Eroski, S. Coop. and Subsidiaries

(Consolidated annual accounts and consolidated directors’ report for the year ended 31 January 2023)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Statement of Financial Position

31 January 2023

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	Note	31.01.23	Restated 31.01.22
Property, plant and equipment	6	741,870	737,192
Investment property	7	31,349	32,171
Rights of use	10	1,050,438	1,227,611
Goodwill and other intangible assets	8	846,086	845,326
Equity-accounted investees	11	6,398	6,315
Trade and other receivables	13	6,733	4,405
Financial assets	12	176,109	178,667
Deferred tax assets	14	275,482	284,799
Uncalled members' contributions		600	536
Total non-current assets		3,135,065	3,317,022
Inventories	15	400,556	368,275
Financial assets	12	10,864	10,713
Trade and other receivables	13	146,713	158,855
Current income tax assets		4,343	2,589
Unpaid calls on members' contributions	16	2,253	2,248
Cash and cash equivalents		216,033	213,359
Non-current assets held for sale	5	21,738	3,385
Total current assets		802,500	759,424
Total assets		3,937,565	4,076,446

Equity	Note	31.01.23	Restated 31.01.22
Capital	16	332,939	331,563
Share premium		3,808	3,808
Capitalised funds	16	95,525	95,525
Other comprehensive income		26,238	24,591
Retained earnings	16	(309,871)	(340,130)
Interim dividend	16	(2,206)	(2,147)
Equity attributable to equity holders of the Parent		146,433	113,210
Non-controlling interests		213,025	205,082
Total equity		359,458	318,292
Liabilities			
Financial liabilities	17	2,176,901	2,394,125
Government grants		-	2
Provisions	22	27,131	20,837
Other non-current liabilities	19	13,117	14,754
Deferred tax liabilities	14	190,371	196,092
Total non-current liabilities		2,407,520	2,625,810
Financial liabilities	17	178,772	139,071
Trade and other payables	19	969,882	989,088
Current income tax liabilities		5,552	4,185
Liabilities associated with non-current assets held for sale	5	16,381	-
Total current liabilities		1,170,587	1,132,344
Total liabilities		3,578,107	3,758,154
Total equity and liabilities		3,937,565	4,076,446

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Income Statement
for the year ended
31 January 2023

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	31.01.23	31.01.22
Continuing operations			
Revenue	4	4,828,195	4,541,380
Other income	24	264,720	252,033
Self-constructed non-current assets		56	-
Raw materials and other consumables used	15	(3,549,110)	(3,295,186)
Personnel expenses	26	(675,569)	(655,849)
Amortisation and depreciation	6, 7, 8 & 10	(264,888)	(220,529)
Impairment of non-current assets	6, 7 & 8	(10,458)	(49,332)
Other expenses	25	(410,878)	(450,955)
Profit before finance items and taxes		182,068	121,562
Finance income	27	4,976	149,407
Finance costs	27	(102,224)	(116,260)
Share of profit/(loss) of equity-accounted investees	11	81	221
Profit/(loss) before tax from continuing operations		84,901	154,930
Income tax expense	14	(20,987)	(50,316)
Profit/(loss) from continuing operations		63,914	104,614
Profit/(loss) from discontinued operations		-	-
Profit/(loss) for the year		**63,914**	**104,614**
Profit/(loss) for the year attributable to equity holders of the Parent			
Continuing operations	16	41,974	107,719
Discontinued operations		-	-
		41,974	107,719
Profit/(loss) for the year attributable to non-controlling interests			
Continuing operations		21,940	(3,105)
Discontinued operations		-	-
		21,940	(3,105)

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
for the year ended
31 January 2023

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.23	31.01.22
Profit for the year	63,914	104,614
Other Comprehensive Income:		
Items to be reclassified in profit or loss		
Gains/(losses) on equity instruments at fair value through other comprehensive income	1,649	1,882
Tax effect	-	-
Share of net income/(expense) recognised in equity of equity-accounted investees	-	-
Other comprehensive income	1,649	1,882
Total comprehensive income for the year	**65,563**	**106,496**
Total comprehensive income attributable to:		
Equity holders of the Parent	43,621	109,597
Non-controlling interests	21,942	(3,101)

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
for the year ended
31 January 2023

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Equity holders of the Parent									
	Capital	Share premium	Capitalised Funds	Capitalised funds acquired	Available-for-sale financial assets	Retained earnings	Interim dividend	Total	Non-controlling interests	Total equity
Balance at 31 January 2022	**331,563**	**3,808**	**125,372**	**(29,847)**	**24,591**	**(340,130)**	**(2,147)**	**113,210**	**312,711**	**425,921**
Corrections (note 2b)	-	-	-	-	-	-	-	-	(107,629)	(107,629)
Adjusted balance at 1 February 2022	**331,563**	**3,808**	**125,372**	**(29,847)**	**24,591**	**(340,130)**	**(2,147)**	**113,210**	**205,082**	**318,292**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,647**	**41,974**	**-**	**43,621**	**21,942**	**65,563**
Distribution of profit										
Patronage returns										
Capitalised	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(2,147)	2,147	-	(18,000)	(18,000)
New contributions	1,832	-	-	-	-	441	-	2,273	-	2,273
Withdrawal of members	-	-	-	-	-	-	-	-	(1,090)	(1,090)
Transfers	-	-	-	-	-	-	-	-	-	-
Interim dividend	-	-	-	-	-	-	(2,206)	(2,206)	-	(2,206)
Other movements	(456)	-	-	-	-	(10,009)	-	(10,465)	5,091	(5,374)
Balance at 31 January 2023	**332,939**	**3,808**	**125,372**	**(29,847)**	**26,238**	**(309,871)**	**(2,206)**	**146,433**	**213,025**	**359,458**

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
for the year ended
31 January 2022

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Equity attributable to equity holders of the Parent									
	Capital	Share premium	Capitalised Funds	Capitalised funds acquired	Available-for-sale financial assets	Retained earnings	Interim dividend	Total	Non-controlling interests	Total equity
Balance at 31 January 2021	**334,455**	**3,808**	**125,372**	**(29,847)**	**22,713**	**(394,235)**	**(2,408)**	**59,858**	**59,392**	**119,250**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,878**	**107,719**	**-**	**109,597**	**(3,101)**	**106,496**
Distribution of profit										
Patronage returns										
Capitalised	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(2,408)	2,408	-	-	-
New contributions	2,234	-	-	-	-	499	-	2,733	-	2,733
Withdrawal of members	-	-	-	-	-	-	-	-	(585)	(585)
Change in investments in entities (note 1)	-	-	-	-	-	(56,899)	-	(56,899)	256,899	200,000
Transfers	(5,126)	-	-	-	-	5,126	-	-	-	-
Interim dividend	-	-	-	-	-	-	(2,147)	(2,147)	-	(2,147)
Other movements	-	-	-	-	-	68	-	68	106	174
Balance at 31 January 2022	**331,563**	**3,808**	**125,372**	**(29,847)**	**24,591**	**(340,130)**	**(2,147)**	**113,210**	**312,711**	**425,921**

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Indirect method)
for the years ended
31 January 2023 and 2022

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	31.01.23	31.01.22
Cash flows from operating activities			
Profit for the year before income tax		84,901	154,930
Adjustments for:			
Amortisation and depreciation	6, 7, 8 & 10	264,888	220,529
Impairment/impairment reversals	5,6,7 & 8	17,006	63,085
Change in provisions		3,088	1,227
Finance income		(4,915)	(149,398)
Exchange (gains)/losses		6	(9)
Finance costs		98,061	90,629
Share of profit/(loss) of equity-accounted investees	11	(81)	(222)
Losses on sale of property, plant and equipment, investment property, and other intangible assets		11,488	14,582
Proceeds from disposals of financial instruments		(56)	6,304
(Profit)/loss from non-current assets held for sale		-	-
Grants recognised in the income statement		(1,115)	(962)
Other income and expenses		300	-
		473,571	**400,695**
Change in operating assets and liabilities			
Increase/decrease in trade and other receivables		46	(18,036)
Increase/decrease in inventories		(33,014)	18,164
Increase/decrease in trade and other payables		(2,067)	(87,950)
Increase/decrease in provisions		(676)	(224)
Increase/decrease in other non-current assets and liabilities		1,394	(103)
Cash flows from operating activities		**439,254**	**312,546**
Income tax received/(paid)		(13,575)	(14,566)
Net cash from operating activities		**425,679**	**297,980**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,296	2,374
Proceeds from sale of intangible assets		-	7
Proceeds from sale of non-current assets held for sale		-	9,911
Proceeds from sale of financial assets		1,658	16,555
Dividends received		60	213
Interest received		3,608	2,418
Acquisition of property, plant and equipment		(108,951)	(123,155)
Acquisition of intangible assets		(11,207)	(6,983)
Acquisition of investment property		(73)	(10)
Payments for investments in associates and joint ventures		(1,138)	(1,452)
Acquisition of other financial assets		(1,230)	(1,057)
Net cash used in investing activities		**(115,977)**	**(101,179)**
Cash flows from financing activities			
From issue of capital		2,294	2,546
Redemption of own shares and other own equity instruments		(10,668)	(13,534)
Proceeds from sale of investments to non-controlling interests	1	-	200,000
From grants		750	834
From other financial liabilities	17	10,000	25
Repayment of loans and borrowings	17	(44,503)	(283,798)
Repayment of other financial liabilities		(1,467)	(4,643)
Repayment of lease liabilities	10	(168,446)	(130,297)
Interest paid	10	(66,389)	(67,583)
Dividends paid		(20,206)	(4,555)
Net cash used in financing activities		**(298,635)**	**(301,005)**
Net increase/(decrease) in cash and cash equivalents		11,067	(104,204)
Cash transferred to non-current assets held for sale		(8,393)	-
Cash and cash equivalents at 1 February		213,359	317,563
Cash and cash equivalents at 31 January		**216,033**	**213,359**

The accompanying notes form an integral part of the consolidated annual accounts.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature, Activities and Composition of the Group

Eroski, S. Coop. (hereinafter the Company or Eroski), Parent of the Eroski Group (hereinafter the Group or the Eroski Group), was incorporated under Spanish law on 11 August 1969. Its registered address is Barrio San Agustín, s/n with postcode 48230 in Elorrio (Vizcaya), Spain. Eroski, S. Coop. is the parent of the Group and a specially-protected cooperative. Eroski, S. Coop., is also the ultimate controller of the Group.

Since the end of the prior year, 31 January 2022, Eroski, S. Coop. has not made any modifications to its name.

The statutory activity of the Company, carried out in Spain, consists of obtaining goods and services for members and their immediate families under the best possible conditions of quality, information and price. These goods and services may be produced by the Company or acquired from third parties, and be grouped as follows:

a) Supplies of consumer goods, clothing, furniture and other household goods.

b) Sundry services, such as restaurants, transport, hospitalisation and others.

c) Cultural supplies, services and activities.

The Company also carries out activities to promote and defend the legitimate interests of consumers and to foster job creation, and has created a cooperative labour organisation for such purposes. To accomplish these objectives, the Company has cooperation and participation agreements with other companies.

The principal activity of the Company consists of retailing all types of consumer goods through its own commercial network in Spain, which at 31 January 2023 is comprised of 36 Eroski hypermarkets, 475 Eroski supermarkets (Eroski/Center, Eroski/City and Eroski/Merca), 76 Familia outlets, 192 Caprabo supermarkets, 118 Eroski/Viajes travel agencies, 39 Eroski service stations, 1 Caprabo service station, 50 Forum Sport stores, 17 Dooers establishments,17 Cash and Carry stores and 603 franchised points of sale. The Group also engages in property development, the operating cycle of which normally exceeds twelve months.

(Continued)

Information on the Company's subsidiaries and associates is shown in Appendices I and II, which form an integral part of this note. None of the Parent's subsidiaries are listed on the stock exchange.

Changes in the consolidated Group

There have been no changes to the consolidated group in 2022.

During 2021, after signing the agreement with the investment holding company EP Corporate Group on 7 September 2021, the Group company Newcobeco, S.A.U. sold 50% of its interest in Supratuc2020, S.L., which in turn holds 100% of the share capital of Caprabo S.A.U. and Cecosa Supermercados, S.L.U., while maintaining control over Supratuc2020, S.L.U., and therefore, the net assets of this subgroup continued to be fully consolidated.

Additionally, on 10 September 2021 the Group company Eroski Distribución, S.A.U. was merged by absorption into Peninsulaco, S.L.U.

(2) Basis of Presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Eroski and the companies included in the Group. The consolidated annual accounts for the year ended 31 January 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions of the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of the Eroski Group at 31 January 2023, as well as its consolidated financial performance, consolidated cash flows and changes in consolidated equity for the year then ended. The Group adopted IFRS-EU on 1 February 2006 and applied IFRS 1, "First-time adoption of International Financial Reporting Standards" at that date.

The governors of the Parent consider that the consolidated annual accounts for the year ended 31 January 2023, authorised for issue on 28 April 2023, will be approved by the members at their general assembly with no changes.

(Continued)

(a) Basis of preparation of the consolidated annual accounts

These consolidated annual accounts have been prepared on a historical cost basis, except for the following:

- Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal.

(b) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes for 2022 include comparative figures for the prior year, which differ from those approved by the members of the Parent at their general assembly held on 26 May 2022 as the figures for the prior year were restated on account of the following:

The Shareholders' Agreement, signed for a period of 25 years, which regulates the Governance of Supratuc2020, S.L. (see note 2 c) ii), hereinafter, Supratuc, includes a clause stipulating that both parties undertake to vote in favour of a dividend distribution of 90% of Supratuc's profit, providing there is sufficient cash, and it is compatible with the cash needs of this company and its subsidiaries established in the latest business plans and budgets approved by the board of directors of Supratuc. The intention of both parties in including this clause was not to establish a minimum dividend or an obligation to distribute dividends, rather, it was to set a dividend policy that maximises the distribution of surplus cash under the control of the board of directors, the body which approves the business plans and yearly budgets. This understanding of the clause, endorsed by both of Supratuc's shareholders, led the directors to consider the non-controlling interest not as a compound instrument, but an equity instrument, and therefore, it was not necessary to recognise a financial liability in the prior year's consolidated annual accounts. However, and after several meetings with the Spanish National Securities Market Commission (CNMV as per the Spanish acronym), as a literal interpretation of the clause could lead to the impression that there is an obligation to distribute a dividend, a financial liability was recognised at its estimated fair value at 31 January 2022 and 2023 of Euros 107,629 thousand and Euros 117,521 thousand, respectively.

(Continued)

To estimate the fair value of this financial liability, the Parent's management has used the projections it prepares for analysing impairment, which are based on the business plans approved by the directors, and thus calculated the Supratuc subgroup's net distributable profit for each of the 25 financial years, applying a discount rate of 9.59%, in addition to the 90%, which in the opinion of the directors and its financial advisors, suitably reflects the return that an investor would demand from a financial instrument with these characteristics.

Consolidated Statement of Financial Position at 31 January 2022

	Thousands of Euros		
	31.01.2022	Adjustments	31.01.2022 Restated
Non-controlling interests	312,711	(107,629)	205,082
Equity	425,921	(107,629)	318,292
Non-current financial liabilities	2,286,496	107,629	2,394,125
Non-current liabilities	2,518,181	107,629	2,625,810
Total liabilities	**3,650,525**	**107,629**	**3,758,154**

(c) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU. Accordingly, a summary of issues involving a greater degree of judgement, complexity or in which assumptions and estimates are significant for the preparation of the consolidated annual accounts is as follows:

(i) Relevant accounting estimates and assumptions

- The assumptions used in determining the value in use of cash-generating units (CGUs) to assess the impairment of goodwill or other assets (see note 9), require the application of value judgements by the governors.

- Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards and unused deductions for which it is probable that the companies comprising the Group will have future taxable profit against which these assets can be utilised. In order to determine the amount of deferred tax assets that can be recognised, the amounts and dates on which the future taxable profit will be obtained and the reversal period of temporary differences are estimated.

- The assumptions used to determine the term of the leases when valuing right-of-use assets and the incremental interest rate on the debt require the application of value judgements by the governors.

(ii) Relevant judgements when applying accounting principles

- On 7 September 2021, the Eroski Group's 100% interest in the subgroup Supratuc2020, S.L. (Supratuc) was reduced to 50%.

After a detailed evaluation, taking into account the requisites of IFRS 10, and specifically sections B2 and B3, the governors have concluded that, based on the main agreements reached in relation to managing this subgroup, Eroski Group maintains control.

In this evaluation, the following was taken into account: it is the Eroski Group which directs the relevant activities of Supratuc, in the sense and terms in which these are materialised in IFRS 10, particularly as regards the composition of the management team and its membership of Eroski, the centralisation of the procurement and supply function, the corporate financial-economic functions, brand use and the customer club. Additionally, although the board of directors of Supratuc has the power to adopt decisions on the most significant aspects affecting Supratuc, the chair of the board, appointed by Eroski, holds the casting vote.

Regarding this casting vote, in the event that certain decisions on relevant matters were adopted with the opposition of all the directors appointed by the investor and through the use of the casting vote, the investor could exercise a put option on their investment.

(Continued)

In accordance with IFRS 10.B23, an analysis has been performed to determine whether the casting vote is a substantive right, i.e., whether the Group has the practical ability to exercise it. Consequently, it must be checked whether the strike price can be a financial barrier that prevents the holder from exercising their rights or deters them from doing so. The Eroski Group considers that exercising their rights is not a barrier as the put option is at a market price. In any event, this analysis will be performed at each year end.

(iii) Changes in accounting estimates

Although estimates are calculated by the Company's governors based on the best information available at 31 January 2023, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(iv) Determination of fair values

Certain Group accounting policies and disclosures require the fair value of assets and liabilities, both financial and non-financial, to be determined.

The Group has established a control framework for determining fair values. This framework includes personnel who are tasked with reporting directly to financial management and who are generally responsible for overseeing all relevant fair value calculations.

The personnel regularly review significant, unobservable inputs and valuation adjustments. If third party information such as pricing services or broker quotes is used when determining fair values, the assessment team checks whether this information complies with IFRS-EU and the fair value hierarchy level in which these valuations should be categorised.

(Continued)

Where possible, the Group uses observable market inputs to measure the fair value of an asset or liability. The fair values are categorised in different levels of the fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1: listed price on active markets for identical assets or liabilities.

- Level 2: observable inputs other than the listed prices used in Level 1 for assets or liabilities, directly (i.e., such as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for assets or liabilities that are not based on observable market inputs (unobservable inputs).

(d) Adoption of International Financial Reporting Standards (IFRS)

(i) *First-time application of standards*

In 2022, the following mandatory standards and interpretations for 2022, already adopted by the European Union, became effective, which, if applicable, have been used by the Group in the preparation of the consolidated annual accounts:

- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets: Provisions for Onerous Contracts”.
- Amendments to IAS 16 Property, plant and equipment: Proceeds before intended use.
- References to the IFRS conceptual framework in IFRS 3.

These new standards have not had a significant impact on the Group in 2022. Additionally, the Group did not early-apply any standards.

(ii) *Standards, amendments and interpretations issued that are not yet effective*

On the date on which these consolidated annual accounts were authorised for issue, the standards, amendments and interpretations issued but not yet effective, and which the Group expects to adopt for annual periods beginning on or after 1 February 2023, are as follows:
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies.
- Amendments to IAS 8. Definition of accounting estimates.

The Group is analysing these standards, although it considers that the effect of the application of new standards, amendments or interpretations on the consolidated annual accounts when they are first applied will not be relevant to the Group.

(iii) Standards, amendments and interpretations of existing standards that have not been adopted by the European Union

At the date on which these consolidated annual accounts were authorised for issue, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations, which are pending adoption by the European Union:

- Amendments to IFRS 10 and IAS 28: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”.
- Amendments to IAS 1: “Classification of Liabilities as Current or Non-current”.
- Amendments to IFRS 16: Sale and leaseback transactions.

The Group will assess the impact of these new standards for the first year in which they become effective.

(3) Accounting Principles

(a) Consolidation criteria

- Subsidiaries

Subsidiaries are entities, including structured entities, over which the Company, either directly or indirectly through subsidiaries, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary’s performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date control commences, until the date that control ceases.

In the consolidation process, transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

Details of the consolidated subsidiaries comprising the Eroski Group and the Parent's direct and/or indirect interest therein at 31 January 2023, together with their registered addresses and the activity carried out by each one, are shown in Appendix I.

- Associates

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the investee. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. However, if on the acquisition date all or part of the investment qualifies for recognition as non-current assets or disposal groups held for sale, it is recognised at fair value less costs of disposal.

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognised as goodwill, which is included in the carrying amount of the investment.

The Group's share of the profit or loss of an associate from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to share of profit/losses of equity accounted investees in the consolidated income statement. The Group's share of other comprehensive income of the associate obtained from the date of acquisition is recognised as an increase or decrease in the value of the associate with a balancing entry on a separate line in other comprehensive income. The distribution of dividends is recognised as a decrease in the value of the investment.

Losses of an associate attributable to the Group are limited to the extent of its net investment, except where the Group has legal or constructive obligations or when payments have been made on behalf of the associate. For the purpose of recognising impairment losses in associates, net investments are considered as the carrying amount of the investment after applying the equity method plus any other item which in substance forms part of the investment in the associate. The excess of the losses over the equity investment is applied to the remaining items in reverse order of settlement. Subsequent profits obtained by associates for which impairment losses are limited to the value of the investment are recognised to the extent that they exceed previously unrecognised losses.

Unrealised gains and losses on transactions between the Group and associates are only recognised when they relate to interests of other unrelated investors. This does not apply to the recognition of unrealised losses which provide evidence of an impairment loss. However, all profits and losses resulting from transactions between the Group and associates of assets constituting a business are recognised.

If the Group carries out transactions with an associate that generate a profit, and the portion of that profit attributable to the Group is higher than the investment in the associate, deferred income is recognised for that portion which will later be eliminated when the associate generates a profit.

(Continued)

The accounting policies of associates have been harmonised in terms of timing and measurement, applying the policies described for subsidiaries.

Details of associates and their registered office and activity at 31 January 2023 are shown in Appendix II.

- Non-controlling interests

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date were recognised at the proportional part of the equity of the subsidiaries at the date of first consolidation.

Non-controlling interests in subsidiaries acquired after 1 January 2010 are recognised at the acquisition date at their fair value.

Non-controlling interests are disclosed in consolidated equity separately from equity attributable to shareholders of the Parent. Non-controlling interests' share in consolidated profit or loss for the year (and in consolidated total comprehensive income for the year) is disclosed separately in the consolidated income statement.

The consolidated profit or loss for the year (consolidated total comprehensive income for the year) and changes in equity of the subsidiaries attributable to the Group and non-controlling interests after consolidation adjustments and eliminations, is determined in accordance with the percentage ownership at year end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or not, on cumulative preference shares classified in equity accounts. However, Group and non-controlling interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments that in substance currently allow access to the returns associated with the ownership interests in the subsidiaries.

(Continued)

The excess of losses attributable to non-controlling interests incurred prior to 1 January 2010, which cannot be attributed to them as such losses exceed their interest in the equity of the subsidiary, is recognised as a decrease in equity attributable to equity holders of the Parent, except when the non-controlling interests are obliged to assume part or all of the losses and are in a position to make the necessary additional investment. Profits obtained in subsequent years are allocated to equity attributable to equity holders of the Parent until the non-controlling interest's share in prior years' losses is recovered.

From 1 January 2010, the results and each component of other comprehensive income are allocated to equity attributable to equity holders of the Parent and to non-controlling interests in proportion to their investment, although this implies a balance receivable from non-controlling interests.

The increase and reduction of non-controlling interests in a subsidiary in which control is retained is recognised as an equity instrument transaction. Consequently, no new acquisition cost arises in increases nor is a gain recorded on reductions; rather, the difference between the consideration given or received and the carrying amount of the non-controlling interests is recognised in the reserves of the investor, notwithstanding the reclassification of consolidation reserves and the reallocation of other comprehensive income between the Group and the non-controlling interests. When a Group's investment in a subsidiary diminishes, non-controlling interests are recognised at their share of the consolidated net assets, including goodwill.

