other current liabilities” in the consolidated balance sheet at 31 December 2014 and 2013:

<i>(Thousands of Euros)</i>	2014	2013
Non-current loans and credits	(101,191)	(177,045)
Non-current finance lease payments payable	(2,261)	(4,940)
Payables relating to hedging instruments	(223)	(889)
Total non-current bank borrowings	(103,675)	(182,874)
Current loans and credits	(55,607)	(84,068)
Current finance lease payments payables	(2,654)	(2,693)
Total current bank borrowings	(58,261)	(86,761)
Total bank borrowings	(161,936)	(269,635)
Other financial liabilities <i>(in "Other non-current liabilities" and "Other current liabilities")</i>	(15,989)	(15,757)
Cash and cash equivalents	91,117	105,310
Other current financial assets	8,304	93,638
Net financial debt	(78,504)	(86,444)
Net financial debt / EBITDA	0.47x	0.50x

At 31 December 2014, the Group had undrawn credit facilities amounting to EUR 236,817 thousand.

Lastly, the disclosures required by Law 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law, are provided in Note 17 to the consolidated financial statements for 2014.

3. Outlook for the Group

The Group's forecasts with regard to the future performance of its business are based on the successful achievement of the Group's strategic objectives, prioritising sustainable shareholder return (earnings per share, dividends and equity growth) and on growth in sales and earnings.

Sustainable shareholder return

One of the Group's primary objectives is to continue to maximise shareholder return. In this regard, earnings per share stood at EUR 0.29 per share and, with respect to dividends, the results obtained by the Group enabled it to distribute a pay-out of close to 50%.

In turn, the shareholders consolidated higher returns through the delivery of securities in a capital increase by issue of bonus shares that was charged in full to the reserves of the Group's Parent. This issue was approved by the shareholders at the Annual General Meeting held on 30 June 2014.

Sales and earnings growth

Sales volume next year is estimated to be stable as a result of a recovery by consumption of brand categories, offset by a comparatively worse performance of “private label brands”.

Likewise, prices are expected to remain stable next year, in line with the 2014 – 2018 business plan.

As a result, the Group expects to maintain its current market share with a significant investment drive in marketing, trade-marketing and sponsoring.

Results for 2014 confirm these tendencies, as already envisaged in the 2014 – 2018 business plan.

This trend in sales and earnings is based on the implementation of the following guidelines:

- Profitable, sustainable growth;
- Maximising the return on the industrial investments to increase capacity carried out until now in the framework of the Strategic Plan, in order to increase productivity and efficiency;
- A clear focus on the customer (both external and internal) to enable the Group to maximise quality in each of its activities;
- Operational excellence in all the company's areas (production, logistics and sales/marketing);
- A commitment to constant innovation and creativity as a means of differentiation in all the business segments in which the Group is present;
- Progress in the Group's internationalisation process. Our brands are currently present in over 85 countries and have registered significant growth in volume and brand awareness in recent years;
- Penetration in the beer business in geographical areas where our presence is currently low, boosting own brands, with particular emphasis on a commitment to reaching international markets through agreements with leading multinational companies;
- Development of the distribution business in cooperation with our wholesale partners;
- Vertical integration in businesses forming part of the Group's main business value chain: distribution, catering, logistics and energy saving activities; and
- Active management of surpluses in order to reinvest in businesses or activities that contribute to the Group's core businesses in Spain and abroad.
-

Industrial investments

Continuing with its objective of enhancing production efficiency, in 2014, the Group completed the projects that were the focus of its investment drive last year:

- Refurbishment of the bottling lines at the breweries located in Prat de Llobregat and Murcia
- Expansion of the Santarém factory (Portugal)
- Renewal of cogeneration machinery for activities within the energy segment
- Various bottling and packaging enhancement projects
- The Rodilla Group's new factory in Leganés (Madrid)
- Refurbishment work at the head offices at calle Rosselló in Barcelona

The main projects the Group had in progress as of 31 December 2014 were the refit of several bottling lines at its breweries, different projects to bolster logistics and operations, and the refurbishment and upgrade of facilities at the Group's headquarters in Barcelona.

Thanks to this investment effort, the Group is achieving considerable improvements in efficiency and productivity, enabling it to absorb rising costs in certain areas of production and in relation to the constant effort to innovate and develop new products. These product innovation and development initiatives, together with ongoing marketing and sponsorship activities, are essential in an increasingly sophisticated market.

Environment

Within the Group's policies relating to the respect for and protection of the environment, the Group has been developing environmental prevention plans which, for several years, have resulted in a reduction in the relative size of the packaging pool in the market. In addition, the Group works alongside companies that manage systems for the selective collection and recovery of used packaging and packaging waste (Ecoembes and Ecovidrio) and, depending on the type of packaging that the Group places on the market, it disposes of the related amounts.

The Group has invested in sources of renewable and energy efficient power generation (cogeneration, trigeneration, photovoltaic solar power, etc.). Its current energy needs are largely met by these sources of power. Additionally, in 2014, the Group is renewing its power cogeneration assets, which will generate improvements in energy costs efficiency.

