

DESCRIPTION OF SOCIEDAD ANÓNIMA DAMM AND ITS GROUP

General information

Sociedad Anónima Damm (“**Damm**”) 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. Corporación Económica Delta, S.A. acquired a 40 per cent. of the share capital of Aguas de San Martín de Veri, which owned a spring in the Pyrenees. Corporación Económica Delta, S.A. 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 Alfíl 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 Alfíl 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 Foods, S.A. ("**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

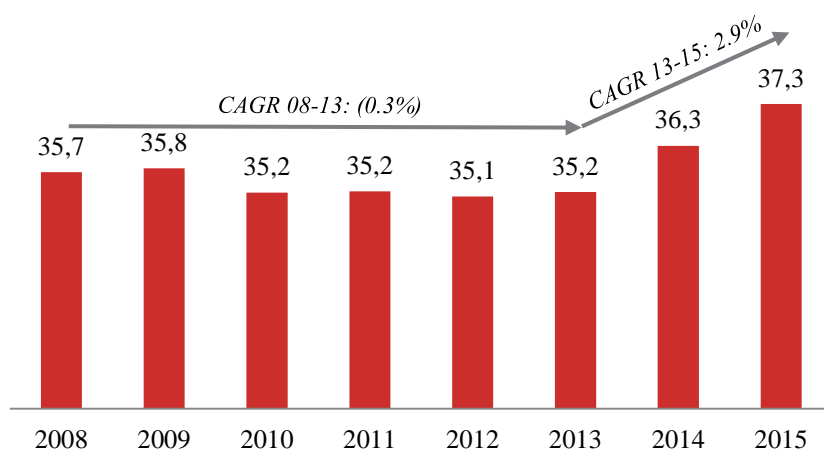
Spain is the 5th largest economy in Europe by nominal GDP according to 2015 figures. It has recently seen positive and improving macro developments reflected in the main macroeconomic indicators. According to the International Monetary Fund's, World Economic Outlook Update in October 2016, Spain's GDP 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: Cerveceros de España website: http://www.cerveceros.org/ingles/pdf/CE_Informe_socioeconomico_2015_v2.pdf (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 €161,597 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 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


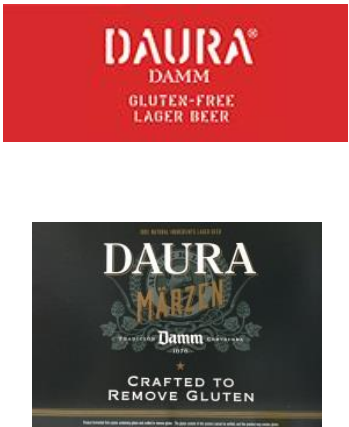

The Damm Group's business is based on manufacturing and distributing drinks, mainly beer, for the Spanish market. The Damm Group manufactures and distributes a wide variety of trademarks which constitute its portfolio of products. Such portfolio is balanced across the price spectrum allowing the Damm 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**

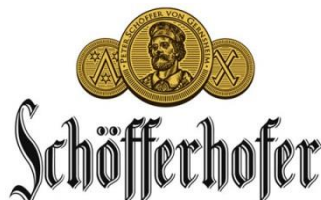
Carling



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.

MILKSHAKES AND DAIRY

Trademark	Logo and Commercialisation label	Distribution Region / Characteristics
Cacaolat		Cacaolat is a well-known Spanish chocolate milkshake brand whose main market is Catalonia. 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).
Letona		Letona is a dairy brand owned by Cacaolat, S.L. and distributed by Cacaolat through its on-trade channels.

FINE CASUAL DINING

Rodilla		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.
Cafe de Indias		Café de Indias is a coffeehouse chain specialised in coffee retail, structured as franchises which operate all around Spain.
Jamaica Coffee Shop		Jamaica Coffee Shop is a coffeehouse chain specialised in coffee retail, structured as franchises which operate all around Spain.
Dehesa de Santa María		Dehesa de Santa María is a restaurant chain, specialised in typical Spanish food, structured as franchises which operate all around Spain. This trademark is held by a joint venture between the Damm Group and The Eat Out Group.
Cafés Garriga		Cafés Garriga is a coffee and tea brand owned by the Damm Group and distributed through the on-trade channel.

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.

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 “Cafè 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

Corporación Económica Delta, S.A.

Corporación Económica Delta, S.A. (“**CEDSA**”), a subsidiary of Sociedad Anónima Damm, S.A. (“**Damm**”), 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. CEDSA has its registered office at Calle Rosselló 515, Barcelona, Spain and its tax ID number is A46006185.

As of 30 September 2016, CEDSA’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. Damm owns 99.94 per cent. of the issued and paid-up share capital of CEDSA, with the remaining 0.06 per cent. of CEDSA’s share capital being held by a shareholder unrelated to Damm (0.01 per cent.) and by the own company as treasury stock (0.05 per cent.).

The members of CEDSA’s Board of Directors are as follows:

Name	Position
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 CEDSA’s Board of Directors are also members of Damm’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 CEDSA.

The objects of CEDSA 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.

CEDSA 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**”).

The principal assets of CEDSA are shares in public companies and companies of the Damm group.

CEDSA’s investments in the equity stock of public companies, as at the date of this document, comprise:

- 15,426,438 shares in Ebro which represent a 10.026 per cent. stake in Ebro's share capital. As at 10 November, 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. As at such date, 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.

CEDSA's investments in the equity stock of companies of the Damm group, as at the end of the 2015 financial year, comprise:

- Crouchback Investments Ltd., a wholly-owned subsidiary of CEDSA 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 CEDSA. 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 Damm 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 Damm.

The dividends received from Ebro are the main source of income of CEDSA. Out of the €10,195,000 recorded by CEDSA 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 Damm group and associated entities.

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 at 15 November 2016, Ebro's share capital amounts to €92,319,235.20 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 €962.6 million, representing a 5.5 per cent. increase over the previous year. In the same financial year EBITDA was €178.0 million, 7.3 per cent. higher than the previous year and the result attributable to the parent company of the Group was €92.3 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 Damm’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							
	Balance at 31.12.2015	Short term 2016	2017	2018	Long term 2019 2020		Later	Long term 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	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, 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)	<u>2015</u>	<u>2014</u>
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>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)
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
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)	<u>2015</u>	<u>2014</u>
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 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)
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 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*).

Risks relating to the business of Damm 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.

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 Damm 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: 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.