Supratuc's non-controlling interest's put option on the investment mentioned earlier vis-á-vis the possible casting vote has been deemed not to affect the consideration of this non-controlling interest as an equity instrument, as the Group can exercise, or not, the casting vote and can therefore avoid exercising the option.

(b) Property, plant and equipment

(i) Initial recognition

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories.

(Continued)

(ii) *Investments in leased properties*

Non-current investments in property leased to third parties are recognised using the same criteria as for property, plant and equipment. Assets are depreciated over the shorter of the lease term and their useful life. The lease term is determined in line with the classification criteria used.

(iii) *Depreciation*

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost or deemed cost of an asset, less its residual value.

Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Estimated years of useful life
Buildings and other constructions	10 - 50
Technical installations and machinery	5 - 12
Other installations, equipment and furniture	4 - 16
Motor vehicles	4 - 10
Information technology equipment	4
Other property, plant and equipment	4 - 10

The Group reviews residual values, useful lives and depreciation methods at each reporting date. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iv) *Subsequent costs*

Subsequent to initial recognition of the asset, only those costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. Costs of periodic servicing are recognised in profit or loss as incurred.

(v) *Impairment*

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g).

(Continued)

In the real estate sector, identified CGUs correspond to each property being developed. Given the current situation of the real estate sector, it is understood that there are indications of impairment and, therefore, appraisals are regularly requested from independent experts in order to determine recoverable amounts.

(c) Right-of-use assets

At inception of a contract, the Group assesses whether the contract contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of time during which the Group uses an asset includes consecutive and non-consecutive periods of time. The Group only re-evaluates the conditions when there is an amendment to the contract.

(i) Lessee accounting

The Group has elected not to apply the accounting policies indicated below for short-term leases and leases in which the value of the underlying asset is less than Euros 5 thousand. For these types of contracts the Group recognises payments on a straight-line basis over the lease term.

At the commencement date of the lease the Group recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the lease liability, any lease payments made at or before the commencement date, less incentives received, the initial direct costs incurred and an estimate of any dismantling or restoration costs to be incurred.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts the lease payments using the appropriate incremental interest rate, unless the interest rate implicit in the lease can be readily determined.

Outstanding lease payments comprise fixed payments, less any incentive receivable, variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, providing the lease term reflects the lessee exercising the option to terminate the lease.

(Continued)

The Group measures right-of-use assets at cost, less accumulated depreciation and accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the contract transfers ownership of the asset to the Group by the end of the lease term or if the cost of the right-of-use asset includes a purchase option, the Group applies the depreciation criteria set out in the section on property, plant and equipment from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies the impairment criteria for non-current assets to the right-of-use asset.

The Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises variable payments not included in the initial measurement of the lease liability in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group recognises remeasurements of the lease liability as an adjustment to the right-of-use asset, until the latter is reduced to zero, after which, it is taken to profit or loss.

The Group remeasures the lease liability by discounting the lease payments at a revised discount rate, if there has been a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under a residual value guarantee or a change in the index or rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review.

(Continued)

(ii) *Lessor accounting*

Leases in which, upon inception, the Group transfers to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

The Group recognises operating lease income in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which the benefit deriving from the use of the asset is diminished.

(iii) *Subleases*

The Group classifies a sublease as an operating lease, if the host lease is a short-term lease. Otherwise, the Group classifies the subleases as an operating or finance lease by reference to the right-to-use asset of the host lease and not by reference to the underlying asset.

(iv) *Sale and leaseback transactions*

The Group applies the criteria for the recognition of revenue from customer contracts to assess whether the sale of an asset should be recognised.

If the criteria for recognising the sale are met, the Group recognises the right-of-use asset derived from the leaseback as a proportion of the asset's prior carrying amount related to the part maintained. Consequently, the Group only recognises a gain/loss on the rights transferred to the buyer. The Group determines the portion of the right-of-use held by multiplying the proportion represented by the expected lease payments, discounted at the lease discount rate over the fair value of the underlying asset, by the carrying amount of the underlying asset.

If the lease payments include variable payments these are considered for the purpose of determining the aforementioned proportion and recognising the lease liability. Subsequently, the lease liability is reduced taking into consideration the variable payments initially considered. If a change in the lease term or a lease modification occur, the Group re-estimates the variable payments on that date.

(Continued)

If the fair value of the consideration for the sale is not equivalent to the fair value of the asset or if the lease payments do not reflect market rents, the Group recognises any condition below market as an advance lease payment and any condition above market as additional financing.

If sale recognition criteria are not met, the Group continues to recognise the asset and recognises a financial liability for the consideration received applying the criteria indicated in the accounting policy for financial instruments.

For sale and leaseback contracts in which the Group acts as lessor and obtains control of the asset, the criteria indicated previously are applied. If the Group does not obtain control of the asset, an account receivable is recognised for the amount of the consideration paid applying the accounting policy for financial instruments.

(d) Intangible assets

(i) Goodwill

Goodwill is determined on the basis of the difference between the cost of a business combination and the net amount of assets acquired and liabilities assumed.

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in note 9 are applied. If the Company reorganises its information structure so that the composition of one or more cash-generating units to which goodwill has been distributed changes, the amount is redistributed among the units affected. This redistribution is obtained using a method based on relative values, similar to that used when the entity has a transaction within a cash-generating unit. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) *Other intangible assets*

Intangible assets are carried at cost, less any accumulated amortisation and impairment losses.

(iii) *Useful life and amortisation*

Intangible assets are amortised according to their cost of acquisition on a straight-line basis over their estimated useful lives as follows:

	Estimated years of useful life
Patents, trademarks and brand names	3 - 10
Computer software	3 - 6
Leaseholds	5 - 35
Licences	7
Other intangible assets	5 - 20

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iv) *Impairment*

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g).

(e) Non-current assets held for sale

Non-current assets or disposal groups are classified as non-current assets held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for sale in their present condition subject to terms that are usual and customary for sales of such assets and that the disposal is highly probable.

(Continued)

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell and are not amortised.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated statement of comprehensive income, unless it is a discontinued operation. Impairment losses on cash-generating units (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce the other assets of the unit.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

In the case of Viajes Eroski S.A. (see note 30), it has not been deemed to meet the criteria to be considered a discontinued activity as it is not a significant line of business.

(f) Investment property

Investment property is property, including that which is under construction or being developed for future use as investment property, which is earmarked totally or partially to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is initially recognised at cost, including transaction costs.

(Continued)

After initial recognition, investment property is measured using the cost or deemed cost criteria applicable to property, plant and equipment. Details of the depreciation methods and useful lives are provided in that note.

(g) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use. An asset's value in use is determined based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

Negative differences resulting from the comparison of the carrying amounts of the assets with their recoverable amount are recognised in the consolidated income statement.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses for cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

(Continued)

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the consolidated income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

(Continued)

(h) Financial instruments

(i) *Recognition and classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 “Financial Instruments: Presentation".

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

The Group classifies financial instruments into the following categories: financial assets and financial liabilities at fair value through profit or loss, showing separately those designated as such upon initial recognition from those that are held for trading or mandatorily measured at fair value through profit or loss; financial assets and financial liabilities measured at amortised cost; and financial assets measured at fair value through other comprehensive income, showing separately equity instruments designated as such from other financial assets. The Group classifies financial assets, other than those designated as at fair value through profit or loss and equity instruments designated as at fair value through other comprehensive income, according to the business model and the contractual cash flow characteristics. The Group classifies financial liabilities as measured at amortised cost, except those designated as at fair value through profit or loss and those held for trading.

The Group classifies a financial asset or liability as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument; or

(Continued)

- It is an obligation to deliver financial assets that the Group has borrowed and does not yet own.

The Group classifies a financial asset as at amortised cost when it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Group classifies a financial asset as at fair value through other comprehensive income when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The business model is determined by key personnel of the Group and at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model refers to how it manages its financial assets in order to generate cash flows.

The Group evaluates whether an embedded derivative should be separated from the host contract not included in the standard on financial instruments or from a financial liability only when the Group becomes party to the contract or in a subsequent year when there has been a modification to the contractual terms which significantly affects the expected cash flows associated with the embedded derivative, host contract or both in comparison with the original expected cash flows.

The embedded derivative is accounted for as such and the host contract is recognised in accordance with the corresponding measurement and recognition standard. If these requisites for recognising and measuring the host contract separately from the embedded derivative are not met, the company shall apply the general measurement and recognition criteria to the hybrid contract as a whole.

(ii) *Financial assets and financial liabilities at amortised cost*

Financial assets and financial liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(Continued)

iii) *Financial assets carried at cost*

Investments in equity instruments for which there is insufficient information to measure them, or for which there is a wide range of valuations, and derivative instruments that are linked to them and must be settled by delivery of such investments, are measured at cost. Nonetheless, if the financial assets or contract can subsequently be reliably measured, they are accounted for at fair value and any gain or loss is recognised in profit or loss or in other comprehensive income if the instrument is designated at fair value through other comprehensive income.

(iv) *Impairment*

The Group recognises an impairment loss for expected credit losses of financial assets at amortised cost and contractual assets.

At each reporting date, the Group values impairment equal to the expected credit losses for the next twelve months, for financial assets for which the credit risk has not increased significantly since the date of initial recognition or when it considers that the credit risk of a financial asset has not increased significantly.

Nevertheless, the Group recognises expected credit losses over the life of the instrument for trade receivables or contract assets.

(iv) *Derecognition and modifications of financial liabilities*

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

(Continued)

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, the modified flows are discounted at the original effective interest rate, and any difference in the previous carrying amount is recognised in the income statement. Any costs or fees incurred adjust the carrying amount of the financial liabilities and are amortised using the amortised cost method over the remaining term of the modified liability.

If the entity revises its estimates of collections and payments of financial liabilities, the amortised cost of the financial liability is adjusted to reflect the revised estimated contractual cash flows. The entity recalculates the amortised cost of the financial liability as the present value of the contractual future cash flows discounted at the original effective interest rate, and recognises the adjustment as income or expense for the year.

(v) Issue and acquisition of equity instruments and financial instruments and recognition of dividends

When compound equity and liability financial instruments are issued, the equity component is assigned the residual amount, after deducting from the fair value of the instrument as a whole the liability component. The liability component is measured at the fair value of a similar instrument that does not have an associated equity component.–The financial liability component is subsequently classified at amortised cost.

(i) Inventories

The Group has two types of inventory depending on the business segment: property and other segments. Consequently, land and other property held for sale during the ordinary course of business, and not for capital appreciation or future rental, are treated as inventories.

Properties are measured at the lower of cost, which includes all costs incurred in acquiring and transforming the property, direct and indirect costs incurred in bringing the inventories to their present location and condition, and their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost for each type of inventory is calculated as follows:

- Land: cost of acquisition plus any costs inherent in acquiring the asset.

- Work in progress and buildings under construction: at the cost of acquiring the land, plus construction costs. Construction costs correspond to progress billings issued by construction firms contracted, direct costs attributable to the project and attributable interest.

Any decreases and subsequent recoveries in the net realisable value of inventories are recognised in the consolidated income statement in the year in which they arise.

Due to the nature of the business, the realisation period of properties usually exceeds twelve months.

Food segment inventories and, in general, goods for resale are measured at the lower of cost and net realisable value. Cost comprises all acquisition costs and other costs incurred in bringing the inventories to their present location and condition, including those incurred until the inventories reach their points of sale.

Volume discounts granted by suppliers are recognised as a reduction in inventory costs when it is probable that the discount conditions will be met. Prompt payment discounts are deducted from the cost of the inventories acquired.

When the cost of inventories exceeds net realisable value, they are written down against profit and loss through the creation of a provision for impairment, if the decline in value is reversible. If the decline is irreversible, the cost of acquisition or production of the inventories is derecognised.

Inventories are classified as current when they are expected to be realised in the normal operating cycle, which for real estate inventories is over one year, and for the inventories of other operating segments is less than one year.

(Continued)

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows from interest paid as financing activities and interest and dividends received as investing activities.

(k) Employee benefits

(i) Other long-term employee benefits

According to the collective labour agreement, employees from certain Group companies who opt for early retirement are entitled to a bonus based on their age and their wages or salaries at the date early retirement is requested. The annual accounts include the corresponding provision.

(ii) Termination benefits

Termination benefits paid that do not relate to restructuring processes underway are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date.

(iii) Short-term employee benefits

The Group recognises the expected cost of short-term employee benefits in the form of accumulating paid absences when the employees render service that increases their entitlement to future paid absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

(Continued)

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated.

The financial effect of provisions is recognised as a finance cost in the consolidated income statement.

If it is more likely than not that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the consolidated income statement caption where the corresponding expense was recorded, and any excess is recognised as other income in the consolidated income statement.

(m) Recognition of income and expenses

Income and expenses are recognised on an accruals basis, irrespective of collections and payments.

Income is recognised at the consideration the Group expects to receive in exchange for the promised goods or services, excluding amounts collected on behalf of third parties (e.g., certain sales taxes). The consideration can include fixed amounts, variable amounts or both. The consideration can vary due to discounts, returns, reimbursements, credits, price reductions, incentives, performance bonuses, penalties or other similar items.

In these annual accounts, income from contracts with customers is called revenue.

The Group has customer loyalty programmes that do not generate credits as they consist of granting discounts that materialise at the time of sale and are recognised as a reduction in the amount of the transaction to which they apply.

(i) Sale of property inventories

Revenue is recognised when the risks and rewards of the property are transferred, which normally occurs when the asset is delivered and legal title passes to the buyer.

(ii) Supplies and non-trading income

As a general rule, there are price lists with suppliers, to which commercial discounts are applied depending on the volumes agreed each year. These discounts are recognised as a decrease in raw materials and other consumables used when the purchases are recognised.

Contributions negotiated with suppliers based on the products included in flyers and displays are recognised as income under other income.

(n) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

The Group recognises deductions for investments by applying the recognition and measurement criteria for current or deferred tax assets, unless they are grants. Deductions in the form of grants are recognised, presented and measured applying the corresponding accounting policy. To this end, the Group considers as grants any deductions that may be applied irrespective of whether the Group has gross tax payable and which have substantive operating terms in addition to the undertaking or maintenance of the investment.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

(Continued)

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

(i) *Recognition of deferred tax liabilities*

The Group recognises deferred tax liabilities in all cases except where:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

- They are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(ii) *Recognition of deferred tax assets*

The Group recognises deferred tax assets provided that:

- It is probable that sufficient taxable income will be available against which they can be utilised or when tax legislation envisages the possibility of converting deferred tax assets into a receivable from public entities in the future. Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised.

- The temporary differences are associated with investments in subsidiaries and joint ventures that will reverse in the foreseeable future and sufficient taxable profit is expected to be generated against which the temporary differences can be offset.

(Continued)

Assets that could be deemed uncertain as their realisation depends on future uncertain events in the very long term, such as the generation of profits, or which could depend on future actions by the Group that are not currently envisaged or contemplated, are not recognised. However, if Group companies are generating recurrent taxable income, and realisation of the asset does not depend on future actions to be adopted that are not envisaged and it is not reasonable to believe that they will be adopted, there are no time limits for recognising deferred tax assets beyond taxes under prevailing tax legislation.

The Group recognises the conversion of a deferred tax asset into a receivable from public entities when it becomes enforceable in accordance with prevailing tax legislation. For this purpose, the deferred tax asset is derecognised with a charge to the deferred tax expense and the receivable is recognised with a credit to current tax.

It is considered probable that the Group will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward.

In order to determine future taxable profit the Group takes into account tax planning opportunities, provided it intends or is likely to adopt them.

(iii) *Measurement*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or practically enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

(Continued)

Deferred tax assets that do not comply with the above conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iv) Offset and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(o) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(p) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

The Company complies with an integrated waste management system for used packing and packaging run by Ecoembalajes España, S.A. (ECOEMBES), which allows the Company to use the “El Punto Verde” (recycling symbol) logo and trademark on its products.

The Company participates in an electronic and electrical appliances integrated waste management system run by the Ecotic Foundation. This system ensures that waste from appliances sold by the Company is selectively collected and appropriately managed from an environmental standpoint.

Likewise, the Company participates in the integrated waste management system for lamps set out in category 5 of Appendix I of Royal Decree 208/2005 of 25 February 2005, led by Asociación Ambilamp.

The Company also participates in an integrated waste management system for batteries and storage batteries run by the Ecopilas Foundation. This system ensures that producers of batteries and storage batteries comply with obligations relating to the selective collection and correct management of battery and storage battery waste for products sold in the domestic market.

Lastly, the Company participates in an integrated waste management system for used oil (SIGAUS). This system ensures that producers of industrial oil comply with obligations relating to the collection and correct management of used oil placed for the first time on the domestic market by the Company.

Through these integrated systems, the Company ensures that the waste derived from the products it sells is collected selectively and is properly managed from an environmental perspective.

Costs related to participation in these management systems are recognised under other operating expenses in the year in which they are incurred.

Provision is made for environmental expenses which at year end are considered likely or certain to be incurred although the exact amount or the date they will materialise is undetermined. Consequently, these provisions are best estimates made on the basis of the information available at the reporting date.

Property, plant and equipment acquired for long-term use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in section (b) of this note.

(Continued)

(q) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

- The operating cycle for the real estate segment normally exceeds twelve months.

(4) Segment Reporting

The Group reports internally by operating segments, some of which are not relevant enough to be reported on a separate basis in these consolidated annual accounts. Practically all sales are made on the domestic market. Details of segment reporting are shown in Appendix III, which forms an integral part of this note. The Group identifies operating segments according to the different products or services. The main operating segments of the Eroski Group are as follows:

- Food: includes the distribution of consumer products through supermarkets, hypermarkets and service stations across Spain.

- Real estate: includes real estate projects for the sale and/or operation of shopping centres.

- Other: other lines of business such as the sale of sports equipment, travel agencies and other retail lines of business.

Inter-segment sales prices are established based on the normal commercial terms and conditions with unrelated third parties.

(5) Non-current Assets Held for Sale

At 31 January 2023 and 2022, non-current assets held for sale include a disposal group comprising one hypermarket with a sale price, net of costs to sell, of Euros 3,385 thousand, and which according to the agreement was expected to be delivered during 2022. These assets are mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

In November 2022, the Eroski Group signed a contract to sell 100% of the share capital of Viajes Eroski S.A. The Company's governors considered the sale to be highly probable at 31 January 2023, and consequently, at 31 January 2023 the assets of this company have been included under non-current assets held for sale in an amount of Euros 18,353 thousand, as have liabilities directly associated with non-current assets held for sale in an amount of Euros 16,381 thousand. This reclassification has had no impact on results as the carrying amount is lower than the fair value less estimated costs to sell. On 28 February 2023, and once all the conditions precedent had been met, the contract was registered in a public deed (see note 30).

(6) Property, Plant and Equipment

Details and movement in property, plant and equipment for the years ended 31 January 2023 and 2022 are shown in Appendix IV, which forms an integral part of this note.

The main additions in 2022 and 2021 comprise installations and furniture necessary to open various centres.

During the years ended 31 January 2023 and 2022, no borrowing costs have been capitalised under property, plant and equipment, and the total amount capitalised at 31 January 2023 and 2022 is Euros 11,066 thousand.

(a) Property, plant and equipment pledged as collateral

At 31 January 2023 property, plant and equipment totalling Euros 153,129 thousand (Euros 170,468 thousand at 31 January 2022) was mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

(b) Insurance

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

(c) Fully depreciated assets

At 31 January 2023 the cost of fully depreciated buildings, machinery, installations and information technology equipment amounts to approximately Euros 1,385 million (Euros 1,364 million at 31 January 2022).

(d) Commitments

At 31 January 2023 the Company has commitments to purchase property, plant and equipment totalling Euros 9,250 thousand (Euros 12,004 thousand at 31 January 2022).

(e) Impairment

The Eroski Group has management systems in place that enable it to obtain information on results and profitability for each store and considers there are indications of impairment when operating margins are negative. Operating margin is understood to be the result of subtracting the cost of sale of goods for resale and store operating expenses from income obtained. The information obtained from the management systems is regularly reviewed by an oversight committee with a view to taking the necessary measures in stores with results that do not meet forecast levels of profitability and making any provisions considered necessary. The most important non-current assets assigned to stores are proprietary land and buildings and other installations and equipment assigned to the Group's points of sale. If provisions have to be made for stores, the Group uses the higher of appraisals of the properties made by independent experts and the present value of estimated cash flows. None of these appraisals are more than eight months old. During the year ended 31 January 2023 the Group made a charge to impairment of property, plant and equipment of Euros 10,085 thousand (a charge of Euros 9,334

(Continued)

thousand at 31 January 2022) under impairment of non-current assets. The key assumptions used in calculating impairment in terms of average sales growth in the projected period, growth rate and discount rate were 3.13%, 1.8%, between 8.86% and 10.76%, respectively (2.63%, between 0.3% and 1.2%, between 8.63% and 9.94%, respectively, in 2021).

(7) Investment Property

Details of investment property and movement during the years ended 31 January 2023 and 31 January 2022 are as follows:

	Thousands of Euros				
	31.01.22	Additions	Disposals	Transfers	31.01.23
Cost	81,138	73	-	37	81,248
Depreciation	(8,747)	(370)	-	-	(9,117)
Impairment losses	(40,220)	(562)	-	-	(40,782)
	32,171	(859)	-	37	31,349

	Thousands of Euros			
	31.01.21	Additions	Disposals	31.01.22
Cost	81,128	10	-	81,138
Depreciation	(8,378)	(369)	-	(8,747)
Impairment losses	(36,882)	(3,338)	-	(40,220)
	35,868	(3,697)	-	32,171

Details of the cost of investment property at 31 January 2023 and 2022 are as follows:

	Thousands of Euros	
	31.01.2023	31.01.2022
Land	60,747	60,685
Buildings	20,501	20,453
	81,248	81,138

(Continued)

At 31 January 2023 and 2022 the Group has not assumed any purchase commitments related to investment property.

The fair value of investment property is based on appraisals made by independent experts. None of these appraisals are more than eight months old. The appraisals were essentially carried out by Grupo Tasvalor, S.A., Tasaciones Inmobiliarias, S.A. (TINSA), VALTEC,S.A. and Krata Sociedad de Tasación, S.A.

The valuations of investment property are classified as level 2, as the assumptions used to obtain the fair value are inputs other than the listed prices included in level 1, but which are observable for the asset in question.

At 31 January 2023 the Group has recognised rental income from investment property of Euros 11,700 thousand (Euros 9,764 thousand at 31 January 2022) under revenue in the consolidated income statement.

During the years ended 31 January 2023 and 2022, no borrowing costs were capitalised in the cost of investment property.

Accumulated impairment is a result of appraisals carried out on the different items of investment property, which reflect the particular situation of each building. During 2022 an amount of Euros 562 thousand (Euros 3,338 thousand in 2021) was reversed.

At 31 January 2023, investment property totalling Euros 30,807 thousand (Euros 31,496 thousand at 31 January 2022) is mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

(8) Goodwill and Other Intangible Assets

Details of intangible assets and movement are shown in Appendix V, which forms an integral part of this note.

(9) Impairment and Allocation of Goodwill

(a) Evaluation of goodwill impairment

Up until 2022, in order to test goodwill acquired in business combinations, the distribution among groups of cash-generating units (CGUs) was as follows:

	Thousands of Euros
	Food
	31.01.2022
Gestión Eroski	658,461
Gestión Caprabo	159,950
	818,411

After the entry of the investor EP Bidco, A.S. as shareholder of the subsidiary of the Supratuc2020, S.L. Group, upon acquiring 50% of its share capital (see note 1). the Group's directors have revised the structure of the information in order to adapt it to the Group’s new situation, which has resulted in a change in the composition of the CGUs, designating businesses in which there is a non-controlling interest, and therefore, with a need to redistribute goodwill among a new group of CGUs, as separate CGUs.

Goodwill allocated to the former group of “Gestión Caprabo” CGUs has been allocated in full to the “Supratuc” group of CGUS, which is the CGU that includes Caprabo, S.A.

Goodwill that was allocated to the former “Gestión Eroski” group of CGUs, has been distributed among the three new groups of CGUs, considering the relative weight of their cash flows at the 2021 reporting date, over the total valuation.