4. Significant events for the consolidated Group subsequent to year-end

In relation to the tender offer for own shares prepared by the Company (see Note 12.4), the National Securities Market Commission (CNMV) authorised the offer on 11 March 2015, setting the acceptance period from 16 to 30 March 2015, both inclusive.

No other significant subsequent events of note occurred after the reporting period.

5. Main risks associated with the activity

In view of the nature of the Group's activity, the risks are concentrated mainly in three areas:

- Food and environmental safety, which is a specific responsibility of the Quality department, which reports regularly to the CEO who, in turn, reports to the Executive Chairman.
- Customer credit risk, which is the responsibility of the Risk Committee, which reports directly to the CEO, who in turn reports to the Executive Chairman.
- Industrial safety, in relation to the safety of the Company's assets, which is the responsibility of the Production department, which reports directly to the Chief Operating Officer, who in turn reports to the Executive Chairman.

In all processes, in line with the certification standards awarded to and consolidated by the Group, mechanisms are included to identify, quantify and cover risk situations.

Taking into consideration the presence on the Board of Directors of significant shareholders and the frequency of its meetings, the Board closely monitors both the situations that could give rise to significant risk and the measures taken in this respect.

6. Main financial risks and use of financial instruments

Main financial risks

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

Use of financial instruments

The Group does not use derivative financial instruments for speculative purposes. In this regard, the Group only enters into financial instruments that enable it to hedge cash flows or fair value when it can foresee significant alterations in the cash flows or in the assets and liabilities subject to market risk.

7. Research and development activities

The research and development activities carried out by the Group in the first half of 2014 related to the following categories: new product development, bottle and packaging design, improvement of industrial processes, and efficiency in the consumption of raw materials and other materials.

The expenses incurred by the Group in the research and development items described above amounted to more than EUR 3.5 million.

These activities are carried out by the Group in two-way cooperation with various entities, both public (universities) and private (technology centres).

8. Acquisition of treasury shares

Treasury shares acquired in 2014

In 2014, the Company did not acquire any treasury shares. Accordingly, it did not hold any treasury shares at 31 December 2014 and 2013.

Delisting tender offer

On 1 December 2014, shareholders at the Company's Extraordinary General Meeting, held at first call, attended by 367 present or duly represented shareholders holding 247,586,023 shares representing 91.67% of the Company's share capital (the "General Meeting") approved (i) the delisting of Company shares from the Barcelona Stock Exchange, (ii) the preparation by the Company of a tender offer for its own shares (the "Offer"), under article 34 of the Securities Market Act 24/1988, of 28 July, and article 10 of the RD 1066/2007, of 27 July, governing public takeovers, and (iii) the reduction of the Company's share capital in the amount that the shares included in the Offer exceed the applicable legal limit with respect to treasury shares, through the redemption thereof; and (iv) the delegation of powers to the Company's Board of Directors to execute the resolutions adopted.

Thirty-four Company shareholders holding 220,744,559 shares representing 81.73% of total share capital voted to de-list Company shares and undertook, at the General Meeting, to block the shares owned by them until the Offer was settled, through the issuance of the related authorisation and blocking certificates.

A total of 39,456,402 shares of the blocked shares contributed, equivalent to 14.61% of the capital, are subject to liens and charges. Due to the existence of these charges, these blockings cannot be counted as blocked shares in the Offer

In view of the foregoing, by virtue of the delegation of powers approved at the Annual General Meeting with respect to the Board of Directors of S.A. DAMM, the number of shares targeted by the Offer, and the remaining characteristics thereof, were adjusted in the terms included in the prospectus.

Consequently, the Offer targets the acquisition of 88,795,115 shares of S.A. DAMM, representing 32.88% of the share capital. The remaining 181,288,157 shares completing the share capital of S.A. DAMM were blocked by their respective owners. The 88,795,115 shares targeted by the Offer include 39,456,402 shares subject to charges and liens for the reasons indicated above.

Under prevailing accounting standards IAS 32 paragraph 23, a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. This financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. The Company's directors quantified the amount of this liability based on information available to the Company, in accordance with which the blocking commitments formally assumed by the shareholders whose shares are subject to charges and liens would not be affected, within the settlement period of the Offer, by a possible execution of such commitments. Consequently, the Company recognised a current liability with a charge to equity in the balance sheet at 31 December 2014 amounting to EUR 281 million (equivalent to 49,338,713 shares representing 18.27% of share capital at a price of EUR 5.70 per share), since it was considered that such amount reflects the best quantification of the estimated redemption amount arising from the acquisition of the shares targeted by the Offer.

9. Corporate Governance Report for Listed Companies

The Corporate Governance Report is included in the Directors' Report of S.A. Damm, Parent of the Damm Group, whose shares, at the date of authorisation for issue of this Directors' Report, are admitted to trading on the Barcelona Stock Exchange, since the delisting process described in section 7 above and in Note 12.4 to the Consolidated Financial Statements for 2014 has not yet been completed.

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