Consequently, at 31 January 2023, the new distribution of CGUS for impairment purposes is as follows:

	Thousands of Euros
	Food
	31.01.2023
Gestión Eroski	391,584
Gestión Supratuc	273,048
Gestión Vegalsa	153,779
	818,411

(Continued)

During 2022, the Eroski Group drew up and approved the 2023 Management Plan. This plan formed the basis for projecting the expected cash flows of the Group's three goodwill management units for that period.

Recoverable amount is calculated according to value in use based on cash flow projections from the financial budgets approved by the governors for a period of five years. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below in section (b). The growth rate does not exceed the average long-term growth rate for the business in which each management unit, indicated in section (b), operates.

The carrying amount of assets grouped to determine the recoverable amount of goodwill attributable to the Gestión Eroski, Supratuc and Vegalsa units mainly includes assets in stores, mainly proprietary land and premises, and logistic platform assets.

When calculating impairment, the Group also includes the current assets necessary to carry out the operations of the Group's businesses.

(Continued)

(b) Key assumptions used to calculate value in use

Recoverable amount is calculated according to the value in use of each company forming part of the CGU based on cash flow projections from the financial budgets approved by the governors for a period of five years.

Details are as follows:

	31.01.23
Eroski CGU	
Average increase in sales in the projected period	2.13%
Growth rate	1.80%
Discount rate	8.86%-10.76%
Supratuc CGU	
Average increase in sales in the projected period	4.32%
Growth rate	1.80%
Discount rate	8.86% - 9.11%
Vegalsa CGU	
Average increase in sales in the projected period	4.5%
Growth rate	1.80%
Discount rate	8.86%

(Continued)

Sensitivity

In relation to the goodwill allocated to each CGU, a sensitivity analysis has been performed on the key assumptions: EBITDA, the discount rate (WACC) and the perpetual growth rate (g) generated by each investee. The analysis consisted of stressing EBITDA by -/+ 2%-12%, the perpetual growth rate by 0.2 basis points and the discount rate by 0.5 basis points, which resulted in no additional impairment charges/reversals.

The variations in the discount rates and perpetual growth rates used in the sensitivity analyses are those that Eroski Group management considers reasonably possible. Eroski management has considered sensitivities of between 2% and 12% in EBITDA to be reasonable, depending on the business. In certain companies of the food sector, in which actual EBITDA for 2022 is higher than that expected in 2021, a variation of 2% has been considered. In businesses in which there have been negative deviations compared to the estimates made in 2021, a sensitivity analysis has been performed based on the actual negative deviation between that estimated for 2021 and the actual figure for 2022.

Management determines budgeted gross margin based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are net of tax and reflect the specific risks of the relevant segments.

(Continued)

(10) Right-of-Use Assets and Lease Liabilities

Details of right-of-use assets in 2022 and 2021 and movement are as follows:

	Thousands of Euros				
	31.01.22	Additions	Disposals	Transfers to available for sale	31.01.23
Cost					
Buildings	1,593,566	288,291	(291,645)	(5,865)	1,584,347
Technical installations and machinery	5,325	793	-	-	6,118
Motor vehicles	2,658	61	(11)	(11)	2,697
	1,601,549	289,145	(291,656)	(5,876)	1,593,162
Accumulated depreciation					
Buildings	(368,444)	(173,258)	2,512	3,501	(535,689)
Technical installations and machinery	(3,781)	(1,128)	-	-	(4,909)
Motor vehicles	(1,713)	(420)	-	7	(2,126)
	(373,938)	(174,806)	2,512	3,508	(542,724)
	1,227,611	114,339	(289,144)	(2,368)	1,050,438

	Thousands of Euros			
	31.01.21	Additions	Disposals	31.01.22
Cost				
Buildings	1,581,122	93,258	(80,814)	1,593,566
Technical installations and machinery	4,952	379	(6)	5,325
Motor vehicles	2,260	418	(20)	2,658
	1,588,334	94,055	(80,840)	1,601,549
Accumulated depreciation				
Buildings	(248,111)	(131,124)	10,791	(368,444)
Technical installations and machinery	(2,585)	(1,196)	-	(3,781)
Motor vehicles	(1,152)	(561)	-	(1,713)
	(251,848)	(132,881)	10,791	(373,938)
	1,336,486	(38,826)	(70,049)	1,227,611

The most significant additions and disposals in 2022 were changes in the estimated length of time assets would remain in supermarkets and hypermarkets, considering the current macroeconomic climate. A period of five years, the period in which the Group makes projections, has been estimated for contracts that were estimated to last one year and for long-term leases that include penalty-free cancellation clauses. These changes in estimate have not had a significant impact on consolidated results.

(Continued)

Additions totalling Euros 86 million have been recognised derived from changes in estimated future cash flows from different contract renegotiations in which the lease term has increased and /or from changes in rent amounts (Euros 74 million at 31 January 2022).

The Eroski Group has lease contracts subject to IFRS 16, mainly for commercial premises. These leases generally establish payment of fixed monthly rent, adjusted annually for inflation (CPI). In general, the leases entered into by the Group do not contain clauses relating to variable amounts based on sales figures or contingent rent.

(a) Details of lease payments and liabilities

Movement in lease liabilities in 2022 and 2021 was as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Balance at 1 February (note 17)	1,255,574	1,361,830
Additions	289,145	94,055
Disposals	(290,395)	(70,014)
Finance costs (note 27)	21,703	15,942
Transfers to liabilities directly associated with non-current assets held for sale (note 5)	(2,529)	-
Payments	(190,149)	(146,239)
	1,083,349	1,255,574

An analysis of the contractual maturity of lease liabilities is as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Less than one year	160,234	119,076
Between 1 and 5 years	501,082	392,320
More than five years	422,033	744,178
	1,083,349	1,255,574

Certain lease contracts lasting less than 12 months or the asset of which is less than Euros 5,000 fall outside the scope of IFRS 16. The related expense for the year was Euros 32,073 thousand (Euros 64,877 thousand in 2021) (see note 25).

(b) Income from leases and subleases

At 31 January 2023 and 2022 the Group has conveyed the right to use certain shopping centres and premises to third parties under operating leases.

Minimum future collections from non-cancellable operating lease contracts are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Maturity		
Less than one year	9,685	7,354
Between one and five years	29,305	23,135
More than five years	13,946	14,143
	52,936	44,632

(11) Equity-accounted Investees

Movement in equity-accounted investees during the years ended 31 January 2023 and 2022 was as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Opening balances	6,315	6,094
Additions	2	
Share of profit/(loss)	81	221
Impairment	-	-
Closing balances	6,398	6,315

Details of equity-accounted investees are included in Appendix II.

Details of the key financials of equity-accounted investees are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Assets	177,973	190,226
Liabilities	260,231	265,963
Equity	(82,258)	(75,737)
Revenue	39,530	25,374
Profit/(loss) for the year	(6,525)	(10,141)
Share of profit/(loss)	81	221

(Continued)

(12) Financial Assets

Details of current and non-current financial assets at 31 January 2023 and 2022 are as follows:

	Thousands of Euros			
	31.01.23		31.01.22	
	Non-current	Current	Non-current	Current
Financial assets at fair value through other comprehensive income				
Unlisted equity instruments				
Caja Laboral Popular, Coop. de Crédito	40,709	-	40,234	-
Other investments	2,105	-	2,112	-
MCC Inversiones S.P.E., S. Coop.	33,968	-	33,968	-
Other investments	1,898	23	1,871	29
Total	78,680	23	78,185	29
Financial assets at amortised cost				
Loans and other receivables	51,555	7,719	51,662	8,658
Loans to associates and joint ventures (note 28)	52,105	31,938	52,607	30,300
Interest accrued on loans to associates (note 28)	2,623	4,788	2,623	4,091
Receivables from sales of non-current assets	823	222	920	633
Security and other deposits	39,581	2,397	39,414	1,970
Other financial assets	168	2,006	222	1,777
Total	146,855	49,070	147,448	47,429
	225,535	49,093	225,633	47,458
Impairment of loans and other receivables	(25,612)	(6,435)	(25,681)	(6,352)
Impairment of loans to associates	(23,814)	(31,794)	(21,285)	(30,393)
Total financial assets	176,109	10,864	178,667	10,713

Financial assets at fair value through other comprehensive income include the following investments:

- Caja Laboral Popular Coop. de Crédito - Lan Kide Aurrezkia was incorporated on 16 July 1959. Its registered office is located in Mondragón (Guipuzcoa, Spain). Its statutory activity is to serve the financing requirements of its members and third parties in its capacity as a financial institution. This investment is stated at the accumulated value of the rights acquired by Eroski, S. Coop. in this cooperative. These investments have a restricted market in terms of sale, limited to the cooperative members of Caja Laboral. In all transactions between cooperative members, the sale value used is that of accumulated returns up to the date of the sale.

These rights include the corresponding annual returns.

- MCC Inversiones S.P.E. S. Coop. was incorporated on 28 April 1998. Its registered office is located in Mondragón (Guipuzcoa, Spain). Its statutory and principal activity consists of promoting and developing companies.

- A series of minority interest investments made by various Group companies.

Loans and other receivables and loans for the sale of non-current assets comprise transactions carried out with third parties which accrue variable annual interest at market rates.

There are no significant differences between the carrying amount and their fair value.

As regards impairment, movement in 2022 corresponds to a charge of Euros 3,930 thousand (Euros 9,772 thousand in 2021) (see notes 27 and 28), mainly corresponding to associates related to real estate projects.

Additionally, in 2021 an charge of Euros 9,554 thousand was made in respect of receivables from third parties.

This impairment is made taking into account estimated cash flows that sales of associates' real estate assets (appraisals) will generate.

Net losses and gains by category of financial asset mainly comprise finance income from loans and other receivables (see note 27).

(Continued)

(13) Trade and Other Receivables

Details of current and non-current trade and other receivables at 31 January 2023 and 2022 are as follows:

	Thousands of Euros			
	31.01.2023		31.01.2022	
	Non-current	Current	Non-current	Current
Trade receivables	-	56,740	-	57,068
Volume discounts and other promotions	-	62,368	-	63,473
Advances to suppliers	3,877	3,123	2,443	3,826
Advances and loans to personnel	-	306	-	217
Advances to Group companies and associates (note 28)	-	304	-	304
Receivables from Group companies and associates (note 28)	-	626	-	1,167
Other receivables	2,856	31,092	1,962	42,627
Public entities	-	14,809	-	16,422
	6,733	169,368	4,405	185,104
Impairment due to uncollectibility	-	(22,655)	-	(26,249)
Total	6,733	146,713	4,405	158,855

Balances receivable from public entities are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Taxation authorities, sundry		
VAT	12,498	14,698
Grants	1,291	957
Other items	1,020	767
	14,809	16,422

Movement in impairment due to uncollectibility is as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Opening balance	(26,249)	(30,162)
Impairment charges (note 25)	(8,837)	(5,322)
Impairment reversals (note 24)	7,173	5,154
Transfers to liabilities directly associated with non-current assets held for sale (note 5)	444	-
Cancellations	4,814	4,081
Closing balance	(22,655)	(26,249)

(Continued)

(14) Income Tax

Details at 31 January 2023 and 2022 of deferred tax assets and liabilities by type of asset and liability are as follows:

	Thousands of Euros					
	Assets		Liabilities		Net	
	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22
Property, plant and equipment	2,109	3,212	(3,037)	(3,039)	(928)	173
Right-of-use assets and lease liabilities (note 10)	174,331	178,432	(169,691)	(174,539)	4,640	3,893
Goodwill and intangible assets	1,079	1,080	(12,397)	(13,266)	(11,318)	(12,186)
Inventories	312	95	(21)	(21)	291	74
Provisions	5,667	4,383	(3,258)	(3,258)	2,409	1,125
Available-for-sale financial assets	1,891	1,891	(1,967)	(1,969)	(76)	(78)
Other	3,524	3,042	-	-	3,524	3,042
	188,913	192,135	(190,371)	(196,092)	(1,458)	(3,957)
Tax loss carryforwards	61,466	64,079	-	-	61,466	64,079
Rights to tax deductions and credits	25,103	28,585	-	-	25,103	28,585
Net assets and liabilities	275,482	284,799	(190,371)	(196,092)	85,111	88,707
Movement during the year					(3,596)	

The governors of the Group consider that the majority of deferred tax assets and liabilities will be reversed or realised in a period exceeding twelve months, except for an amount of approximately Euros 5.6 million in tax loss carryforwards and deductions, which are expected to be recovered in the short term (approximately Euros 3 million in tax loss carryforwards and deductions in 2021).

(Continued)

The Parent files annual income tax returns. The standard rate of tax is 20% of general taxable income. In application of Provincial Law 6/2018 of 12 December 2018 on the tax regime for cooperatives in Vizcaya (although this was already mandatory since the year beginning 1 January 2009 as a result of the amendment to Provincial Law 9/1997), the Company must differentiate between two types of taxable income: general taxable income and special taxable income. Special taxable income comprises investment yields earned by the Cooperative, except those not subject to withholding taxes, and dividends which entitle application of the exemption on dividends of 100% of taxable income, providing the payer is a related individual or entity. Special taxable income is taxed at 19%. The remaining companies of the consolidated group are taxed at a rate of 25% and 24%. The tax liability may be reduced by certain credits for investment and expenses. Due to its status as a specially protected cooperative, Eroski, S. Coop. is entitled to the following income tax benefits:

a) Taxable income is reduced by 50% of the amount which must be transferred to the Mandatory Reserve Fund.

b) Deductible expenses are considered to include the mandatory amounts allocated to the COFIP and interest accrued on members' contributions to equity within certain limits established in Provincial Law 6/2018 of 12 December 2018 on Cooperative Tax Regimes.

c) Contributions by the Company to Intercooperative Cooperation Institutions, which have been previously recognised by the taxation authorities and which are used to financially assist, promote or develop cooperatives or new activities, are also deemed tax deductible.

d) As a result of its special protected status, the Cooperative's total tax liability may be reduced by 50%.

On 27 March 2018, Provincial Law 2/2018 of 21 March 2018 was published, which introduces amendments to Provincial Income Tax Law, the Tax Regime for Cooperatives in Vizcaya and other tax legislation, and is effective for accounting periods beginning on or after 1 January 2018. The measures approved include limiting the application of tax loss carryforwards to 50% of taxable income, reducing the application of deductions limit to 35% of the tax expense, and extending the time limit for application to 30 years for accounting periods beginning on or after 1 January 2014. A minimum tax rate of 4.5% has also been maintained for Eroski, S. Coop.

(Continued)

Details of the income tax expense are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Current tax		
Present year	17,282	15,056
Prior years	148	(145)
Deferred tax		
Source and reversal of temporary differences	(2,414)	(1,624)
Impairment of tax credits	2,520	33,761
Previously unrecognised tax credits	-	(247)
Tax credits applied	3,582	4,713
Deferred from prior years	(131)	(1,198)
	3,557	35,405
	20,987	50,316

The relationship between the tax expense and profit from continuing operations is as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Profit for the year before income tax from continuing operations, general base	79,976	147,821
Profit for the year before income tax from continuing operations, special base	4,925	7,109
	84,901	154,930
Tax calculated at the tax rate for each company	18,079	14,844
Non-taxable income	(256)	(549)
Non-deductible expenses	1,130	4,078
Uncapitalised tax credits	60	902
Impaired tax credits	2,520	33,761
Capitalisation of prior years' tax credits	32	(271)
Changes in tax rates	1	11
Deductions generated and applied during the year	(587)	(1,107)
Share in profit/(loss) of equity-accounted associates	(8)	(22)
Prior years' differences	16	(1,331)
Income tax expense	20,987	50,316

(Continued)

The Company and other Group companies have applied the exemption on reinvestment of extraordinary gains provided for in article 22 of Provincial Income Tax Law 3/1996, article 36 ter of Income Tax Law 43/1995 and article 42 of Royal Legislative Decree 4/2004 on Income Taxes, to the following amounts, having reinvested the selling price which gave rise to the exemption in property, plant and equipment in each of the years in which the gain was generated:

	Thousands of Euros	
Year of origin	Amount subject to exemption/deduction	Reinvestment period
2003	2,958	2003
2004	1,273	2004
2005	7,948	2005
2006	55,679	2006
2007	97,503	2007
2008	174,788	2008
2009	19,838	2009 & 2010
2010	103,510	2010, 2011, 2012 & 2013
2011	45,410	2012
	508,907	

The Company and certain Group companies have unused deductions for investments and job creation.

In accordance with provincial and state income tax legislation, losses declared may be carried forward to be offset against profits (i) of the 30 subsequent accounting periods (for losses declared prior to 1 January 2014 by companies filing taxes under the provincial regime (Vizcaya), the 30-year period is calculated as of that date), (ii) indefinitely for companies filing taxes under the common tax regime, although in both cases, provincial and state, providing the quantitative limits established in prevailing income tax legislation are observed. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection.

(Continued)

On the basis of income tax returns filed or to be filed at 31 January 2023 and 31 January 2022, Group companies have the following accumulated loss carryforwards to be offset against future profits.

	Thousands of Euros		
Year	31.01.23	31.01.22	Available through (*)
2001	8,549	8,549	No limit/2044
2002	47,708	48,227	No limit/2044
2003	53,607	53,607	No limit/2044
2004	80,106	80,106	No limit/2044
2005	34,567	34,567	No limit/2044
2006	66,290	66,290	No limit/2044
2007	134,582	134,582	No limit/2044
2008	252,147	252,716	No limit/2044
2009	170,982	172,108	No limit/2044
2010	249,648	249,648	No limit/2044
2011	223,958	223,958	No limit/2044
2012	135,746	174,231	No limit/2044
2013	274,704	277,057	No limit/2044
2014	325,048	325,048	No limit/2044
2015	40,914	40,914	No limit/2045
2016	80,943	80,943	No limit/2046
2017	167,536	167,536	No limit/2047
2018	89,905	91,901	No limit/2048
2019	328,196	328,488	No limit/2049
2020	897,318	1,371,766	No limit/2050
2021	112,981	228,611	No limit/2051
2022 (estimated)	17,917	-	No limit/2052
	3,793,354	4,410,853	

(*) In accordance with provincial tax regulations, the period of offset is 30 years from the entry into force of the corresponding regulations, and any quantitative limits are applicable.

In accordance with Spanish state tax legislation, there is no time limit for offsetting tax loss carryforwards, although quantitative limits must be observed.

In 2022, Eroski S.Coop. applied uncapitalised tax loss carryforwards totalling Euros 40,877 thousand.

(Continued)

At 31 January 2023 capitalised tax credits for loss carryforwards amount to Euros 61,466 thousand (Euros 64,079 thousand at 31 January 2022).

At 31 January 2023, of the tax loss carryforwards included in the Group's tax returns filed (or to be filed), deferred tax assets amounting to Euros 520,002 thousand (Euros 844,399 thousand at 31 January 2022) have not been recognised.

The Company and certain Group companies have the following unused deductions for investment and job creation:

Unused deductions at 31 January 2023 and 2022 by nature:

	Thousands of Euros				
	31.01.23				
Year of origin	Double taxation	Investments	R&D&i	Other	Total
1998	-	5,099	-	-	5,099
1999	-	1,519	-	-	1,519
2000	-	2,444	-	-	2,444
2001	-	10,726	-	159	10,885
2002	16	2,620	-	1,085	3,721
2003	42	1,450	213	1,040	2,745
2004	36	1,264	390	352	2,042
2005	-	1,888	100	625	2,613
2006	55	3,321	170	1,172	4,718
2007	65	12,034	-	102	12,201
2008	237	7,802	-	219	8,258
2009	532	22	574	70	1,198
2010	379	-	872	43	1,294
2011	762	-	693	98	1,553
2012	2,071	-	563	94	2,728
2013	2,874	-	403	1,010	4,287
2014	1,299	-	147	1,022	2,468
2015	46	-	106	1,111	1,263
2016	41	-	62	1,366	1,469
2017	10	2,154	332	2,141	4,637
2018	12	2,386	303	1,412	4,113
2019	12	3,062	216	226	3,516
2020	14	2,438	234	206	2,892
2021	9	2,859	1,456	216	4,540
2022	-	-	-	-	-
	8,512	63,088	6,834	13,769	92,203

(Continued)

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Thousands of Euros 31.01.22				
Year of origin	Double taxation	Investments	R&D&i	Other	Total
1998	-	5,322	-	-	5,322
1999	-	1,519	-	-	1,519
2000	-	2,444	-	-	2,444
2001	-	10,790	-	159	10,949
2002	16	2,620	-	1,085	3,721
2003	42	1,450	213	1,040	2,745
2004	36	1,264	390	352	2,042
2005	-	1,888	100	625	2,613
2006	55	3,321	170	1,214	4,760
2007	65	15,092	-	101	15,258
2008	374	7,802	-	219	8,395
2009	532	22	1,861	70	2,485
2010	379	-	872	43	1,294
2011	762	-	693	98	1,553
2012	6,114	-	563	870	7,547
2013	2,874	-	403	1,010	4,287
2014	1,299	-	147	1,022	2,468
2015	46	-	106	1,115	1,267
2016	41	-	62	1,376	1,479
2017	10	2,157	332	2,151	4,650
2018	12	2,391	303	1,422	4,128
2019	12	3,068	216	236	3,532
2020	14	2,444	234	216	2,908
2021	-	-	-	-	-
	12,683	63,594	6,665	14,424	97,366

(Continued)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Unused deductions at 31 January 2023 and 2022 by maturity:

	Thousands of Euros										
	31.01.23										
Year	Available through		Available through		Available through		Available through		Available through		Total
1998	2044	5,099	2016	-	2013	-	2008	-	no limit	-	5,099
1999	2044	1,519	2017	-	2014	-	2009	-	no limit	-	1,519
2000	2044	2,444	2018	-	2015	-	2010	-	no limit	-	2,444
2001	2044	10,885	2019	-	2016	-	2011	-	no limit	-	10,885
2002	2044	3,720	2020	-	2017	-	2012		no limit	-	3,720
2003	2044	2,745	2021	-	2018	-	2013		no limit	-	2,745
2004	2044	2,042	2022	-	2019	-	2014		no limit	-	2,042
2005	2044	2,613	2023	-	2020	-	2015		no limit	-	2,613
2006	2044	4,718	2024	-	2021	-	2016		no limit	-	4,718
2007	2044	12,201	2025	-	2022	-	2017		no limit	-	12,201
2008	2044	4,532	2026	-	2023	3,627	2018		no limit	99	8,258
2009	2044	986	2027	-	2024	-	2019		no limit	212	1,198
2010	2044	924	2028	69	2025	-	2020		no limit	302	1,295
2011	2044	825	2029	46	2026	-	2021		no limit	682	1,553
2012	2044	663	2030	85	2027	-	2022		no limit	1,980	2,728
2013	2044	381	2031	136	2028	-	2023	951	no limit	2,819	4,287
2014	2044	185	2032	20	2029	-	2024	1,006	no limit	1,256	2,467
2015	2045	130	2033	43	2030	-	2025	1,006	no limit	85	1,264
2016	2046	119	2034	-	2031	-	2026	1,147	no limit	203	1,469
2017	2047	2,514	2035	-	2032	-	2027	1,919	no limit	203	4,636
2018	2048	2,702	2036	-	2033	-	2028	1,205	no limit	205	4,112
2019	2049	3,310	2037	-	2034	-	2029	-	no limit	206	3,516
2020	2050	2,684	2038	-	2035	-	2030	-	no limit	207	2,891
2021	2051	4,166	2039	154	2036	-	2031	21	no limit	202	4,543
2022	2052	-	2040	-	2037	-	2032	-	no limit	-	-
		72,107		553		3,627		7,255		8,661	92,203

(Continued)

	Thousands of Euros										
	31.01.22										
Year	Available through		Available through		Available through		Available through		Available through		Total
1998	2044	5,322	2016	-	2013	-	2008	-	no limit	-	5,322
1999	2044	1,519	2017	-	2014	-	2009	-	no limit	-	1,519
2000	2044	2,444	2018	-	2015	-	2010	-	no limit	-	2,444
2001	2044	10,949	2019	-	2016	-	2011	-	no limit	-	10,949
2002	2044	3,720	2020	-	2017	-	2012	-	no limit	-	3,720
2003	2044	2,745	2021	-	2018	-	2013	-	no limit	-	2,745
2004	2044	2,042	2022	-	2019	-	2014	-	no limit	-	2,042
2005	2044	2,613	2023	-	2020	-	2015	-	no limit	-	2,613
2006	2044	4,717	2024	-	2021	43	2016	-	no limit	-	4,760
2007	2044	12,200	2025	-	2022	3,058	2017	-	no limit	-	15,258
2008	2044	4,669	2026	-	2023	3,627	2018	-	no limit	99	8,395
2009	2044	2,274	2027	-	2024	-	2019	-	no limit	212	2,486
2010	2044	924	2028	69	2025	-	2020	-	no limit	302	1,295
2011	2044	825	2029	46	2026	-	2021	-	no limit	682	1,553
2012	2044	4,705	2030	85	2027	-	2022	776	no limit	1,980	7,546
2013	2044	381	2031	136	2028	-	2023	951	no limit	2,819	4,287
2014	2044	186	2032	20	2029	-	2024	1,006	no limit	1,256	2,468
2015	2045	129	2033	43	2030	-	2025	1,006	no limit	89	1,267
2016	2046	119	2034	-	2031	-	2026	1,147	no limit	213	1,479
2017	2047	2,518	2035	-	2032	-	2027	1,919	no limit	214	4,651
2018	2048	2,707	2036	-	2033	-	2028	1,205	no limit	215	4,127
2019	2049	3,316	2037	-	2034	-	2029	-	no limit	216	3,532
2020	2050	2,691	2038	-	2035	-	2030	-	no limit	217	2,908
2021	2051	-	2038	-	2035	-	2030	-	no limit	-	-
		73,715		**399**		**6,728**		**8,010**		**8,514**	**97,366**

At 31 January 2023 capitalised tax credits for unused deductions amount to Euros 25,103 thousand (Euros 28,585 thousand at 31 January 2022). Eroski S.Coop. has applied capitalised deductions amounting to Euros 3,312 thousand in the income tax estimate for 2022.

The governors of the Parent and, where applicable, their tax advisors have calculated the income tax for 2022 and for the years open to inspection in accordance with fiscal legislation prevailing at the end of each year. Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the Parent’s governors do not consider that any such liabilities that could arise would have a material effect on the consolidated annual accounts.

(Continued)

As explained in note 3 (n), the Group recognises tax loss carryforwards, credits and deductions providing their realisation or future application is probable. To do so, management uses prudent estimates approved by the governors which reflect a growth rate of 0% in the years beyond the budgeting period for the business (5 years). Based on these estimates, in 2022 the Company's governors decided to impair tax credits for loss carryforwards and deductions recognised in previous years by Euros 2,520 thousand (Euros 33,761 thousand in 2021).

The Group has performed a sensitivity analysis by stressing the key EBITDA assumption by -2%/-12%, and no significant differences arose.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the prescription period of four years from presentation of the corresponding settlements has elapsed. At 31 January 2023 the Company and its subsidiaries, in general, have open to inspection by the taxation authorities all main applicable taxes since 1 January 2019, except for income taxes, which are open to inspection since 1 January 2018. The governors do not expect that significant additional liabilities would arise in the event of inspection.

(Continued)

(15) Inventories

Details of inventories are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Goods for resale	360,971	328,277
Property		
Land	35,504	35,917
Buildings under construction	3,782	3,782
	400,257	367,976
Advances of property inventories	299	299
	400,556	368,275

Property inventories at 31 January 2023 and 2022 are expected to be sold in more than twelve months. No borrowing costs have been capitalised in property inventories in 2022 and 2021.

Net realisable value has been estimated using independent expert appraisals and/or fair values obtained from signed sale-purchase contracts less estimated costs to sell, all of which were obtained within the last 12 months.

The cost of materials consumed during the years ended 31 January 2023 and 2022 was as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Net purchases	3,581,391	3,282,764
Changes in inventories	(32,967)	18,118
Provision (reversal) of inventory impairment	686	(5,696)
	3,549,110	3,295,186

(Continued)

During the years ended 31 January 2023 and 2022 movement in inventories compared to the prior year is as follows:

	Thousands of Euros
Inventories at 31 January 2021	380,697
Change in goods for resale	(18,316)
Change in property inventories	198
Inventory (impairment)/reversals	5,696
Inventories at 31 January 2022	368,275
Change in goods for resale	32,763
Change in property inventories	204
Inventory (impairment)/reversals	(686)
Inventories at 31 January 2023	400,556

Net purchases at 31 January 2023 include Euros 12,773 thousand corresponding to purchases made in currencies other than the euro (Euros 8,944 thousand at 31 January 2022).

(a) Insurance

Group companies have taken out insurance policies to cover the risks to which their inventories are exposed. The coverage of these policies is considered sufficient.

(b) Inventories pledged as collateral

No inventories have been pledged as collateral at 31 January 2023 or 2022.

(c) Purchase commitments

At 31 January 2023 and 2022 there are no commitments to acquire property inventories.

(16) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Members' contributions

Details of members' contributions at 31 January 2023 and 2022 are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Mandatory contributions		
Worker members	331,276	329,962
Consumer members	1,663	1,601
	332,939	331,563

Members' contributions consist of voluntary and mandatory contributions made by consumer and worker members, patronage returns on the distribution of results, capitalisation of interest on contributions and the capitalisation of revaluation reserves, when distributable, as established in relevant legislation.

Each year the members at their general assembly approve the mandatory contributions to be made by new worker members. For each year the general assembly decides whether or not to pay interest on worker members' contributions and, if so, establishes the interest rate applicable, which may not exceed gross annual interest of 7.5% or a % of gross ordinary profit if the cooperative complies with certain ratios established in the By-Laws. In any case, remuneration will not exceed the legal limits and a lower interest rate may be agreed. In any event, returns on members' contributions are dependent on the existence of sufficient net profit or freely distributable reserves.

The mandatory contribution for consumer members is Euros 1.20.

Contributions are transferable between members of the same category in accordance with conditions established by the board of governors and by succession "mortis causa".

(Continued)

In the event of a loss of membership, members or their beneficiaries may request reimbursement of their contribution. The value of their contribution will be calculated based on the balance sheet for the year in which the member requests to leave. However, the governors reserve the right to reduce the mandatory contribution by a certain percentage, depending on the reason for loss of membership. It is the general assembly that agrees or not to reimburse contributions in the event of a loss of membership.

If the general assembly does not agree to reimburse all contributions requested, the following obligations come into play:

- Half of the Cooperative's available profit will be earmarked for the mandatory reserve fund.

- No return on worker member contributions may be made.

- The Cooperative may not agree returns for worker members.

- If there is sufficient net profit (profit after offsetting prior years' losses) or sufficient distributable reserves to cover its accrual, and the Cooperative agrees to accrue a return below the legal interest rate in favour of contributions whose reimbursement has not been approved by the assembly, the par value of these contributions is increased by at least an amount equal to the difference between this interest and that accrued prior to any return on worker members' contributions. This will also be the case if no agreement is reached.

Pursuant to the agreement by the general assembly on the reimbursement of contributions in the event of a loss of membership, the payment period will be decided by the board of governors and may not exceed five years from the reimbursement date agreed by the general assembly, and the contribution not paid will be entitled to accrue interest equivalent to the legal rate.

At 31 January 2023 unpaid calls on members' contributions amount to Euros 2,253 thousand (Euros 2,248 thousand at 31 January 2022).

The main aim of the Group in managing its members' contributions and equity items is to provide the necessary base for attracting external financing in order to increase activity from a reasonably balanced financial perspective. Included in this are issues of Eroski Subordinated Financial Contributions (ESFCs), irrespective of their classification as equity or liabilities, as their characteristics of perpetuity and subordination mean they fulfil the same function.

Capital management strategy centres on maintaining an equity to total liabilities ratio of over 0.20.

At 31 January 2023 and 2022 the ratio has been calculated as follows:

	Thousands of Euros	
		Restated
	31.01.23	31.01.22
Equity	359,458	318,292
ESFCs in financial liabilities	124,752	124,752
Equity considered	484,210	443,044
Total liabilities (net of ESFCs and lease liabilities)	2,370,006	2,377,828
Equity/total liabilities ratio	0.20	0.19

(b) Retained earnings

Details of retained earnings are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Parent reserves		
Transition reserves	22,766	22,766
Prior years' profit and loss	(247,904)	(300,370)
Other reserves		
Mandatory reserve fund	18,574	18,189
Statutory reserves	34,204	34,203
Merger reserves	109	109
Other reserves	2,728,889	2,657,428
Reserves in fully consolidated companies	(2,913,591)	(2,885,096)
Reserves in equity-accounted investees	5,108	4,922
Profit/(loss) for the year attributable to equity holders of the Parent	41,974	107,719
	(309,871)	(340,130)

(c) Mandatory Reserve Fund

In accordance with Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, the net surplus for each year, after taxes and amounts used to offset loss carryforwards, constitutes the available surplus. At least 30% of available surpluses is taken annually to the Mandatory Reserve Fund and the Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives (COFIP), with a minimum of 10% to the latter and 20% to the former.

Until the Mandatory Reserve Fund reaches 50% of members' contributions, the minimum appropriation to the COFIP may be reduced by half.

(Continued)

The Mandatory Reserve Fund, earmarked for the consolidation, development and guarantee of the Cooperative, is not distributable to members, except to the extent permitted by Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country. This fund comprises percentage appropriations made as explained above, deductions from mandatory contributions in the event of loss of membership and admission fees.

(d) Distribution of Parent profit

The distribution of profit for 2021 approved by the members at the general assembly held on 26 May 2022, and the proposed distribution of profit for 2022, which the board of governors of Eroski, S. Coop. will propose to the members at their general assembly, are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Basis of allocation:		
Profit/(loss) for the year	32,065	58,684
Appropriation to the Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives	-	-
Cooperative profit	32,065	58,684
Distribution:		
Interest on 2007 issue of ESFCs	2,815	2,740
Mandatory Reserve Fund	-	-
Voluntary reserves	-	-
Individualised special reserve	29,250	55,944
	32,065	58,684

(e) Declaration of governors' responsibility

Pursuant to article 8 of Royal Decree 1362/2007, all the members of the board of governors declare and sign that, to the best of their knowledge, the consolidated annual accounts for 2022, authorised for issue at the meeting held on 28 April 2023, have been prepared using applicable accounting principles, give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of Eroski, S. Coop. and its consolidated subsidiaries, taken as a whole, and that the consolidated directors' report for 2022 includes a fair analysis of the performance, results and position of Eroski, S. Coop. and its consolidated subsidiaries, taken as a whole, and contains a description of the main risks and uncertainties facing the Group.

(Continued)

(f) Capitalised funds

This caption comprises Eroski Subordinated Financial Contributions (ESFCs). On 9 July 2007, and pursuant to article 60.6 of Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, as worded in Law 1/2000 of 29 June 2000, the Cooperative issued ESFCs for a nominal amount of Euros 300,000 thousand, divided into 12,000,000 units of Euros 25 par value each. The interest paid in cash on this issue includes the following conditions:

a) Eroski worker members will receive cash for certain items if returns are paid in the year prior to the interest being accrued.

b) Otherwise, and unlike ESFCs recognised under financial liabilities (see note 17), the general assembly of Eroski can decide whether to pay ESFC holders in cash (in whole or in part), or increase the par value of the ESFCs by the same amount.

Given the subordinate nature of the ESFCs and the conditions for settling interest described previously, these financial instruments are classified as equity instruments.

As stipulated in article 60.6 of the law governing cooperatives in the Basque Country, ESFCs shall not be redeemed until cooperative approval is obtained for settlement. Without prejudice to the aforementioned, when at least five years have elapsed from the payment date, Eroski, S. Coop. members at their annual general assembly may agree to the partial or total redemption of the ESFC issue by reducing the par value of all the ESFCs issued.

Under the financial restructuring framework contract signed on 15 January 2015 (see note 18), holders must be given the option to exchange ESFCs for a cash equivalent of 15% of the nominal amount of the contributions, plus a bond with a nominal value equal to 55% of the par value of the exchanged contributions. This bond is a subordinated instrument, with 12-year maturity, extendible for an additional 5 years at the discretion of the holder, and remunerated at interest pegged to Euribor + 300 basis points.

On 14 January 2016 Eroski presented the prospectus of the ESFC Exchange Offering and simultaneous 2016 Eroski Subordinated Bond (ESB) Public Offering. On 1 February 2016, Eroski exchanged 63.59% of ESFCs issued to third parties between 2002 and 2004 (recognised as a liability) and 60% of ESFCs issued to third parties in 2007 (recognised under equity).

The effect of the exchange at 31 January 2016 was the redemption via exchange of Euros 162 million in ESFCs in equity and Euros 218 million under liabilities. The difference resulting from the ESFC exchange in equity, which included Euros 22 million corresponding to the change in fair value of the bonds, was recognised directly in reserves.

ESFCs in equity not exchanged accrue annual interest pegged to 12-month Euribor +2.5%, which will be paid in cash if the above conditions for interest payments are met. At 31 January 2023 the annual interest rate applied was 2.041% (1.987% at 31 January 2022). During the year ended 31 January 2023, interest of Euros 2,206 thousand (Euros 2,147 thousand at 31 January 2022) was accrued (as they are equity instruments, they are treated as dividends) and settled in cash on 31 January 2023 as the terms of section a) above were fulfilled. This amount has been recognised under interim dividends in the consolidated statement of financial position.

ESFCs are considered marketable securities, are freely transferable and are represented by book entries in a single series. Since issue, they have been traded on the AIAF (Spanish Association of Brokers and Securities Dealers) Fixed Income Market, and on 6 July 2012 they were incorporated into the electronic SEND trading platform, as recommended by the Securities Market Regulatory Body and following the practice of issuers of fixed income securities directed at retailers. The quoted price of ESFCs can fluctuate in line with their quoted price on this market. At 31 January 2023 this quoted price is 28.00% of the par value (17.82% at 31 January 2022).

At 31 January 2023 and 2022 the Group has acquired ESFCs totalling Euros 29,847 thousand.

(Continued)

Details of these equity instruments at 31 January 2023 and 2022 are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Equity instruments issued	125,372	125,372
Own equity instruments acquired	(29,847)	(29,847)
	95,525	95,525

(17) Current and Non-current Financial Liabilities

Details of current and non-current financial liabilities at 31 January 2023 and 2022 are as follows:

	Thousands of Euros			
			Restated	
	31.01.23		31.01.22	
	Non-current	Current	Non-current	Current
Financial liabilities from issuing bonds and marketable securities	307,736	5,310	303,344	5,197
Financial liabilities from loans and borrowings (note 18)	770,601	10,641	797,406	10,581
Third party loans	26,909	1,524	17,174	3,056
Lease liabilities (note 10)	923,115	160,234	1,136,498	119,076
Payables to associates (note 28)	589	-	575	154
Other payables	29,700	1,063	30,763	1,007
Other financial liabilities (note 2 (b))	118,251	-	108,365	-
Total	2,176,901	178,772	2,394,125	139,071

During the period 2002-2004 the Company issued three lots of ESFCs for a total par value of Euros 360,000 thousand, divided into 14,400,000 securities of Euros 25 par value each.

As stipulated in article 60.6 of the law governing cooperatives in the Basque Country, ESFCs shall not be redeemed until cooperative approval is obtained for settlement. Without prejudice to the aforementioned, when at least five years have elapsed from the payment date, Eroski, S. Coop. members at their annual general assembly may agree to the partial or total redemption of the ESFC issue by reducing the par value of all the ESFCs issued (see note 16 (f)).

After Order EHA/3360/2010 of 21 December 2010, which approves the accounting standards for cooperatives, became effective on 1 January 2011, these ESFCs are classified as financial liabilities, and are thus recognised under non-current liabilities in the consolidated balance sheet.

(Continued)

ESFCs will accrue annual interest on a daily basis between the date of payment and, as the case may be, their redemption date, irrespective of profits earned, calculated on the basis of their par value, equivalent to 12-month Euribor +3%.

During the year ended 31 January 2023, Euros 3,170 thousand has been accrued (Euros 3,103 thousand at 31 January 2022), equivalent to annual interest of 2.541% at 31 January 2023 (2.487% at 31 January 2022), which is recognised under finance costs and payables on subordinated financial contributions in the consolidated income statement (see note 27). This interest was paid on 31 January 2023 (at 31 January 2022, this interest had been paid).

The three ESFC issues are considered marketable securities, are freely transferable and are represented by book entries in a single series. Since issue, they have been traded on the AIAF (Spanish Association of Brokers and Securities Dealers) Fixed Income Market, and on 6 July 2012 they were incorporated into the electronic SEND trading platform, as recommended by the Securities Market Regulatory Body and following the practice of issuers of fixed income securities directed at retailers. The quoted price of ESFCs can fluctuate in line with their quoted price on this market. At 31 January 2023 this quoted price is 31.066% of the par value (22.477% at 31 January 2022).

As indicated in note 16, on 14 January 2016 Eroski presented the prospectus of the ESFC Exchange Offering and simultaneous 2016 ESB Public Offering, and on 1 February 2016, it exchanged 63.59% of ESFCs issued to third parties between 2002 and 2004.

As indicated in note 16 (f), the effect of the exchange at 31 January 2016 was the derecognition of exchanged debt ESFCs amounting to Euros 218 million. The balancing entry of the exchange of these ESFCs and the ESFCs recognised as equity of Euros 162 million, was recognised as a payable for subordinated bonds issued for a nominal amount of Euros 209 million and recognised at its fair value of Euros 157 million.

The ESBs will accrue annual interest on a daily basis between the date of payment and, as the case may be, their redemption date, irrespective of profits earned and calculated on the basis of their par value, equivalent to 12-month Euribor +3%. On 1 February 2023, an amount of Euros 5,310 thousand, equivalent to 2.541%, was paid, and Euros 9,703 thousand was recognised under finance costs (on 1 February 2022 Euros 5,197 thousand, equivalent to 2.487%, was paid, and Euros 9,349 thousand was recognised under finance costs) corresponding to the effective interest rate calculated at the time of valuation, which the Company estimated at 5.8% (see note 27). At 31 January 2023 this quoted price is 57.100% of the par value (41.749% at 31 January 2022).

(Continued)

In 2020 a financial liability was recognised for the agreement entered into between the Group and a third party for the sale and leaseback of 27 supermarkets for an initial amount of Euros 32,955 thousand, the balance of which at 31 January 2023 was Euros 30,763 thousand (Euros 31,770 thousand at 31 January 2022). This liability matures when the lease contracts expire, i.e. 30 October 2040.

Other financial liabilities at 31 January 2023 amounting to Euros 117,521 thousand (Euros 107,629 thousand at 31 January 2022) mainly reflect liabilities for the dividends indicated in note 2b), the effective interest rate of which has been estimated at 9.19%.

At 31 January 2023, the Company's governors estimate that the fair value of loans and borrowings corresponding to the Framework Agreement, represent 90%-95% of their carrying amount, based on information gathered in respect of its debt with financial institutions. The fair value of the remaining financial liabilities does not differ significantly from their carrying amount.

(18) Loans and Borrowings

Details at 31 January 2023 and 2022 are as follows:

	Thousands of Euros			
	31.01.23		31.01.22	
	Non-current	Current	Non-current	Current
Syndicated credit facilities				
Framework Agreement	707,736	10,622	737,755	10,570
Bank loans and credit facilities	62,865	19	59,651	11
	770,601	10,641	797,406	10,581
	(note 17)	(note 17)	(note 17)	(note 17)

In July 2019 the Eroski Group signed a financial restructuring agreement with a consortium of financial institutions (for a total amount of Euros 1,503 million and working capital financing facilities), extending the maturity of its financial debt.

The agreement reached divided the nominal amount of the Eroski Group's debt into two tranches. On the one hand, one tranche amounting to approximately Euros 1,022 million bearing interest at Euribor +2.5% and, on the other hand, a tranche amounting to approximately Euros 509 million bearing interest at a fixed rate of 0.5% until 31 July 2024. These tranches were initially for Euros 1,003 million and Euros 500 million, respectively, but were increased in 2019 due to guarantees totalling Euros 28 million extended by the Group to related and non-related parties.

(Continued)

Eroski, S. Coop was initially the debtor of both tranches. Of the second tranche, and with the sole condition of meeting the December 2021 repayment, the contract establishes that an amount of Euros 200 million accrues 0% interest as of this payment in December 2021. Additionally, it establishes that the subsidiary Cecogoico S.A.U. is the debtor of this sub-tranche.

The syndicated credit facility contemplates two reductions in the nominal amount of the debt, subject to compliance with certain conditions:

- Reduction 1: approximately Euros 152 million, already accrued and registered in a public deed after compliance with the conditions attached was verified.

- Reduction 2: approximately Euros 150 million, to be applied in the final 31 July 2024 repayment, providing there is no cause for early repayment on that date. The governors consider that no such cause will arise, and therefore, this reduction will be applicable.

The contract also establishes a final commission to be accrued in favour of the financial entities, to be evaluated no later than 31 July 2024 which would be effective in the event the individual results of Eroski S. Coop. for 2022 and 2023 exceed those envisaged in the business plan existing at the date the contract was signed by more than 20%. The governors consider this scenario to be unlikely, and therefore, they believe this commission will not be accrued.

The new agreement involved the reorganisation of the Group such that most of the trading companies become investees of a new trading company that is, in turn, owned by Eroski, S. Coop. To ensure fulfilment of some of the payment obligations, the option is granted to convert part of the outstanding debt into shares in the aforementioned trading company at the fair value of the shares, as calculated by independent experts at the conversion date. To this end, Cecogoico S.A.U. was incorporated in 2019.

The initial fair value of the debt was determined to be Euros 1,247 million, resulting in the recognition of Euros 256 million in finance income at 31 January 2020, reflecting the difference with the carrying amount of the previous debt at the time of the refinancing.

(Continued)

On 4 November 2021, the condition precedent for Eroski S. Coop to obtain a waiver of Euros 5 million from a financial institution was relinquished under the Restructuring Framework Agreement and the execution of a financial guarantee extended in 2019. As certain milestones were met, the debt could be reduced by this amount. As a result of this waiver, the nominal of the outstanding debt at 31 January 2022 was reduced, with a balancing entry under finance income at 31 January 2022.

As all the requirements for reducing the debt (reduction 1) referred to in the previous paragraphs were met, the Company recognised finance income of approximately Euros 141 million during the year ended 31 January 2022 (see note 27), corresponding on the one hand to the Euros 152 million reduction, and on the other, to the effect of discounting this amount at the original interest rate. For all intents and purposes, this reduction had retroactive effectiveness at the December 2021 repayment date, including the accrual and payment of interest. The debt reduction was registered in a public deed on 15 June 2022.

In September 2021, the repayment due in December 2021 was paid in full, as the only condition for transferring Euros 200 million to the interest-free debt tranche, the debtor of which is Cecogoico, was met.

The effective rate of interest of the new debt was 4% up to July 2022. In 2022, due to the increase in the variable interest rate to which the debt was pegged, the Group has re-estimated the new effective interest rate at 4.5% as of 31 July 2022 and 6% at 31 January 2023. Furthermore, there have been no changes in estimates of the debt's cash flows.

The Parent and other companies of the Eroski Group are jointly and severally liable for the obligations deriving from these facilities and have agreed with the lending entities to fulfil a series of financial ratios based on the consolidated annual accounts and consolidated half-yearly financial statements as of the 31 January 2020 close. During 2021, a modification in the calculation of these ratios was approved due to the sale of 50% of the share capital of Supratuc2020, S.L. mentioned in note 1. The governors of the Parent consider that at 31 January 2023 the aforementioned ratios have been met.

(Continued)

Repayment of this financing is secured by a mortgage on certain property, plant and equipment, investment property and non-current assets held for sale by various Group companies, as well as first-ranking pledges on investments in certain subsidiaries in favour of the lenders on credit rights to fully comprehensive insurance policies and the bank accounts of certain Group companies, and second-ranking pledges on subsidiaries already pledged to ensure compliance with commitments of the pre-existing syndicated financing facility. Lastly, a chattel mortgage was taken out on the "Eroski" and "Caprabo" brands. In 2021, due to the sale of 50% of Supratuc2020, S.L. mentioned in note 1, the guarantees on the assets of this company were lifted, as well as those of its subsidiaries Caprabo, S.A.U. and Cecosa Supermercados S.A.U., including that of the Caprabo brand. At 31 January 2023 and 2022, the guarantees extended by these three companies would only be the pledge of the shares that the Eroski Group has over them.

The par value of syndicated debt at the 2022 close amounts to Euros 909 million (Euros 1,105 million at the 2021 close), Euros 709 million recorded in Eroski S.Coop. and Euros 200 million in Cecogoico S.A.U. at 31 January 2023 (Euros 905 million recorded in Eroski S.Coop. and Euros 200 million in Cecogoico S.A.U at 31 January 2022). The reason for the change in the nominal amount are the ordinary repayments amounting to Euros 31 million, early repayments on the 2024 instalment of Euros 13 million made during the year from surplus cash generated, and the Euros 152 million waiver explained earlier. Group management's estimate of payments of principal (in millions of Euros), which includes compliance with all the agreements included in the refinancing contract, as well as reduction 2 explained in previous paragraphs, is as follows:

2023	2024	2027
31	525	200

As the debt falls due in July 2024, the Group is working on different alternatives to meet its commitments, which are being considered by the governors.

During 2022, the Group made interest payments of Euros 17.3 million (Euros 21.7 million in 2021).

(Continued)

The refinancing agreement includes the following negative covenants regarding the distribution of interest and profits:

- Distribute interest on member contributions, make payments to or monetarise Eroski members (expressly excluding wage and salary payments to worker members and remuneration on voluntary member contributions, and settlements to members on departure)

- Payment of interest on the subordinated financial contributions exceeding the minimum amount stipulated in the prospectuses for the above subordinated financial contributions or to pay in cash when capitalisation is permitted, under the terms of the issue, in both cases, unless an enhanced majority of the creditor entities expressly give their unanimous consent. If this obligation is not met, the debtors must pay the agent in cash for distribution of an amount of compensation among the financial institutions equivalent to (i) the excess interest paid on the subordinated financial contributions (in excess of the statutory minimum) or, if applicable, (ii) any interest paid in cash to the ESFCs were capitalisation possible.

At 31 January 2023 and 2022 the Company has met these obligations.

The financing contract stipulates that the Group company ceasing to hold, directly or indirectly, at least a 50% interest in Supratuc, which it currently holds, or losing control of the Supratuc subgroup, unless this happens for reasons not directly attributable to the actions or failure to act of a Group company, constitutes cause for early repayment. If the non-controlling interest exercises the put option on its investment, which is exercisable in a certain scenario under the Group’s control, and providing a certain time has elapsed without the Group having found a potential buyer, this would also be cause for early repayment. The governors have no intention of taking any action aimed at losing control of Supratuc. Additionally, in their opinion and that of their advisors, and taking into account the experience of the former sale process, they consider that at market prices, which is what the contract establishes, there would be enough interested parties to close the transaction within the stipulated time period.

Non-current bank loans and credit facilities mainly include a subordinated credit facility arranged with several financial institutions in January 2016 to meet the cash payment offered in the ESFC exchange.

Given the particular features of this loan, including the fact that it is subordinated, its 12-year maturity and favourable interest rates, it was recognised at its fair value of Euros 43 million (see note 16 (f)). At 31 January 2023, this loan has been recognised at amortised cost of Euros 63 million (Euros 60 million at 31 January 2022).

(Continued)

(19) Trade and Other Payables

Details of trade and other payables at 31 January 2023 and 2022 are as follows:

	Thousands of Euros			
	Non-current		Current	
	31.01.23	31.01.22	31.01.23	31.01.22
Suppliers	-	-	639,819	636,495
Group companies and associates (note 28)	-	-	1,228	1,450
Distributable income	908	1,342	-	-
Payables for services rendered	-	-	132,706	144,894
Advances from customers	-	-	31,036	32,033
Other payables				
- Salaries payable	-	-	40,073	34,602
- Public entities	-	-	39,321	35,675
- Suppliers of fixed assets	-	-	66,275	78,398
- Other payables	8,921	8,182	6,779	5,504
- Accruals	-	-	9,331	9,373
- Payables to members	3,172	5,111	3,314	10,664
Other non-current payables	116	119	-	-
	13,117	14,754	969,882	989,088

Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives

According to Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, at least 10% of the net surplus will be appropriated to the COFIP, once interest on capital contributions and other funds have been deducted, and prior to the available surplus. Amounts appropriated to the fund are applied the following year to the purposes for which the fund was created.

This fund is not subject to seizure, and in addition to the surplus, it also comprises disciplinary fines and penalties imposed by the Cooperative on its members, and other amounts agreed by the general assembly with a charge to available surpluses.

Appropriations to the COFIP should be used, inter alia, to train and educate members and workers in cooperative principles, their values and matters relating to cooperative work and other activities, to promote intercooperative relations and cultural, professional and assistance-related matters, as well as to spread the philosophy of cooperativism. Due to losses from prior years, no surpluses were available and therefore no expenses were recognised in relation to this appropriation in 2022 and 2021.

(Continued)

The balance of the fund which has not been applied must be invested in not-for-profit organisations in the financial year after the appropriation was made, and used for public interest initiatives established for the contribution.

Balances payable to public entities are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Taxation authorities		
VAT	9,628	6,034
Withholdings	11,179	10,323
Other items	8,622	10,074
Social Security	9,892	9,244
	39,321	35,675

Current and non-current payables to members relate to the contributions of members who have left the Cooperative, which are refunded within five years after the member's request to leave is approved. The capital accrues interest of 3%, payable annually.

(20) Late Payments to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

Information on the average supplier payment period is as follows:

	Days	
	2022	2021
Average supplier payment period	49.16	53.15
Transactions paid ratio	50.67	55.31
Transactions payable ratio	36.64	36.92
	Amount (thousands of Euros)	
Total payments made	4,514,842	4,189,246
Total payments outstanding	548,619	559,736

Information on invoices paid within the maximum period stipulated by legislation on late payments is as follows:

	2022	2021
Monetary volume paid in Euros (thousands of Euros)	3,005,803	2,468,802
As a percentage of total monetary payments to suppliers	66.58	58.93
Number of invoices paid	1,599,816	1,505,820
As a percentage of total invoices paid to suppliers	72.13	69.84

(21) Risk Management

Risk management at the Eroski Group is a process which aims to reasonably ensure that objectives are accomplished, factors which could ultimately result in a breach are identified, and mechanisms to address the consequences are established.

Risks linked to financial management are controlled by the Company's financial and economic management in accordance with policies approved by the governors.

Currency risk

The Eroski Group does not make significant purchases in currencies other than the Euro.

The Eroski Group has no foreign currency accounts.

Credit risk

The Eroski Group is not exposed to significant credit risk as most transactions are paid in cash or by credit card.

Credit risk largely derives from sales to franchises and rental income from leased premises located in proprietary shopping centres. Credit risk in the first scenario is managed through ongoing assessment of the risk associated with the debtor, the establishment of reasonable collection periods that mitigate the accumulation of this risk, and the procurement of bank guarantees to cover a substantial portion of the risk.

(Continued)

Liquidity risk

The Eroski Group applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities, to settle market positions.

Details of the Group's exposure to liquidity risk at 31 January 2023 and 2022 are shown in Appendix VI.

Although the Group's working capital, defined as the difference between current assets and current liabilities (maturing in less than 12 months in both cases), is usually negative, this is mainly because of the way the business operates, resulting in the average collection period being shorter than the average payment period, which is common practice in the sector in which the Group operates.

As indicated in note 18, the Group has initiated actions to identify alternatives for meeting the financial commitments that mature in July 2024.

Interest rate risk

Interest rate risk arises from drawdowns on variable rate borrowings and their effect on cash flows.

Increases in applicable interest rates would lead to a rise in the cost of this financing.

An increase of 50 basis points in Euribor would raise annual finance costs by Euros 4.8 million in the consolidated annual accounts (Euros 5.0 million in 2021).

(22) Provisions

Details of other provisions are as follows:

	Thousands of Euros	
	Non-current	
	31.01.2023	31.01.2022
Provision for liabilities	15,916	14,671
Provision for risks	6,350	-
Provision for employee benefits	4,865	6,166
Total	27,131	20,837

Movement in current and non-current provisions during the years ended 31 January 2023 and 2022 is as follows:

	Thousands of Euros					
	Balances at 31 January 2022	Charges	Reversals	Provisions used	Other movements	Balances at 31 January 2023
Provisions for liabilities	14,671	3,264	(461)	(488)	(1,070)	15,916
Provision for risks	-	6,350	-	-	-	6,350
Provision for employee benefits	6,166	473	(188)	(188)	(1,398)	4,865
Total	20,837	10,087	(649)	(676)	(2,468)	27,131

	Thousands of Euros					
	Balances at 31 January 2021	Charges	Reversals	Provisions used	Other movements	Balances at 31 January 2022
Provisions for liabilities	12,707	2,110	(1,172)	(141)	1,167	14,671
Provision for risks	2,626	-	-	-	(2,626)	-
Provision for employee benefits	6,040	373	(84)	(83)	(80)	6,166
Total	21,373	2,483	(1,256)	(224)	(1,539)	20,837

The provision for liabilities and the provision for risks at 31 January 2023 and 2022 correspond to charges made to cover potential sundry risks based on the best estimate of the Company's governors and those of its subsidiaries.

(Continued)

(23) Environmental Information

During the year ended 31 January 2023, the Group has incurred expenses and made investments for minimising the environmental impact of its activities and for protecting and improving the environment of Euros 1,403 thousand and Euros 21,765 thousand, respectively (Euros 1,326 thousand and Euros 22,801 thousand, respectively, at 31 January 2022).

The Group has not received any environment-related grants or income during the years ended 31 January 2023 and 2022.

At 31 January 2023 and 2022 the Group considers that no significant contingencies exist concerning possible litigation, indemnities or other items connected with the environment and, accordingly, no provision has been made in this regard.

(24) Other Income

Details of other income at 31 January 2023 and 2022 are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Insurance compensation	1,602	825
Operating lease income	12,624	10,942
Government grants	1,115	963
Gains on sale of property, plant and equipment	3,140	1,023
Reversal of impairment losses and impairment of trade and other bad debts (note 13)	7,173	5,154
Surplus of unapplied provisions	188	84
Income from promotional contributions	194,287	181,889
Income from home delivery and service commissions	6,002	5,732
Other operating income	38,589	45,421
	264,720	252,033

(25) Other Expenses

Details of other expenses at 31 January 2023 and 2022 are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Operating lease expenses (note 10)	32,073	64,877
Research and development expenses	212	214
Repairs and maintenance	58,569	58,887
Independent professional services	65,444	64,125
Transport	18,477	18,831
Insurance premiums	5,494	4,770
Banking and similar services	3,561	3,613
Advertising and publicity	44,408	38,071
Utilities	66,523	78,378
Other services	71,083	73,961
Taxes	14,580	15,105
Losses on sale of property, plant and equipment	14,016	15,414
Losses on sale of other intangible assets	612	191
Losses from impairment and trade and other bad debts (note 13)	8,837	5,322
Other expenses	6,989	9,196
	410,878	450,955

The decline in leases is due to the re-estimation of the lease terms of certain contracts which expire annually and which were excluded from IFRS 16 (see note 10).

(26) Personnel Expenses

Details of personnel expenses incurred during the years ended 31 January 2023 and 2022 are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Salaries and wages	493,152	476,230
Termination benefits	4,425	5,443
Contributions to defined contribution plans	473	373
Employee benefits expense and taxes	177,519	173,803
	675,569	655,849

(Continued)

The average headcount of the consolidated Group during the years ended 31 January 2023 and 2022 is as follows:

	Average headcount	
Professional category	31.01.23	31.01.22
Senior management	73	75
Middle management	292	295
Junior management	1,138	1,155
Professionals	22,620	23,439
Section heads	2,763	2,789
Technicians	1,084	1,098
	27,970	28,851

At the 2022 and 2021 reporting dates the distribution by gender of Group personnel is as follows:

	31.01.23		31.01.22	
	Male	Female	Male	Female
Senior management	53	20	55	20
Middle management	158	132	165	129
Junior management	380	750	399	747
Professionals	4,688	17,297	4,752	17,953
Section heads	506	2,229	530	2,239
Technicians	483	611	485	603
	6,268	21,039	6,386	21,691

(Continued)

(27) Finance Income and Costs

Details of finance income and costs are as follows:

	Thousands of Euros	
Finance income	31.01.23	31.01.22
Interest on loans	2,077	2,172
Other finance income	753	703
Finance income from:		
Financial assets at fair value through other comprehensive income	2,025	487
Dividend income	60	213
Amortised cost income (notes 17 and 18)	-	145,823
Gains on sale of financial assets	58	-
Exchange gains/(losses)	3	9
Total finance income	4,976	149,407

	Thousands of Euros	
	31.01.23	31.01.22
Finance costs		
Finance costs on loans and borrowings	35,088	44,871
Finance costs on other loans	2,090	2,239
Finance costs of subordinated financial contributions (note 17)	3,170	3,103
Interest ESBs (note 17)	9,703	9,349
Losses on sale of financial assets	2	6,305
Finance costs of lease liabilities (note 10)	21,703	15,942
Finance costs from dividend liabilities (note 2b)	9,892	-
Other finance costs	16,415	15,125
Impairment losses on financial assets (note 12)	4,152	19,326
Exchange gains/(losses)	9	-
Total finance costs	102,224	116,260

(Continued)

(28) Related Party Balances and Transactions

The Group carries out transactions, generally on an arm's length basis, with certain companies in which it has an interest.

(a) Group balances and transactions with entities

Group balances with related parties are as follows:

31.01.2023	Thousands of Euros	
	Current	
	Receivables (note 13)	Payables (note 19)
Goods for resale		
Llanos de San Julian, S.A.	304	-
Air Miles España, S.A.	118	1,228
Inmobiliaria Armuco, S.L.	205	-
Unibail Rodamco Benidorm, S.L.	303	-
	930	1,228

31.01.2023	Thousands of Euros			
	Non-current		Current	
	Payables (note 17)	Receivables (note 12)	Payables (note 17)	Receivables (note 12)
Financial				
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	11,812	-	34,421
Unibail Rodamco Benidorm, S.L.	-	36,198	-	868
Artunzubi, S.L.	-	-	-	196
Llanos San Julián, S.A.	589	6,718	-	1,241
	589	54,728	-	36,726

(Continued)

	Thousands of Euros	
	Current	
31.01.2022	Receivables (note 13)	Payables (note 19)
Goods for resale		
Llanos de San Julian, S.A.	304	-
Air Miles España, S.A.	100	1,450
Inmobiliaria Armuco, S.L.	764	-
Unibail Rodamco Benidorm, S.L.	303	-
	1,471	1,450

	Thousands of Euros			
	Non-current		Current	
31.01.2022	Payables (note 17)	Receivables (note 12)	Payables (note 17)	Receivables (note 12)
Financial				
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	14,676	-	31,281
Unibail Rodamco Benidorm, S.L.	-	36,198	-	475
Artunzubi, S.L.	-	-	-	191
Llanos San Julián, S.A.	575	4,356	154	2,444
	575	55,230	154	34,391

In 2022, the most relevant transactions are advertising and consultancy expenses of Euros 7,901 thousand with Air Miles España, S.A. (Euros 9,307 thousand in 2021).

(Continued)

(b) Information on the Parent's governors and key Group management personnel

During the years ended 31 January 2023 and 2022 the members of the board of governors of the Parent have not received any remuneration in their capacity as such. However, as worker members they have received remuneration advances totalling Euros 562 thousand during the year ended 31 January 2023 (Euros 528 thousand during the year ended 31 January 2022). They also received per diem allowances totalling Euros 2 thousand (Euros 2 thousand at 31 January 2022).

As worker members, members of the management committee have also received remuneration advances totalling Euros 1,387 thousand during the year ended 31 January 2023 (Euros 1,393 thousand during the year ended 31 January 2022).

At 31 January 2023 the board of governors of the Parent is made up of 12 members: 7 women, 3 of whom are consumer members and 4 worker members, and 5 men, 3 of whom are consumer members and 2 worker members (12 members at 31 January 2022, 6 women, 3 of whom were consumer members and 3 worker members, and 6 men, 3 of whom were consumer members and 3 worker members).

At 31 January 2023 and 2022 the Group has no balances payable to or receivable from the board of governors.

At 31 January 2023 and 2022 the Group has no obligations with current or former members of the board of governors in respect of pension plans or life insurance schemes, nor has it extended any guarantees on their behalf.

During 2022 and 2021 the Company did not pay any civil liability insurance premiums for the members of the board of governors for damage or loss caused by actions or omissions in the performance of their duties.

(Continued)

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the governors or key management personnel of the Parent

During the years ended 31 January 2023 and 2022 neither the members of the Parent's board of governors nor key Group management personnel have carried out any transactions other than ordinary business or under terms differing from market conditions with the Company or with Group companies.

(29) Audit Fees

Fees corresponding to services rendered by the firm (KPMG Auditores, S.L.) auditing the annual accounts of the Company for the years ended 31 January 2023 and 2022, irrespective of the invoice date, are as follows:

	Thousands of Euros	
	31.01.23	31.01.22
Audit services	481	450
Other assurance services	71	76
	552	526

Other assurance services mainly include those related to limited reviews.

Other KPMG International group companies have invoiced the Group the following fees and expenses for professional services during the years ended 31 January 2023 and 2022:

	Thousands of Euros	
	31.01.23	31.01.22
Tax advisory services	-	-
Other services	305	522
	305	522

Other auditors have invoiced the Group the following fees and expenses for professional services during the years ended 31 January 2023 and 2022:

	Thousands of Euros	
	31.01.23	31.01.22
Audit services	81	83
Other services	12	4
	93	87

(30) Events after the Reporting Period

On 28 February 2023, the Group company Cecosa Diversificación S.L. signed an agreement to sell 100% of the shares of Viajes Eroski S.A. to a third party, once the conditions precedent stipulated in the contracts signed before 31 January 2023 had been met.

The sale price took into account inventory impairment, since at the closing date it was possible to estimate the company's recoverable amount based on the sale price, set previously in the contracts signed before 31 January 2023.

As disclosed in note 2 (b), before these consolidated annual accounts were authorised for issue, the shareholders of Supratuc, S.L. signed a document stating the non-obligatory intention to distribute company dividends, and therefore, the financial liability recognised at 31 January 2022 and 31 January 2023 of Euros 107.6 million and Euros 117.5 million, respectively, was derecognised. Below is the proforma balance sheet at the 2022 and 2021 reporting dates, with the derecognition of this financial liability:

ACTIVO	31/01/2023	31/01/2023 Proforma	Variación	PATRIMONIO NETO Y PASIVO	31/01/2023	31/01/2023 Proforma	Variación
Inmovilizado intangible, Material e inmobiliario	2.669.744	2.669.744	0	Patrimonio atribuido a Sdad. Dominante	146.433	146.433	0
Activos Financieros	189.839	189.839	0	Intereses minoritarios	213.025	330.546	(117.521)
Activos por Impuesto Diferido	275.482	275.482	0	**PATRIMONIO NETO**	**359.458**	**476.979**	**(117.521)**
TOTAL ACTIVOS NO CORRIENTES	**3.135.065**	**3.135.065**	**0**				
				Pasivos financieros no corrientes	2.176.901	2.059.380	117.521
Existencias	400.556	400.556	0	Otros pasivos no corrientes	230.618	230.618	0
Activos financieros	13.117	13.117	0	**TOTAL PASIVOS NO CORRIENTES**	**2.407.519**	**2.289.998**	**117.521**
Deudores y otras cuentas a cobrar	146.976	146.976	0				
Efectivo y otros medios líquidos equivalentes	220.114	220.114	0	Pasivos financieros corrientes	178.772	178.772	0
Activos no corrientes mantenidos para la venta	21.738	21.738	0	Acreedores y otras cuentas a pagar	991.815	991.815	0
TOTAL ACTIVOS CORRIENTES	**802.500**	**802.500**	**0**	**TOTAL PASIVOS CORRIENTES**	**1.170.587**	**1.170.587**	**0**
TOTAL ACTIVOS	**3.937.565**	**3.937.565**	**0**	**TOTAL PATRIMONIO NETO Y PASIVO**	**3.937.565**	**3.937.565**	**0**

ACTIVO	31/01/2022	31/01/2022 Proforma	Variación	PATRIMONIO NETO Y PASIVO	31/01/2022	31/01/2022 Proforma	Variación
Inmovilizado intangible, Material e inmobiliario	2.842.300	2.842.300	0	Patrimonio atribuido a Sdad. Dominante	113.210	113.210	0
Activos Financieros	189.923	189.923	0	Intereses minoritarios	205.082	312.711	(107.629)
Activos por Impuesto Diferido	284.799	284.799	0	**PATRIMONIO NETO**	**318.292**	**425.921**	**(107.629)**
TOTAL ACTIVOS NO CORRIENTES	**3.317.022**	**3.317.022**	**0**				
				Pasivos financieros no corrientes	2.394.125	2.286.496	107.629
Existencias	368.275	368.275	0	Otros pasivos no corrientes	231.685	231.685	0
Activos financieros	12.961	12.961	0	**TOTAL PASIVOS NO CORRIENTES**	**2.625.810**	**2.518.182**	**107.629**
Deudores y otras cuentas a cobrar	161.445	161.445	0				
Efectivo y otros medios líquidos equivalentes	213.359	213.359	0	Pasivos financieros corrientes	139.071	139.071	0
Activos no corrientes mantenidos para la venta	3.385	3.385	0	Acreedores y otras cuentas a pagar	993.272	993.272	0
TOTAL ACTIVOS CORRIENTES	**759.424**	**759.424**	**0**	**TOTAL PASIVOS CORRIENTES**	**1.132.343**	**1.132.343**	**0**
TOTAL ACTIVOS	**4.076.446**	**4.076.446**	**0**	**TOTAL PATRIMONIO NETO Y PASIVO**	**4.076.446**	**4.076.446**	**0**

(Continued)

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Subsidiaries

31 January 2023 and 2022
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Percentage ownership							
	31.01.23		31.01.22					
Investments in Group companies	Direct	Indirect	Direct	Indirect	Registered Address	Activity	Equity 31.01.2023	Equity 31.01.2022
Cecosa Hipermercados, S.L subgroup								
Cecosa Hipermercados, S.L	60.00%	40.00%	60.00%	37.67%	Madrid	(vi)	115,171	137,584
Desarrollos Inmobiliarios Los Berrocales, S.L.	-	60.00%	-	58.60%	Madrid	(iii)	(3,575)	(3,867)
Desarrollos Comerciales de Ocio e Inmobiliarios de Orense S.A.	-	98.00%	-	97.71%	Madrid	(iii)	(7,974)	(6,792)
Equipamiento Familiar y Servicios, S.A.	-	100.00%	-	97.67%	Elorrio (Vizcaya)	(i)	4,692	8,152
Inmobiliaria Recaré, S.A.	-	100.00%	-	97.67%	Vigo (Pontevedra)	(iii)	8,892	1,726
Cecosa Diversificación subgroup								
Cecosa Diversificación, S.L.	100.00%	-	100.00%	-	Elorrio (Vizcaya)	(ii)	27,438	30,342
Viajes Eroski S.A.	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(iv)	1,533	2,528
Cecosa Institucional subgroup								
Cecosa Institucional, S.L.	100.00%	-	100.00%	-	Elorrio (Vizcaya)	(ii)	54,097	52,842
Aportaciones Financieras Eroski, S.A.	-	60.00%	-	60.00%	Elorrio (Vizcaya)	(v)	2,501	2,499
Gestión de participaciones Forum, S.C.P.	-	66.70%	-	66.60%	Basauri (Vizcaya)	(ii)	9,044	8,927
Jactus Spain, S.L.U.	-	100.00%	-	100.00%	Madrid	(v)	9,716	9,733
Cecogoico subgroup								
Cecogoico, S.A.U.	100.00%	-	100.00%	-	Elorrio (Vizcaya)	(ii)	766,768	731,336
Newcobeco, S.A.U.	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(ii)	756,859	714,057
Sociedad Franquicias Eroski Contigo, S.L.U.	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(i)	22,603	16,342
Forum Sport, S.A.	-	95.67%	-	95.65%	Basauri (Vizcaya)	(i)	66,432	64,785
Peninsulaco, S.L.U.	-	100.00%	-	100.00%	Madrid	(vi)	77,679	74,266
Supratuc2020, S.L. (note 1)	-	50.00%	-	50.00%	Elorrio (Vizcaya)	(ii)	455,255	473,682
Cecosa Supermercados, S.L.U.	-	50.00%	-	50.00%	Palma de Mallorca	(vi)	261,782	242,415
Caprabo, S.AU.	-	50.00%	-	50.00%	El Prat de Llobregat	(i)	77,047	108,018
Vegonsa Agrupación alimentaria, S.A.	-	50.00%	-	50.00%	Vigo (Pontevedra)	(i)	74,231	85,567
Vego Supermercados S.A.U.	-	50.00%	-	50.00%	Vigo (Pontevedra)	(i)	75,195	70,403
Mercash-Sar, S.L.U.	-	50.00%	-	50.00%	Vigo (Pontevedra)	(i)	17,938	14,943
Eroski Hipermercados, S. Coop	94.86%	5.14%	89.33%	4.84%	Madrid	(ix)	21,160	22,298

(i) Distribution and sale of goods and services.
(ii) Investment in companies involved in the distribution and sale of goods and services.
(iii) Property holdings.
(iv) Travel agency.
(v) Purchase, sale and holding of securities and other financial assets for own use and equity management.
(vi) Distribution and sale of goods and services and direct and indirect sale of petrol, automotive diesel and similar fuels.
(vii) Company management and the promotion, development and execution of goods and services distribution activities.
(ix) Personnel placement and supply services.
(x) Head office activities.

This Appendix forms an integral part of note 1 to the consolidated annual accounts for the year ended 31 January 2023, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Associates

31 January 2023 and 2022

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Percentage ownership							
	31.01.23		31.01.22					
Investments in associates	Direct	Indirect	Direct	Indirect	Registered Address	Activity	Equity 31.01.2023	Equity 31.01.2022
Artunzubi, S.L.	35.00%	-	35.00%	-	Bilbao (Vizcaya)	(i)	154	161
Inmobiliaria Armuco, S.L.	45.00%	-	45.00%	-	Bilbao (Vizcaya)	(i)	1,863	1,885
Inmobiliaria Gonuri Harizartean, S.L.	45.00%	-	45.00%	-	Lejona (Vizcaya)	(i)	566	565
Cecosa Hipermercados subgroup								
Air Miles España, S.A.	20.42%	6.25%	20.42%	6.10%	Alcobendas (Madrid)	(iii)	13,508	13,163
Llanos San Julián, S.A.	-	49.50%	-	48.35%	Torremolinos (Malaga)	(i)	(114)	(65)
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	50.00%	-	48.83%	Madrid	(i)	(30,161)	(26,985)
Unibail Rodamco Benidorm, S.L.	-	29.19%	-	28.51%	Madrid	(i)	(68,074)	(64,461)

(i) Property holdings.
(ii) Coordination of activities of the Des Mousquetaires Group, the Eroski Group and other international groups.
(iii) Implementation and management of customer loyalty programmes.
(iv) Investment holdings and merchandising services.
(v) Provision of negotiation services for the acquisition of distributor brand products

This Appendix forms an integral part of notes 1 and 11 to the consolidated annual accounts for the year ended 31 January 2023, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2023 and 2022

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Food		Real estate		Other		Other operations		Restated Consolidated	
	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22
Segment assets										
Property, plant and equipment	616,187	658,885	88,656	38,178	21,962	23,633	15,065	16,496	741,870	737,192
Rights of use	924,945	1,118,876	97,578	83,540	27,733	24,913	182	283	1,050,438	1,227,611
Goodwill	818,411	818,411	-	-	1,215	1,215	-	-	819,626	819,626
Other intangible assets	12,316	14,019	-	-	1,281	1,884	12,863	9,797	26,460	25,700
Other non-current assets	-	-	28,049	28,821	3,300	3,350	-	-	31,349	32,171
Inventories	320,004	291,344	39,349	39,762	41,203	37,168	-	-	400,556	368,275
Trade and other receivables	158,398	180,657	346	2,542	35,127	34,684	(40,425)	(54,623)	153,446	163,260
Non-current assets held for sale	3,385	3,385	-	-	18,353	-	-	-	21,738	3,385
Equity-accounted investees	-	-	-	-	-	-	-	-	6,398	6,315
Unallocated assets	-	-	-	-	-	-	-	-	685,684	692,911
Total assets	**2,853,646**	**3,085,578**	**253,978**	**192,842**	**150,174**	**126,847**	**(12,315)**	**(28,047)**	**3,937,565**	**4,076,446**
Segment liabilities										
Trade and other payables	(957,267)	(951,621)	(5,052)	(5,580)	(35,716)	(65,683)	28,153	33,796	(969,882)	(989,088)
Other liabilities	(19,313)	(13,846)	(3,032)	(2,928)	(1,015)	(1,412)	(16,887)	(17,408)	(40,247)	(35,594)
Financial liabilities	-	-	-	-	-	-	-	-	(2,355,674)	(2,533,196)
Liabilities directly associated with non-current assets classified as held for sale	-	-	-	-	(16,381)	-	-	-	(16,381)	-
Undistributed liabilities	-	-	-	-	-	-	-	-	(195,923)	(200,276)
Total liabilities	**(976,580)**	**(965,467)**	**(8,084)**	**(8,508)**	**(53,112)**	**(67,095)**	**11,266**	**16,388**	**(3,578,107)**	**(3,758,154)**

This Appendix forms an integral part of note 4 to the consolidated annual accounts for the year ended 31 January 2023, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2023 and 2022

(Expressed in thousands of Euros)

	Food		Real estate		Other		Other operations		Consolidated	
	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22
Revenue										
Sales	4,671,778	4,395,531	-	-	136,646	132,362	-	-	4,808,424	4,527,894
Services rendered	-	-	-	-	8,072	3,722	-	-	8,072	3,722
Operating leases	703	5,947	10,981	3,818	-	-	15	-	11,699	9,765
Total external revenue	4,672,481	4,401,478	10,981	3,818	144,718	136,085	15	-	4,828,195	4,541,380
Group revenue/segment	-	-	-	-	1,444	1,138	(1,444)	(1,138)	-	-
Total revenues	**4,672,481**	**4,401,478**	**10,981**	**3,818**	**146,162**	**137,222**	**(1,429)**	**(1,138)**	**4,828,195**	**4,541,380**
Inventories, consumables and raw materials used	**(3,458,292)**	**(3,212,968)**	**(916)**	**4,972**	**(90,164)**	**(87,460)**	**262**	**270**	**(3,549,110)**	**(3,295,186)**
Other income	264,523	241,860	6,255	9,766	80,280	85,634	(86,338)	(85,228)	264,720	252,003
Self-constructed non-current assets	-	-	-	-	-	-	56	-	56	-
Personnel expenses	(603,125)	(584,786)	-	-	(19,307)	(18,736)	(53,137)	(52,327)	(675,569)	(655,849)
Depreciation and amortisation expense	(235,085)	(195,836)	(10,031)	(6,135)	(13,362)	(11,726)	(6,410)	(6,833)	(264,888)	(220,529)
Impairment and impairment reversals of goodwill and non-current assets	4,308	(45,391)	(14,868)	(4,050)	102	110	-	-	(10,458)	(49,332)
Other expenses	(444,233)	(486,094)	(13,527)	(5,465)	(100,274)	(104,753)	147,156	145,356	(410,878)	(450,955)
Total other allocated income and expenses	**(1,013,612)**	**(1,070,247)**	**(32,171)**	**(5,884)**	**(52,561)**	**(49,470)**	**1,327**	**968**	**(1,097,017)**	**(1,124,632)**
Segment results	**200,577**	**118,263**	**(22,106)**	**2,905**	**3,437**	**292**	**160**	**101**	**182,068**	**121,562**
Operating profit/(loss)										
Net finance cost									**(97,248)**	**33,147**
Share of profit/(loss) for the year of equity-accounted investees									81	221
Profit/(loss) before tax from continuing operations									84,901	154,930
Income tax (expense)/income									(20,987)	(50,316)
Profit/(loss) after tax from discontinued operations									63,914	104,614
Profit/(loss) after tax from continuing operations									-	-
Profit for the year									**63,914**	**104,614**

This Appendix forms an integral part of note 4 to the consolidated annual accounts for the year ended 31 January 2023, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2023 and 2022

(Expressed in thousands of Euros)

The following table shows a breakdown of Group income by geographical market and type of service, as well as a reconciliation of disaggregated income with the segments of the Group:

Thousands of Euros	Segments									
	Food		Real estate		Other segments		Other operations		Consolidated	
Principal geographical markets	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22	31.01.23	31.01.22
Basque Country	1,560,141	1,512,741	374	312	86,110	81,825	(1,430)	(1,033)	1,645,195	1,593,845
Galicia	1,078,510	963,274	1,488	-	1,841	1,349	-	(104)	1,081,839	964,519
Catalonia	655,004	630,983	54	-	2,633	2,109	-	-	657,691	633,092
Balearic Islands	506,821	448,762	-	-	-	-	-	-	506,821	448,762
Navarre	306,931	296,387	1,217	975	11,503	10,381	-	-	319,651	307,743
Other	565,075	549,331	7,848	2,531	44,075	41,558	-	-	616,998	593,420
	4,672,482	4,401,478	10,981	3,818	146,162	137,222	(1,430)	(1,138)	4,828,195	4,541,380

Appendix IV

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Property, Plant and Equipment and Movement
for the years ended
31 January 2023 and 2022

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.21	Additions	Disposals	Transfers	31.01.22	Additions	Disposals	Transfers	Transfers to non-current assets held for sale	31.01.23
Cost										
Land	229,110	4,197	(4,387)	785	229,705	389	(1,807)	-	-	228,287
Buildings	672,641	32,264	(5,602)	10,644	709,947	27,494	(13,631)	4,739	(4,472)	724,077
Technical installations and machinery	1,085,806	46,761	(15,212)	(10,249)	1,107,106	48,065	(16,054)	(4,183)	(3,359)	1,131,575
Other installations, equipment and furniture	456,840	23,973	(11,247)	(340)	469,226	20,879	(12,305)	(593)	(1,610)	475,597
Information technology equipment	219,606	11,665	(2,900)	-	228,371	5,489	(18,467)	29	(1,505)	213,917
Motor vehicles	6,169	12	(92)	-	6,089	-	(286)	-	-	5,803
Other property, plant and equipment	13,425	-	-	-	13,425	-	(40)	-	-	13,385
Advances and property, plant and equipment under construction	808	-	(3)	(805)	-	-	-	-	-	-
	2,684,405	118,872	(39,443)	35	2,763,869	102,316	(62,590)	(8)	(10,946)	2,792,641
Accumulated depreciation										
Buildings	(317,111)	(19,652)	3,022	(6,316)	(340,057)	(19,921)	7,470	(2,989)	3,668	(351,829)
Technical installations and machinery	(898,871)	(33,071)	13,703	6,116	(912,123)	(34,515)	14,883	2,659	3,098	(925,998)
Other installations, equipment and furniture	(382,087)	(15,511)	10,848	165	(386,585)	(16,636)	11,818	330	1,573	(389,500)
Information technology equipment	(200,855)	(8,808)	2,694	.	(206,969)	(8,902)	18,160	-	1,459	(196,252)
Motor vehicles	(5,509)	(158)	92	-	(5,575)	(138)	286	-	-	(5,427)
Other property, plant and equipment	(16,146)	(2)	-	-	(16,148)	-	40	-	-	(16,108)
	(1,820,579)	(77,202)	30,359	(35)	(1,867,457)	(80,112)	52,657	-	9,798	(1,885,114)
Accumulated impairment losses										
Land	(104,148)	(197)	921	-	(103,424)	(13,536)	30	-	-	(116,930)
Buildings	(35,607)	(4,356)	2,030	-	(37,933)	1,943	2,142	(286)	46	(34,088)
Technical installations and machinery	(10,291)	(2,507)	1,028	-	(11,770)	970	938	286	6	(9,570)
Other installations, equipment and furniture	(2,119)	(1,654)	110	-	(3,663)	494	254	-	1	(2,914)
Information technology equipment	(1,049)	(614)	92	-	(1,571)	95	231	-	-	(1,245)
Other property, plant and equipment	(853)	(6)	-	-	(859)	(50)	-	-	-	(909)
	(154,067)	(9,334)	4,181	-	(159,220)	(10,084)	3,595	-	53	(165,656)
	709,758	32,336	(4,903)	-	737,192	12,120	(6,338)	(8)	(1,095)	741,870

This Appendix forms an integral part of note 6 to the consolidated annual accounts for the year ended 31 January 2023, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Goodwill and Other Intangible Assets and Movement
for the years ended
31 January 2023 and 2022

(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.21	Additions	Impairment	Disposals	31.01.22	Additions	Disposals	Transfers	Transfers to assets held for sale	31.01.23
Cost										
Goodwill	856,390	-	(36,607)	(157)	819,626	-	-	-	-	819,626
Development expenditure	1,977	-	-	(37)	1,940	-	-	-	-	1,940
Administrative concessions	8,289	-	-	-	8,289	-	(1,254)	-	-	7,035
Patents, trademarks and brand names	99,981	53	-	(4,703)	95,331	46	(5)	-	(11)	95,361
Leaseholds	3,592			(46)	3,546	-	(1,388)	-	(79)	2,079
Computer software	222,923	6,930	-	(1,233)	228,620	11,161	(16,522)	(29)	(2,507)	220,723
Other intangible assets	89,805	-	-	-	89,805	-	-	-	-	89,805
	1,282,957	6,983	(36,607)	(6,176)	1,247,157	11,207	(19,169)	(29)	(2,597)	1,236,569
Accumulated amortisation										
Development expenditure	(1,964)	(13)	-	37	(1,940)	-	-	-	-	(1,940)
Administrative concessions	(6,620)	(101)	-	-	(6,721)	(75)	919	-	-	(5,877)
Patents, trademarks and brand names	(99,494)	(94)	-	4,685	(94,903)	(82)	6	-	7	(94,972)
Leaseholds	(3,089)	(89)	-	46	(3,132)	(45)	1,244	-	79	(1,854)
Computer software	(195,424)	(9,781)	-	852	(204,353)	(9,396)	16,018	-	2,113	(195,618)
Other intangible assets	(89,805)	-	-	-	(89,805)	-	-	-	-	(89,805)
	(396,396)	(10,078)	-	5,620	(400,854)	(9,598)	18,187	-	2,199	(390,066)
Accumulated impairment										
Administrative concessions	(40)	-	(307)	-	(347)	13	334	-	-	-
Patents, trademarks and brand names	-	-	-	-	-	-	-	-	-	-
Leaseholds	-	-	-	-	-	-	-	-	-	-
Computer software	(1,241)	-	254	357	(630)	176	37	-	-	(417)
	(1,281)	-	(53)	357	(977)	189	371	-	-	(417)
	885,280	(3,095)	(36,660)	(199)	845,326	1,798	(611)	(29)	(398)	846,086

This Appendix forms an integral part of note 8 to the consolidated annual accounts for the year ended 31 January 2023, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

31 January 2023

Exposure to liquidity risk

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.2023					
	Up to one year	Up to two years	Up to three years	Up to four years	Other	Total
Financial liabilities from the issue of bonds and other marketable securities						
Fixed rate	-	-	-	-	208,977	208,977
Variable rate	30,308	32,340	29,516	28,578	28,677	149,419
Financial liabilities - loans and borrowings						
Fixed rate	792	155,717	-	-	200,000	356,509
Variable rate	71,257	530,860	-	-	96,186	698,303
Financial liabilities - loans from third parties						
Fixed rate	310	311	35	16	-	672
Variable rate	457	525	465	346	10,403	12,196
Other financial liabilities	-	4,091	4,307	8,025	101,098	117,521
Trade and other payables and sundry payables						
Fixed rate	975,434	-	-	-	-	975,434
Total	1,078,558	723,844	34,323	36,965	645,341	2,519,031

This Appendix forms an integral part of note 21 to the consolidated annual accounts for the year ended 31 January 2023, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

31 January 2022

Exposure to liquidity risk

(Expressed in thousands of Euros)

	31.01.2022 Restated					
	Up to one year	Up to two years	Up to three years	Up to four years	Other	Total
Financial liabilities from the issue of bonds and other marketable securities						
Fixed rate	-	-	-	-	208,977	208,977
Variable rate	9,011	10,013	10,847	11,681	11,681	53,233
Financial liabilities - loans and borrowings						
Fixed rate	155,343	769	154,568	-	200,000	510,680
Variable rate	46,080	44,524	542,277	-	79,878	712,759
Financial liabilities - loans from third parties						
Fixed rate	271	260	258	37	9	835
Other financial liabilities	106	106	3,853	3,944	99,939	107,948
Trade and other payables and sundry payables						
Fixed rate	994,690	-	-	-	-	994,690
Total	1,205,501	55,672	711,803	15,662	600,484	2,589,122

EROSKI, S. COOP.
AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT
31 January 2023
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

ECONOMIC OVERVIEW

The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The volume of activity in 2022 is up 6.3% on the prior year, while revenues amounted to Euros 4,828 million, a Euros 286.8 million increase on the previous year.

In a year marked by the invasion of Ukraine in February 2022, raw material shortages and soaring inflation significantly affected the cost of acquiring merchandise, resulting in tighter margins and higher costs.

The following table compares resources generated during the year compared to the prior period (in thousands of Euros):

CONCEPTO	31/01/2023	31/01/2022	Evolución
BENEFICIO ANTES DE FINANCIEROS E IMPUESTOS	**182.068**	**121.562**	**60.506**
Deterioro de valor de activos no corrientes, beneficios y pérdidas de venta de activos (nota 6, 7, 8, 24 y 25)	(21.945)	(63.913)	41.968
Beneficio Operativo	**204.014**	**185.475**	**18.539**
Ingresos Ordinarios	**4.828.195**	**4.541.380**	**286.814**
Beneficio Operativo/ Ingresos Ordinarios	**4,23**	**4,08**	**0,14**

Ordinary activity generated a current operating profit of Euros 204.0 million, an increase of 10% on the prior year. Operating profit amounted to 4.23% as a percentage of sales, an improvement of 0.14 basis points on the prior year.

Asset impairment centred mainly on the adjustment in value of certain real estate asset appraisals.

Net finance cost amounted to Euros 97 million, reflecting borrowing costs on debt with financial institutions for the financing agreement signed in 2019, and costs incurred in the remuneration of Subordinated Financial Contributions (ESFCs) issued in 2003 and 2004 and Subordinated Bonds (ESBs) issued in 2016. As in prior years, lease expenses under IFRS 16 are recognised under net finance costs. Net finance cost also includes an additional expense of Euros 10 million, as a result of recognising the dividend liability referred to in note 2b to the consolidated annual accounts. Net finance income in 2021 amounted to Euros 33 million, which included finance income of Euros 141 million corresponding to the conditions derived from the financial restructuring framework contract signed in 2019.

Pre-tax profits totalled Euros 84.9 million, which is Euros 70 million down on the prior year.

The significant reduction in the nominal amount of financial debt of Euros 197 million during the year has substantially reduced gearing levels.

During 2022, the Eroski Group continued with its operational transformation plan under the guidance of a transformation office, which is responsible for ensuring that the targets of the different strategic plan projects are met.

Based on their contribution to results for the year, the following projects carried out in 2022 should be highlighted:

- **Efficiency projects:** In 2022, Eroski made substantial progress in expense items projects. The projects have somewhat mitigated the tremendous impact of economic instability and prices. The projects have allowed Eroski to implement new specific cost saving initiatives and consolidate those already in place, in the following areas: efficient point of sale operations with substantial improvements in productivity, platform efficiency, efficient supply and logistical efficiencies, and indirect expenses with important negotiations. The progress and results of each line of action have been very positive.

- **Commercial appeal and customer service projects**

    - Projects based on improving the range of products on offer and the evolution of Fresh Foods section models. During 2022 Eroski introduced changes in the design of our fresh produce and food sections, on the back of product range innovation and in-store implementation of the latest tendencies in each section demanded by our customers. It has been an intense year, highly focused on the profitability of fresh foods, with a complete overhaul of all sections in order to increase their profitability this year and in the coming years.

      Pilot projects across our network of stores made an important contribution to this objective, specifically all the commercial concept testing in pioneering benchmark stores such as the Lakua store.

- Establishment format adaptation projects: In 2022, we continued renewing our network by extending the supermarket models tested in previous years. We transformed 44 stores in the SP North and Balearic Islands perimeter, 4 hypermarkets, 1 store in VGS to the new model and have undertaken a further 42 transformations in Caprabo. The reforms have received a very positive response from our customers, leading to a qualitative leap in service, offering and therefore satisfaction, which translates into a substantial hike in activity.

- Projects with a unique customer service approach. As a strategic axis for the group, 2022 saw the consolidation of the management model which resulted in a significant and robust trend in the macro indicators associated with customer service and perception, with data positioning Eroski as leader in this field.

- **Growth projects:** In 2022, Eroski continued to expand its business, with the opening of 8 own stores and 64 franchised stores, 32 of which were in Caprabo. We also opened two service stations. The new openings, which have performed very well, will be of significant help in ensuring our leading position in our markets.

RISK MANAGEMENT POLICY

Risk management at the Eroski Group is a process which aims to reasonably ensure that objectives are accomplished, factors which could ultimately result in a breach are identified, and mechanisms to address the consequences are established.

A description of the risk management system implemented in the Eroski Group is contained in the Code of Good Governance section, risk management and control systems, while financial risks are described in detail in note 21 to the consolidated annual accounts.

AVERAGE PAYMENT PERIOD

The Group's average payment period is 49 days.

ACQUISITION OF OWN SHARES

Eroski, S. Coop. does not have own shares as such, but does have equity instruments known as Eroski Subordinated Financial Contributions (ESFCs), issued on 9 July 2007 for a total nominal of Euros 300 million. After the exchange carried out in January 2016, the balance of these instruments fell to Euros 137.9 million. Within the context of liquidity commitments acquired upon issue, the Company, through its subsidiary AFERSA, acquired ESFCs totalling Euros 29.8 million, which is consistent with the liquidity commitment limit of 10% of the issue.

As in prior years, the holders of the different ESFC issues outstanding received interest payments for 2020 on 31 January 2023 for a gross amount of Euros 5.4 million.

ORGANISATION

As regards institutional organisation and strategic development, the Eroski Group forms part of one of the four divisions of the MONDRAGON Corporation, leading the Distribution division. The Corporation comprises the areas of Finance, Industry, Distribution and Knowledge. Membership of the Corporation is voluntary and is decided by the competent bodies of each cooperative, which in the case of Eroski, S. Coop. is the general assembly. Among other features, membership is characterised by holding investments in certain entities as a vehicle for carrying out the common activities of the Corporation.

R&D&i PROJECTS

During 2022 we have observed the consolidation of trends that the pandemic accelerated in 2020, and the emergence of new challenges such as the armed conflict in Ukraine or soaring inflation. Convenience, i.e. the experience of easy and rapid purchasing, has been one of the tendencies on which we focused most from an innovation standpoint. We also observed tendencies relative to the digitalisation of services, new product innovation, circularity in packaging, the conversion of waste into resources, greater relevance of accessibility and adaptation for the older population, strengthening of supply chains, promotions and price strategy, increased household consumption, preference for local fresh produce and proximity consumption.

To channel these tendencies and demands, we have the EKINN model, a combination of innovation methodologies, tools and dynamics which have been incorporated into the organisation to drive its niche positioning. Along the same lines, we focused on open innovation as one of the main drivers of change at the organisation, as well as collaboration with start-ups, technological centres, universities, suppliers and customers as a linchpin of our way of doing business.

In 2022, we earmarked over Euros 11.7 million for innovation and development projects, and participated in 20 collaborative innovation initiatives, nine of which were in European collaboration projects with technological centres, universities and start-ups across the continent.

Innovation projects during 2022:

Digitalisation advancements

- DIGIFRESH: EIT Food project, which measures freshness traceability for strawberries and lettuce.
- Innstore: Collaborative Artificial Intelligence system for managing inventory in the distribution sector.
- aiXia: Strategic Artificial Intelligence system.

New product innovation

- Straight2Market: EIT Food project which seeks to bring to mainstream markets and supermarkets new or significantly improved healthy/sustainable food products.
- NEWGASTRO: New healthy eating culinary solutions.

Circularity in packaging

- InformPack: EIT Food project for public engagement and co-creation for a more sustainable European food-packaging ecosystem.
- SISTERS: Green Deal Project for improving the sustainability of packaging used to preserve foodstuffs and reduce their negative impact.

- REDYSING: Horizon Europe project that seeks to drive efficient and innovative processes in the use of resources for the production and circularity of fresh produce wood packaging.
- BOTTLE4FLEX: Development of a flexible sustainable film.

Conversion of waste into resources

- ZeroW: Green Deal project for implementing nine Systemic Innovation Living Labs (SILL) in the value chain to achieve long-term environmental and economic sustainability.
- FOODRUS: Horizon 2020 project for finding circular solutions for resilient food systems.
- ToNoWaste: Horizon Europe project for fomenting a new zero food waste mindset based on holistic assessment.
- ZEROWASTE: Developed by Tecnalia Envases and centred on the use of artificial vision technologies to reduce food waste.

Preference for local, fresh produce

- FUSILLI: 2020 Horizon Project to drive the transformation of urban food systems through the implementation of innovative living labs (real testing grounds).

SOCIAL RESPONSIBILITY

The EROSKI Group and the EROSKI Foundation have once again undertaken initiatives, either on their own or through collaboration agreements with third parties, for the social and cultural development of our environment.

In 2022 we earmarked **Euros 23 million for social ends** together with our stakeholders. 48% of this amount came from EROSKI and Fundación EROSKI contributions, 21% from customer contributions (through in-store solidarity initiatives), and the remaining 31% from institutions and public administrations (by buying produce to guarantee the food needs of people in vulnerable situations).

The increase on the prior year is due particularly to a gradual rise in the use of tools which EROSKI makes available to social entities and public administrations to provide decent, integrative nourishment for groups at risk of social exclusion, to additional initiatives for helping those affected by the war in Ukraine and to the improvement in food collection campaigns compared to 2021.

In 2022 we once again highlight the **permanent solidarity cents programme** launched in November 2020, through which we enable our customers to show their solidarity on a daily basis at our stores. Through this programme, EROSKI and CAPRABO customers can make a small donation for good causes underway at any given time when they pay by card or mobile phone. The donation, always voluntary and confidential, is a small symbolic amount of 10 cents for purchases between Euros 5 and Euros 30, and 20 cents for purchases over Euros 30, which EROSKI supplements with its own contribution.

In 2022, EROSKI and its customers donated almost Euros 1.7 million thanks to the more than 10.5 million Solidarity Cents donations. These contributions were channelled to 83,000 people through 67 social entities. The money donated has funded projects such as: save the children, environmental conservation and protection of animals, the fight against cancer, the aged, people at risk of social exclusion, the disabled, degenerative diseases, mental illness, rare diseases and victims of gender violence.

In 2022, we drew up the **Solidarity Plan** for 2023 based on feedback from 3,773 customers, employees and members of the public, and on the evaluation of 525 projects submitted by 330 social entities. Beneficiaries of the Solidarity Cents donations in 2023 were chosen based on public preference for the causes and location of the initiatives. Furthermore, an Advisory Committee comprising NGOs, consumers and members validated the projects proposed for each month of the year.

The war in Ukraine, which began in February 2022, unleashed a wave of solidarity to which EROSKI and our stakeholders actively contributed to alleviate the needs of the population affected by the conflict. Together with our customers, we donated Euros 562,844, the highest amount ever collected in our emergency in-store campaigns to date, to the **victims of the war in Ukraine**. We channelled these resources to the population affected through the United Nations Children's Fund, UNICEF. Other solidarity actions were also carried out with those affected by the conflict, such as donations of textile or food products, amongst other collaboration initiatives.

Moreover, in these times of pandemic and economic difficulties for many families, EROSKI has bolstered its solidarity initiatives so that those who are most in need have their basic nutrition and hygiene needs covered. We thus maintained the **food collections** in favour of FESBAL, meaning we were able to donate 1,484 tonnes of food, equivalent to almost 6 million meals, and help 1,600 families throughout the year; in 2022, our **social purposes purchase card**, which allows assistance provided by public and social entities to be channelled to citizens and families in emergency situations in a decent and integrative manner, exceeded the equivalent of 11.2 million meals from 146 entities; or our **Zero Waste programme**, through which we donated 3,632 tonnes of food and basic products, equivalent to 14 million basic meals for people at risk of social exclusion.

Our campaigns also respond to the needs of people beyond our borders. Once again, we were involved in **international cooperation** initiatives such as donating non-food consumer articles (including toys, footwear, clothes, classroom material and optical products) to children in Latin America through the Federación Niños del Mundo, an organisation that works towards sustainable human development. In 2022, donations totalled Euros 79,200.

All of these are just some examples of the wide array of initiatives we undertook as part of our commitment to society, which also involves causes related to helping people with illnesses or different disabilities, supporting local culture and environment, training and informing consumers so that they develop healthier and more responsible lifestyles, and promoting environmental protection and awareness, among others. The Non-Financial Information Statement includes more information in this regard.

EVENTS AFTER THE REPORTING PERIOD

On 28 February 2023, the Group company Cecosa Diversificación S.L. signed an agreement to sell 100% of the shares of Viajes Eroski S.A. to a third party, once the conditions precedent stipulated in the contracts signed before 31 January 2023 had been met.

The sale price took into account inventory impairment, since at the closing date it was possible to estimate the company's recoverable amount based on the sale price, set previously in the contracts signed before 31 January 2023.

As disclosed in note 2 (b), before these consolidated annual accounts were authorised for issue, the shareholders of Supratuc, S.L. signed a document stating the non-obligatory intention to distribute company dividends, and therefore, the financial liability recognised at 31 January 2022 and 31 January 2023 of Euros 107.6 million and Euros 117.5 million, respectively, was derecognised. Below is the proforma balance sheet at the 2022 and 2021 reporting dates, with the derecognition of this financial liability:

ACTIVO	31/01/2023	31/01/2023 Proforma	Variación	PATRIMONIO NETO Y PASIVO	31/01/2023	31/01/2023 Proforma	Variación
Inmovilizado intangible, Material e inmobiliario	2.669.744	2.669.744	0	Patrimonio atribuido a Sdad. Dominante	146.433	146.433	0
Activos Financieros	189.839	189.839	0	Intereses minoritarios	213.025	330.546	(117.521)
Activos por Impuesto Diferido	275.482	275.482	0	**PATRIMONIO NETO**	**359.458**	**476.979**	**(117.521)**
TOTAL ACTIVOS NO CORRIENTES	**3.135.065**	**3.135.065**	**0**				
				Pasivos financieros no corrientes	2.176.901	2.059.380	117.521
Existencias	400.556	400.556	0	Otros pasivos no corrientes	230.618	230.618	0
Activos financieros	13.117	13.117	0	**TOTAL PASIVOS NO CORRIENTES**	**2.407.519**	**2.289.998**	**117.521**
Deudores y otras cuentas a cobrar	146.976	146.976	0				
Efectivo y otros medios líquidos equivalentes	220.114	220.114	0	Pasivos financieros corrientes	178.772	178.772	0
Activos no corrientes mantenidos para la venta	21.738	21.738	0	Acreedores y otras cuentas a pagar	991.815	991.815	0
TOTAL ACTIVOS CORRIENTES	**802.500**	**802.500**	**0**	**TOTAL PASIVOS CORRIENTES**	**1.170.587**	**1.170.587**	**0**
TOTAL ACTIVOS	**3.937.565**	**3.937.565**	**0**	**TOTAL PATRIMONIO NETO Y PASIVO**	**3.937.565**	**3.937.565**	**0**

ACTIVO	31/01/2022	31/01/2022 Proforma	Variación	PATRIMONIO NETO Y PASIVO	31/01/2022	31/01/2022 Proforma	Variación
Inmovilizado intangible, Material e inmobiliario	2.842.300	2.842.300	0	Patrimonio atribuido a Sdad. Dominante	113.210	113.210	0
Activos Financieros	189.923	189.923	0	Intereses minoritarios	205.082	312.711	(107.629)
Activos por Impuesto Diferido	284.799	284.799	0	**PATRIMONIO NETO**	**318.292**	**425.921**	**(107.629)**
TOTAL ACTIVOS NO CORRIENTES	**3.317.022**	**3.317.022**	**0**				
				Pasivos financieros no corrientes	2.394.125	2.286.496	107.629
Existencias	368.275	368.275	0	Otros pasivos no corrientes	231.685	231.685	0
Activos financieros	12.961	12.961	0	**TOTAL PASIVOS NO CORRIENTES**	**2.625.810**	**2.518.182**	**107.629**
Deudores y otras cuentas a cobrar	161.445	161.445	0				
Efectivo y otros medios líquidos equivalentes	213.359	213.359	0	Pasivos financieros corrientes	139.071	139.071	0
Activos no corrientes mantenidos para la venta	3.385	3.385	0	Acreedores y otras cuentas a pagar	993.272	993.272	0
TOTAL ACTIVOS CORRIENTES	**759.424**	**759.424**	**0**	**TOTAL PASIVOS CORRIENTES**	**1.132.343**	**1.132.343**	**0**
TOTAL ACTIVOS	**4.076.446**	**4.076.446**	**0**	**TOTAL PATRIMONIO NETO Y PASIVO**	**4.076.446**	**4.076.446**	**0**

GOOD GOVERNANCE CODE, CONTROL SYSTEMS AND RISK MANAGEMENT

Pursuant to additional provision seven of Royal Legislative Decree 4/2015 of 23 October 2015, which approved the Revised Securities Market Law, the provisions of article 540 of the Revised Spanish Companies Law, approved by Royal Legislative Decree 1/2010 of 2 July 2010, shall not be applicable to entities other than listed public limited companies that issue shares traded on regulated markets that are domiciled or operate in a Member State. These entities merely have to refer in their directors' report, where appropriate, to the good governance code they follow and indicate the recommendations contained therein to which they do not adhere. They also have to provide a description of the primary features of their internal control and risk management systems in respect of their reporting process. Consequently, the Company has included in this directors' report the information related to compliance with this obligation.

Eroski follows the recommendations of the Good Governance Code of Listed Companies, which was revised by the Spanish National Securities Market Commission (CNMV) in June 2020.

The cooperative nature of Eroski, S. Coop. makes it difficult to follow some of the recommendations contained in the Good Governance Code. As regards the type of governors, they are all members of the cooperative and, as such, are classified as proprietary directors, even though none of them hold a significant share in the Company's capital. At any rate, legislation governing cooperatives and the Company's articles of association preclude members from holding a significant share.

However, pursuant to the principles of corporate governance, the original governors of the community of consumer members meet the stipulated requirements to be classified as independent directors. The Appointments Committee is responsible for classifying the governors on the basis of the good governance principles reflected in the articles of the Spanish Companies Law (applicable where permitted by legislation governing cooperatives), designating the members of the board committees and distributing duties among them pursuant to applicable standards.

Although Eroski is a cooperative entity that is governed by a specific regime, the Company has continued to channel efforts into adapting its corporate governance system to meet the CNMV recommendations. In this regard, in addition to the various committees mentioned or tighter risk control, Eroski has voluntarily embarked upon certain corporate governance initiatives.

Of note in this regard are the analysis and adjustments for implementing new ways of working aimed at adapting, as far as possible, to the recommendations set out in the Technical Guide for Appointment Committees and the Technical Guide for Audit Committees published by the CNMV

A breakdown is provided below as to the Company's situation in respect of Corporate Governance under the following captions:

- Capital
- General assembly
- Company administration: the Board of Governors
- Governing body's committees
    - Appointments and Remuneration Committee
    - Executive Committee
    - Audit and Compliance Committee

- Related-party and intra-group transactions
- Risk management and control system
- Internal control over financial reporting (ICOFR)
- Assessment of financial reporting risks
- Code of Conduct and whistleblowing channel
- Company website.

Capital

The purpose of the corporate governance policies and associated standards is to regulate the structure and oversee the proper functioning of the main corporate bodies, the administration and management of the Company and, more broadly, the running of the business, all in accordance with prevailing legislation.

Eroski, S. Coop.'s unique corporate governance is due, among other reasons, to the fact that the parent company is a consumer cooperative. This is why so many consumers and employees hold a share in the Company and participate in its management and decision-making.

The Cooperative's capital is made up of contributions made by members, either on a mandatory or voluntary basis. These are then reflected in nominal securities. The Company's articles of association prohibit any one member from holding in excess of 25% of the Cooperative's capital.
There are no voting right restrictions stemming from the amount of capital held by members, as each members has the right to one vote. Notwithstanding the foregoing, the law governing cooperatives in the Basque Country provides for the suspension of this right in exceptional circumstances, which are set out in the articles of association:

a) The member has fallen into arrears (article 36).
b) In the event of sanctions agreed by the Board of Governors and by the Resources Committees for proceedings related to social/labour offences. (article 21, 26 et seq).

Within the framework of the law governing cooperatives in the Basque Country, article 35 establishes a limit whereby members may not hold over 25% of capital. Article 40 stipulates the minimum conditions for the transfer of capital among members:

- Transfers are only permitted among members of the same rank.
- The transferor must retain the minimum outstanding contribution.
- The amount transferred may not be used to settle the mandatory capital contributions of new members.

In 2008 the Board of Governors approved, and then updated in 2018, rules regarding the transfer of capital between worker members, the requirements of which included the following:

- Capital amounts used to secure loan repayments may not be transferred.
- The minimum amount to transfer is Euros 300.
- The acquiring member may not request reimbursement of the transferred amount during a period equivalent to the time remaining until the transferor reaches the minimum early retirement age or after a period of 10 years from the date of purchase.

Capital contributions are transferable by succession "mortis causa", provided that the acquiring party meets the remaining statutory requirements to acquire the status of member (articles 10 and 11).

The amount of new members' capital contributions is agreed annually at the general assembly of cooperative members.

The Cooperative's maximum governing body is the general assembly, which is deemed duly convened at first call when over half of the voting rights are present or represented and at second call when at least 10% or 100 voting rights are present. This regime does not differ from the minimum regime envisaged in Law 11/2019 governing cooperatives in the Basque Country.

The Company also offers Eroski Subordinated Financial Contributions (ESFCs), which are an Eroski financial product subject to securities market regulations and traded on the electronic SEND trading platform since July 2012.

Furthermore, in 2016 Eroski launched a universal and voluntary exchange of the ESFCs for newly-issued 12-year Eroski Subordinated Bonds (ESB). A syndicate of bondholders was created as a result of this issue, although no meeting has yet been convened pursuant to the terms and conditions set out in the Spanish Companies Law. In view of the features inherent to the Subordinated Financial Contributions issued and outstanding in 2022, no holder syndicates have been convened for these instruments.

General assembly

Article 52.8 of the articles of association stipulates that the general assembly shall adopt the resolutions passed by over half of the votes duly cast. To this end, blank ballots and abstentions shall be excluded. To pass resolutions that amend the articles of association, or that involve a merger, spin-off, transformation or dissolution, a majority of two thirds of votes present or represented shall be necessary, provided that the number of votes present or represented is less than 75% of total delegates at the general assembly. To request further mandatory capital contributions and to establish or modify the entry-level or periodic capital amounts, over half of the votes duly cast shall be sufficient.

This majority regime does not differ from the minimum regime envisaged in Law 11/2019 governing cooperatives in the Basque Country.

Votes shall be cast by secret ballot whenever their purpose is to elect or to remove members of the governing bodies or to pass resolutions to bring liability action against members of the corporate bodies, or to reach a compromise or to renounce the action. Resolutions regarding any point on the agenda shall be cast by secret ballot when so requested by 10% of the votes present or represented.

Article of association 52.7 establishes that votes may be cast by proxy at the general assembly. Each attendee may only cast two proxy votes besides their own vote. Proxy votes must be exercised by means of a signed written statement, through notary certification, in person before the Secretary of the Cooperative or by legalising the signing of the proxy vote before any competent authority or any other formal registered method. The proxy vote may only be cast at a specific assembly. The Oversight Committee shall be charged with deciding on the suitability of the written document used to accredit representation.

Amendment of the articles of association (art. 8) shall be agreed by the general assembly and subject to the following requirements:

a) The Board of Governors or, where applicable, 10% of proxies at the general assembly or 500 members draft a written statement justifying the proposal in detail.
b) Upon calling the general assembly, the points to be amended are very clearly stated.
c) The advertisement announcing the call must include the right, which is conferred upon all members and associates, to peruse the text of the amendment proposal in full and the report thereupon at the Company's registered office.

d) The resolution must be passed at the general assembly by a majority of two thirds of votes present and represented.
e) Any resolution to change the name of the Company, its registered office or statutory activity must also be advertised in a newspaper with broad circulation in the historical territory of Bizkaia, prior to its registration in the public records.

The resolution, with the approved text, must be executed in a public deed and registered at the Cooperatives Registry.

When the amendment involves changing the category of the Cooperative, the members that did not vote in favour of the resolution shall be entitled to dispose of their holdings in the Company; their separation in this case shall be considered justified. This right may be exercised by the affected members up until one month elapses from inscription of the resolution in the Cooperatives Registry.

No situations have arisen in 2022 whereby the members failed to approve one or more of the points contained in the agenda of the general assembly or equivalent body. All resolutions were passed by a majority.

Administration of the Company: the Board of Governors

This governing body consists of 12 members, which is in line with the number of members established in the articles of association. The members are as follows:

Name or registered name of the governor / board member	Latest date of appointment	Classification
MS MARIA ASUNCIÓN BASTIDA SAGARZAZU	26 May 2022	Other external
MS MARIA CARMEN IÑURRIA LANDERAS	15 July 2020	Independent
MR OSCAR GOITIA ZUBIZARRETA	15 July 2020	Independent
MR CARMELO LECUE ALBERDI	15 July 2020	Other external
MS ANA ISABEL ZARIQUIEGUI ASIAIN	15 July 2020	Other external
MS MARIA VICTORIA FERNÁNDEZ GÓMEZ	26 May 2022	Other external
MR ANTTON TOMASENA RODRÍGUEZ	26 May 2022	Independent
MR JAVIER PASCUAL SANCHEZ	15 July 2020	Other external
MR EDUARDO HERCE SUSPERREGUI	26 May 2022	Independent
MS ZULIMA VALDIVIELSO MARTÍNEZ	26 May 2022	Other external
MS LEIRE MUGERZA GARATE	26 May 2022	Other external
MS SONIA ORTUBAI BALANZATEGUI	15 July 2020	Independent

None of them hold positions of director, representative of directors or manager at other entities forming part of the Group or the Company and none of them hold the position of executive director.

Of the 12 members, seven are women. Changes in recent years are as follows:

	Number of female governors							
	2023		2022		2021		2020	
	Number	%	Number	%	Number	%	Number	%
Board of governors	7	58%	6	50.00	6	50.00	5	41.66
Appointments Committee	3	50%	3	60.00	3	60.00	3	60.00
Executive Committee	4	100%	2	50.00	2	50.00	3	60.00
Audit and Compliance Committee	3	60%	2	40.00	2	40.00	2	40.00

Equal opportunities between women and men is a basic tenet and strategic principle at EROSKI in terms of organisational management. Eradicating inequality is a process of change that is directly associated with our cooperative and egalitarian culture. In this regard, EROSKI is governed by the principle of non-discrimination, a concept already envisaged in its founding articles of association, and not only in terms of gender, but also race, sexual orientation, religious belief, political persuasion, nationality, social background, disability or any other characteristics that could give rise to discrimination.

To that end, we have had an Equality Committee since 2005, which is responsible for exercising and updating regularly the EROSKI Diagnostic and Plan for Equality between Women and Men, and the Equality Observatory, a tool designed to oversee compliance with this principle across the organisation.

This body consists of representatives of the Cooperative's worker members. It oversees work in six different areas: the use of language, the elimination of physical and health barriers, the elimination of social barriers, personal and professional development and the work-life balance.

The Company also a whistleblowing channel and, since 2015, a confidential advisory service to avoid possible cases of harassment in the workplace, as well as to handle any possible incidents. We also have a protocol in place against gender violence, which has been highlighted as good practice by the Spanish Network of the UN Global Compact to reach SDG 5 Gender Equality.

We continued to periodically monitor and review the Equality Plan in 2022, which is framed within our vision of this concept, as defined in the 2021-2024 Strategic Plan. It includes the following cornerstones and prominent actions this year:

1. Everybody with the same opportunities:

   - Of the 1,220 people that have joined as cooperative members, 7 out of 10 were women (76.47%).
   - Female leadership in the Cooperative's representative bodies; 82% of representation is female and 77% hold positions of leadership in governing bodies.
   - Professional development of women. In terms of training, of particular note is the fact that of the people trained and the hours of training given, eight out of ten were women or were for women, respectively. Moreover, 87% of monitors providing training were also women.

     In the first edition of the Internal Promotion Leadership School, 21 persons took part, of whom 20 were women. The SUMA programme for profiles with potential saw the participation of 13 people, 12 of whom were women.

Online gender equality and diversity training was organised for all workers and members.

2. Everybody with the same responsibilities
    - Remuneration: the results of the remuneration audit show that there is no gender pay gap, although progress is still necessary in terms of the number of women in leadership positions.

3. The corporate culture and its impact on equality:
    - Campaigns on specific days of the year in order to continually raise awareness on gender equality themes.
    - Solidarity programme for female victims of gender violence and their children.
    - International Pride Day, through the "Pride" campaign.
    - International Day for the Elimination of Violence against Women. We also have an in-house gender-violence protocol designed to protect victims of abuse.
    - Annual equality and diversity reflection day.
    - Non-sexist toy campaign at the Llodio store.

4. Health and sustainability integrated into equality.
    - "Women who count" is an EROSKI programme designed to tell the real stories of women; women who contribute to forging ahead with the health and sustainability of our products and society. Their videos are available on the website.

Furthermore, the recommendations of the Appointments and Remuneration Committee, which are approved by the Board of Governors, to elect candidates to corporate bodies highlight the presence of women and the absence of discrimination of any kind.

The members of the Board of Governors do not receive any remuneration for their duty, beyond the payment of expenses as they may incur, such as per diems and travel expenses.

Governing body's committees

The Board of Governors is aided by the following three committees:
- Appointments and Remuneration Committee.
- Executive Committee.
- Audit and Compliance Committee.

Appointments and Remuneration Committee

Appointments Committee		
Name	Position	Category
MR OSCAR GOITIA ZUBIZARRETA	CHAIR	Independent
MS LEIRE MUGERZA GARATE	SECRETARY	Other external
MS MARIA ASUNCIÓN BASTIDA SAGARZAZU	VICECHAIR	Other external
MS ANA ISABEL ZARIQUIEGUI ASIAIN	MEMBER	Other external
ANTTON TOMASENA RODRÍGUEZ	MEMBER	Independent
JAVIER PASCUAL SANCHEZ	MEMBER	Other external

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	33.00
% of external directors	66.00
Number of meetings	6

The Appointments Committee met on six occasions in 2022. Its internal regulations, approved at its session on 19 January 2017 and updated on 30 June 2022, stipulate that the Committee shall convene at least twice (2) per year and whenever deemed convenient to do so at the discretion of its Chair to ensure the proper discharge of its functions. The Committee shall be considered duly convened when over half of its members attend the meeting and its resolutions shall then be adopted by absolute majority among those present.

Attendance at its meetings was 100% in all cases.

Its most prominent activity in 2022 was as follows:

- Rating of the governors pursuant to article 529 duodecies of the Spanish Companies Act.
- Assessment of the performance of the Board of Governors and its delegated committees: after analysing the results, action plans were put in place to correct the deficiencies detected at the March meeting. These action plans were then monitored at the June meeting, at which it was deemed that the majority of the outstanding measures were progressing well and that the plans were advancing satisfactorily.
- Proposal for the appointment of governors at various Group companies pursuant to the established appointment criteria, as well as criteria concerning their suitability and dedication to the post. This was performed at three out of the six sessions.
- Specific training for all members of the Board of Governors on financial and accounting matters, as well as on Corporate Governance and Governors' Responsibility in November 2022.
- At its session on 17 March 2022, the Committee agreed its calendar for 2022. Each and every one of the objectives established was addressed in 2022, thereby meeting all milestones established in the calendar.
- At its session on 17 March 2022, the Committee submitted to the Board of Governors its 2021 activity report, pursuant to point 10 to the Committee Regulations. The report was approved by the Board of Governors.
- At its session on 11 May 2022 and prior to the vote by the general assembly on the candidates for the various governing bodies, the Committee carried out an analysis to ensure that the candidates met the established suitability criteria and were not encumbered by any incompatibility or conflict of interest.
- Assessment of the management team. At its session on 11 May 2022, the performance of the management team was analysed, adopting the necessary corrective measures built into the management team assessment system.
- Organisational structure of senior management and its Management Committees: At its sessions on 7 and 17 March 2022, the Committee was informed about the composition of and main changes to members of the various Management Committees that report directly to senior management, as well as the entire organisational structure.

- Analysis and recommendations as to the various specialised committees of the Board of Governors. Due to the changes to the composition of the Board of Governors, at its session on 17 March 2022 the Committee analysed the necessary profiles and their suitability for the various committees. The Committee also approved the candidates for the various committee positions.

Executive Committee

Executive Committee		
Name	Position	Category
MS LEIRE MUGERZA GARATE	CHAIR	Other external
MS MARIA ASUNCIÓN BASTIDA SAGARZAZU	VICECHAIR	Other external
MS SONIA ORTUBAI BALANZATEGUI	SECRETARY	Independent
ANA ISABEL ZARIQUIEGUI ASIAIN	MEMBER	Other external

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	25.00
% of external directors	75.00
Number of meetings	0

The Executive Committee is authorised to exercise on a permanent basis each and every one of the powers entrusted to the Board of Governors, which have been delegated thereto either legally or pursuant to the articles of associations. The Executive Committee did not convene at all in 2021.

Audit and Compliance Committee

Audit and Compliance Committee		
Name	Position	Category
MS SONIA ORTUBAI BALANZATEGUI	CHAIR Appointment: 12/12/2019	Independent.
MR EDUARDO HERCE SUSPERREGUI	VICECHAIR	Independent
MS LEIRE MUGERZA GARATE	SECRETARY	Other external
MS Mª CARMEN IÑURRIA LANDERAS	MEMBER	Independent
MR CARMELO LECUE ALBERDI	MEMBER	Other external

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	60.00
% of external directors	40.00
Number of meetings	6

Ms Landeras was appointed on the basis of her accounting knowledge and expertise in accounting and audit matters. Likewise, Ms Ortubai, Ms Mugerza and Mr Herce also have experience in these matters.

Pursuant to its regulations, the functions of the Audit Committee include:

a) In terms of external audits, the Committee is responsible for the criteria to hire the auditor and to propose its appointment, dismissal and re-engagement. It also ensures its independence and assesses the audit outcome and the internal implementation of the improvement recommendations. It also serves as a communication channel with the Board of Governors.
b) As regards internal audits, the Committee informs the Board of Governors about the proposal to select, appoint and dismiss the party responsible in this regard. It also ensures its independence, objectivity and efficiency and supervises and guides its activities. It also verifies the degree of implementation of its recommendations across the organisation.
c) As regards the Internal Control over Financial Reporting system (ICOFR), it oversee the ICOFR preparation and presentation process, as well as its completeness; it reviews the content of the financial information to be reported; it ensures that the half-yearly report is prepared under the same criteria as the annual report; it supervises the correct application of the accounting principles; and oversees the correct delimitation of the scope of consolidation.
d) As regards Risk Management, it oversees the effectiveness of this system; it analyses the significant weaknesses detected by the internal risk control system so they can be regularly reported to the Board of Governors; it ensures that the risk policies enable and assure the identification of the various risk types; the risk map preparation criteria and its review; the acceptable risk levels; the application of the measures expected to mitigate risks; and the internal systems used to manage and control risks and their impact on the accounts.
e) In terms of Corporate Governance, it designs and proposes the structure of the organisation's corporate governance system; it supervises the content of the Annual Corporate Governance Report to be approved by the Board of Governors, as well as the appropriate information and functioning of the website.
f) As regards the Compliance Programme, it oversees its development, implementation, dissemination, functioning and effectiveness across the organisation; it supervises and ensures the proper functioning of the whistleblowing channel by means of regular reporting to the Board of Governors.

It also reports to the Board of Governors regarding possible conflicts of interest with third parties, executives or governors and submits an annual report to the Board on its activities. It also oversees CNMV reporting.

Although article 19 of its Operating Regulations establish a minimum of four meetings per annum, the Audit Committee convened seven times in 2022. The Audit Committee shall be considered duly convened when over half of its members attend the session in person and its resolutions shall then be adopted by majority among those present. In the event of a tie, the Chair, who is an independent director, has the casting vote.

The Committee has met on six occasions with an average attendance of 82%. At all sessions, except for two, the Company's audit firm was present as an invitee.

In general terms, in 2022 the Audit and Compliance Committee performed all functions within its remit, which most notably include:

- Oversight of the external audit: the audit of the 2021 annual accounts and independent auditors' report. Moreover, internal control improvement reports were drafted, a limited review of the interim financial statements was performed and an audit work plan for 2022 was completed.

- 2022 work plan. At its March session, the Committee approved its work plan and drafted its progress report on meeting its objectives, which was reported at the July, September and December sessions.

- As regards the economic-financial reporting, the critical ICOFR processes were reviewed, as was the oversight plan. The sessions to report on these processes were held in March, July, September and December.

- Internal control and risk management: in this area the corporate Risk Map was updated and the half-yearly breakdown performed in September, including an economic quantification which is reported directly to the Board of Governors.

- The action plans implemented in response to the internal control improvement recommendations were monitored at the September meeting.

- In terms of Corporate Governance, the Annual Corporate Governance Report was prepared, as was the Non-Financial Information Report. Work continued on the preparation and execution of the ESEF for the presentation of the 2021 annual accounts. Likewise, the financial reporting obligations were fulfilled, which includes the annual information for 2021, the half-yearly information for 2022 and the non-financial information, as well as other relevant information.

  The Committee is also working to update the corporate website to make it more user-friendly and appealing for stakeholders, based on the CNMV Circular on website content.

  The Company's Corporate Governance situation was analysed at the December meeting, at which a high degree of compliance was reported in respect of the CNMV's Good Corporate Governance Code.

- In terms of compliance, the main element for consideration in 2022 was the introduction of the integrated compliance programme through the Regulatory Compliance Committee, which is charged with the preparation, implementation, application and monitoring of the Group's programmes, policies and regulatory compliance protocols in areas such as (i) the prevention of corporate criminal risks, (ii) money laundering, (iii) data protection, and (iv) other compliance programmes as may be developed in the future.

  The Committee approved the compliance working plan at its March session and monitored the progress thereof at its April, July, September and December meetings.
  The director of the Regulatory Compliance Committee attended five out of the six Audit Committee meetings, at which she gave a rundown of the matters addressed by the Committee.
  Furthermore, a presentation was delivered at five of the six Committee sessions on the complaints received, both through the whistleblowing channel and by other means. These were followed up until they were resolved. Of particular note in 2022 is the re-launch of the Code of Conduct and the whistleblowing channel in November, with respect to which training sessions were provided to the Board of Governors and its management committees. Information on these matters was also cascaded down throughout the organisation for the other members and employees of the Cooperative.

The Committee fulfilled all the content envisaged for 2022 and prepared the associated activity report for 2022.

Although the Board of Governors is ultimately responsible for the preparation of the accounts, the Audit Committee ensures mechanisms are in place to avoid the individual and consolidated accounts presented at the General Assembly being issued with a qualified auditor's report. To that end, article 6 e) of the Committee Regulations (approved by the Board of Governors), addresses the process to audit the annual accounts and guarantees the identification, assessment and correct response vis-à-vis the accounting and control aspects identified by the auditors during their audit work. The ultimate goal is to improve the quality of the information and obtain a favourable opinion from the external auditor in its auditor's report, while also ensuring that the Board of Governors prepares the accounts without any qualifications.

Additionally, the Operating Statute of the Internal Audit function (approved by the Audit and Compliance Committee) stipulates that its duties include, among others, financial reporting oversight through analysis of the processes to prepare this information, its specific risks and controls, and the coordination work in this regard with the external auditors of the parent company and the Group companies. The Internal Audit function shall ensure the completeness of the reported information and compliance with all legal precepts.

To that end, both the Audit and Compliance Committee and the Internal Audit function meet regularly both with those responsible internally for the process to prepare the financial reporting and with the external auditor. These meetings ensure appropriate information on the criteria to prepare the accounts in order to obtain quality financial reporting and an unqualified audit opinion.

The Company also has mechanisms in place to ensure the independence of the external auditor. To that end, the Audit and Compliance Committee's principle functions include guaranteeing the independence of the external auditor and, thus, ensuring that the Company, its Group and the external auditor respect the prevailing rules as to the provision of non-audit services, the limits on the concentration of the external auditor's business and, more broadly, all other standards in place to ensure the independence of external auditors. This is achieved through the request for annual written confirmation from the external auditors, as well as through any other information or documentation required by prevailing legislation.

Article 6 c) of the Audit Committee Regulations governs relations with the external auditor with a view to receiving information on those matters that could compromise the latter's independence, and any other information associated with the process to audit the accounts, as well as other communications envisaged in legislation governing the audit of accounts and technical audit standards, all with the purpose of ensuring the independence of the external auditor and, to that effect:

- Ensuring that the Company, its group and the external auditor respect prevailing legislation on non-audit services, the limits on the concentration of the external auditor's business and, more broadly, all other standards in place to ensure the independence of external auditors. This is achieved through the request for annual written confirmation from the external auditors, as well as through any other information or documentation required by prevailing legislation.
- Examining, in the event that the external auditor resigns, the circumstances leading to such resignation. Furthermore and in view of the nature of the securities issued by Eroski, S. Coop., no additional specific mechanisms are envisaged to ensure the independence of the financial analysts, investment banks and rating agencies.

Related-party and intra-group transactions

No transactions have been carried out between the entity or group entities and its shareholders, i.e. its cooperative members, as Eroski is a consumer cooperative and, as such, habitually carries out commercial transactions (sale transactions) with its consumer members. These transactions are carried out at market prices.

Additionally, the worker members render services, classified in the individual annual accounts as the Acquisition of Services derived from Work.

Transactions have not been carried out either between the entity or group entities and the governors, members of the governing bodies or executives of the entity, as both the Group governors and executives are worker or consumer members and, as such, can execute the transactions mentioned in the foregoing paragraph, also at market conditions.

Details of intra-group transactions are as follows:

Denominación social de la parte vinculada	Breve descripción de la operación	Importe (miles de euros)
Air Miles España, S.A.	Gastos publicitarios y asesoramientos	7.901
Desarrollos Comerciales y de Ocio Algeciras, S.L.	Ingresos financieros	520

To mitigate possible conflicts of interest that could arise between the entity or its group and its governors, or members of the governing bodies or executives, pursuant to article 67 of the articles of association, the general assembly must authorise any transactions in which Eroski assumes an obligation with a member of the Board of Governors, the Oversight Committee, executives or their family members up to the second degree of consanguinity or affinity, except for relationships stemming from their inherent condition as members or employees of Eroski. Persons in conflict of interest situations shall abstain from partaking in deliberations.

Any contract or transaction that has not been authorised previously by the general assembly shall be deemed null and void, except for rights acquired by third parties in good faith. This situation shall also require the automatic dismissal of the governor or executive in question, who shall also be liable for any damages or losses incurred by Eroski as a result. Moreover, the Audit Committee is also responsible for informing the Board of Governors of any conflict of interest situations involving governors and executives.

Eroski's Corporate Code of Conduct has had an Internal Conduct Regulation in place since 2004, which is applicable to executives, managers and governors. This regulation establishes the code of conduct and principles of action that must be followed in all transactions and engagements with third parties. These guidelines have been periodically reviewed and updated. Thanks to these reviews, the Board of Governors at its session in July 2016 approved a new Engagement Procedure for the Eroski Group. Last reviewed on 30 September 2021, this procedure establishes the principles and procedures to follow when engaging with third parties. For instance, articles 7 and 13 include the obligation to report any infraction or conflicts of interest in third-party transactions, as well as the overall duty not to engage in transactions carried out in the Company's name for one's own personal benefit.

Since 2003 Eroski has also had its Executive Statute, which was last updated in 2013 and is signed by all members of the organisation's management. This document reflects Eroski's basic principles and values, as well as specific commitments to be promoted that are exemplary within the organisation thanks to their ethical activities and behaviour. Eroski has also assumed responsibility for disseminating, safeguarding and overseeing the development and compliance of the Corporate Code of Conduct (in place since 2011 and updated in 2017), including any conflicts of interest that may come to light.

Risk management and control system

Risk management at the Eroski Group is a process which aims to reasonably ensure that objectives are accomplished, factors which could ultimately result in a breach are identified, and mechanisms to address the consequences are established.

The risk management methodology used at the Eroski Group is based on the COSO report, which is the method published by the Committee of Sponsoring Organizations of the Treadway Commission. This globally accepted methodology establishes a general framework for comprehensive risk management, the key components of which are as follows:

- identification and classification of the risks that could hinder the achievement of the Group's strategic objectives
- assessment of risks based on the likelihood of their occurrence and the associated impact should they materialise
- definition of the response to these risks
- the monitoring of key risks
- regular reporting systems, both internally and externally

Everybody forming part of the Eroski Group shares some responsibility when it comes to corporate risk management. Nevertheless, reinforcing and promoting this task is focused primarily on the Management Committee, which is supported in this regard by the Risk Analysis Committee. Oversight of this management is the responsibility of the Audit and Compliance Committee, which is basically supported in this field by the Internal Audit function.

The system in place at the Eroski Group involves preparing and regularly updating the Risk Map, on the basis of which the appropriate action plans are reassessed in order to ensure the organisation is on track to accomplish its strategic objectives. The Risk Map is updated annually, although this frequency can be ramped up whenever an internal or external event occurs that could have a significant bearing on the organisation.

The bodies charged with preparing and executing the Risk Management System are as follows:

- <u>Management Committee</u>: executive body ultimately responsible for risk management and which assumes ownership. This body exercises significant oversight over corporate risk management and the control processes and mechanisms in place. It controls risk trends based on the organisation's accepted risk levels.

- <u>Risk Analysis Committee</u>: this is the specialist-technical body appointed by the Management Committee to update the Risk Map.

- <u>Board of Governors of Eroski, Sociedad Cooperative</u>: this body approves the Risk Management processes in place, including the specific process to draw up and update the Risk Map.

- Audit and Compliance Committee: this body supervises the effectiveness of the risk management system in place. The organisation's internal operating regulations, updated at the Eroski Board of Governor's meeting held on 30 April 2013, stipulate the following in this regard (Chapter II, Article 9):

As regards the internal control and risk management systems, the Committee shall have the following main functions:

a) Overseeing the effectiveness of the Company's internal control and risk management systems, and analysing, together with the auditors, any significant weaknesses detected in the internal control systems during the audit engagement in order to identify and analyse the main risks and to report them to whomever the Committee deems it necessary.
b) Ensuring that the risk management and control policy identifies at least:
   (i) The various types of risk to which the Company and its group is exposed, including financial or economic risks.
   (ii) Setting and reviewing the risk map, the assessment scales and risk levels considered acceptable by the Company and the group based on internal standards.
   (iii) Measures in place to mitigate the impact of the risks identified in the event that they materialise.
   (iv) Internal control and information systems used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Internal Audit Function: this body discharges support and oversight responsibilities with regard to the risk identification and management process. The Internal Audit Statute defines the purpose, authority and responsibility of the Internal Audit area's activity, establishing in its mission (article 5): "The Internal Audit function's mission is to assist the organisation with the accomplishment of its objectives, providing the Eroski Board of Governors, via its Audit and Compliance Committee and on the basis of a systematic and disciplined approach, an independent assessment designed to improve the effectiveness and efficiency of the risk management processes, internal control systems and governance."

Furthermore, the task of identifying, assessing and managing the impacts, risks and opportunities of an economic, environmental and social nature mainly falls on the Audit and Compliance Committee; the criminal risks were the purview of the Internal Control Body (ICB) until July 2021 before being assumed by the Regulatory Compliance Committee (RCC) thereafter. In addition to responsibility over criminal compliance, this new compliance body is also charged with matters related to money laundering, data protection, harassment and equality and the whistleblowing channel. The Committee was formed to ensure full compliance with protocol matters and other compliance programmes as may be developed in the future. Committee members regularly report to the Board of Governors, which is the body ultimately responsible for overseeing compliance with internal standards tied to the management of all risks that could threaten the organisation. The Board of Governors is the body that is ultimately responsible for risk management.

As regards the main risks that could impact accomplishment of the business objectives, it is worth noting that the main Eroski Group businesses are engaged in the large retail sector, which facilitates the application of a top-down approach. This makes it simpler to identify the main risks that could affect achievement of the above-mentioned objectives. In this respect, many of the risks identified vary somewhat depending on the specific business in question, but are grouped together in a general risk denomination. Other risks inherent to supplementary or ancillary businesses are identified specifically based on their relevance or relative weight.

The Eroski Group classifies or groups risks together by origin/type and by strategic challenge affected, above and beyond the standard COSO classification (strategic, operational, reporting and compliance). The Group considers that a better alignment with the strategic objectives and challenges facilitates the management and integration of these risks in the existing processes to set/monitor goals and assign functions and roles.

The Eroski Group has defined a risk classification system based on risk origin. The goal is to have an overall vision of their dispersion/concentration, as well as their type to identify them. The classification used is as follows:

1) External risks: these are risks that lie outside of the organisation, but which can have an adverse effect on the accomplishment of the strategic objectives. They can originate in various areas:
    - Economic
    - Social
    - Competition
    - Disasters
    - Suppliers/Creditors
2) Internal risks: those originating within the organisation
    - Strategy
    - Completeness
    - Compliance
    - Information systems / processes
    - Operational
    - Financial Management
    - People

The procedure for drawing up the Risk Map lays down the various generation and updating stages, as well as the criteria and scales implemented and reviewed annually by the Management Committee in order to assess the likelihood of a risk materialising and its associated impact on the Company's objectives.

Moreover, the Eroski Group prioritises risks based on the following:

- through their assessment by the Risk Analysis Committee using impact and likelihood of occurrence metrics during the Risk Map preparation phase before being approved subsequently by the Management Committee.
- the degree to which the potential materialisation of the risk could impact strategic objectives.

The result of this prioritisation is then cross-checked against the risk tolerance level defined by the Management Committee, the executive body with ultimate responsibility in the risk field, which then activates the appropriate mitigation plans. Striking a balance between the creation of value and the efficient management of uncertainty and its associated risks enables Eroski to determine risk tolerance at a corporate level.

Moreover, and as far as possible, the impact metrics are tied to economic terms (EBITDA, revenue, impact on the income statement, etc.). When this is not possible, indicators of a qualitative nature are used.

Risks classified as critical, the materialisation of which caused the greatest impact during the period, were as follows:

1.- <u>Risks stemming from the current economic, health and geopolitical situation.</u>

It is now evident that the health situation has normalised/been internalised.

In fact, a constant and sustained increase in activity has been recorded, primarily in tourist areas, which is linked to the almost full return to pre-pandemic visitor numbers.

The war in Ukraine has increased the costs of our merchandise, as well as other associated expenses, sparking an inflationary context not seen for a number of years.

This situation has led to:

- Higher costs, both in terms of purchases and expenses
- Pressure on margins stemming from the competition and the market context. In 2022 we were able to improve our competitive position considerably, although this is very challenging to maintain, i.e. this situation is putting pressure on margins and, therefore, on expenses.

The rising inflation and associated wage hikes is causing a loss of relative conditions within the Cooperative's perimeter.

2.- <u>Financial risks</u>

The inflationary context has brought about sudden interest rate hikes. Euribor has tripled; our nominal amount exposed to this index now stands at slightly over Euros 1,000 million (including the ESFCs and ESBs).

Moreover, the turbulence in the financial markets and latent risks have triggered a rise in the spreads.

In other words, our debt servicing costs in the coming years will be much higher than current levels.

Furthermore, the profile of our creditors now differs from the historical pattern; they may now be more averse to status quo based solutions.

At any rate, our current situation is the most favourable it has been in many years in terms of leveraging and scope for action. Nevertheless, it ought to be remembered that they will be very expensive and we could be required to take unforeseen/undesired steps.

As regards the functioning of the control systems, the risks that materialised in 2022 were addressed pursuant to the plans and specific steps envisaged in the Management Plan to mitigate their effects in that same year, coupled with the measures that are envisaged for 2023, specifically the strengthening of equity.

The control system implemented at the Eroski Group is centred around the identification and permanent updating of risks that can threaten the achievement of business objectives, based on risk appetite. This is supplemented by risk assessments using impact and likelihood of occurrence metrics, the periodic monitoring of the key risk indicators (KRIs), the launch of appropriate contingency plans where required, i.e. applying the corresponding crisis management protocols, and clearly establishing the responsibilities to be assumed by each body in this process.

In 2022, as in previous years, the risk assessment process was delegated to the Risk Analysis Committee, which is charged with preparing and updating the Risk Map, whereas the Management Committee and the Audit and Compliance Committee were assigned different roles in the ratification of the criteria used and results obtained, as well as in the oversight of the established process.

Based on the Risk Map, as well as its integration and cross-check against the 2021-2024 strategic challenges and annual objectives, systems and mechanisms are triggered to mitigate or reduce the impact of risks on the achievement of the goals, especially risks of a highly critical nature and those with a significant potential impact.

Internal control over financial reporting (ICOFR)

The Board of Governors of Eroski S. Coop is the maximum body responsible for appropriate and effective ICOFR implementation and maintenance. Approved in 2011, the framework policy aimed to establish roles, the main responsibilities and the methodology to be applied to the identification of the main financial reporting risks, the implementation of controls and the mechanisms to oversee the process.

The Audit and Compliance Committee, which lies at the heart of the Board of Governors, has been the body charged with ICOFR oversight since 2011. According to its operating regulations, it is responsible for overseeing the preparation, presentation and completeness of the financial reporting.

The Management Committee also participates in the process. According to the framework policy the Management Committee, through the Economic-Financial area, is responsible for the design, implementation and operation of ICOFR.

The corporate Internal Audit function, in turn, is responsible for preparing and executing the annual plan to assess ICOFR effectiveness. The functions set forth in the Internal Audit Statute include oversight over the reliability of the financial reporting and, in particular, its internal control systems (ICOFR), through analysis of the processes for preparing and presenting this information, its risks and specific controls.

The Board of Governors of Eroski is charged with approving the structure and functions of the Management Committee at the request of the Company Presidency. In this regard, each senior manager is authorised to arrange the organisational structure of their collaborators as they see fit to ensure compliance with the assigned objectives and responsibilities.

The organisational flowchart down to the store manager level is published on the Group's Intranet. At each organisational change, internal and external communication mechanisms are put in place aimed at, among other things, ensuring the continuity and reliability of the financial reporting at each location.

There is also a detailed description of the positions, their functions and assigned responsibilities, from the professional to executive levels.

There are also Eroski training plans available for personnel involved in the preparation of financial reporting. These plans include specific aspects, such as attendance at seminars aimed at refreshing knowledge and expertise in these areas.

The ICOFR project also envisages adaptation of certain job descriptions in order to include the roles and tasks to be undertaken specifically in the ICOFR area.

In terms of the process for preparing the economic-financial reporting, the Audit and Compliance Committee, in close collaboration with the Internal Audit area, has the following primary functions as per article 8 of its operating regulations:

a) Overseeing the preparation and presentation process, the completeness of the economic-financial information of the Company and its consolidated group, and correct demarcation of the latter.
b) Reviewing the periodic and/or mandatory financial information that the Company must release to the market and its regulatory bodies in sufficient depth so that its accuracy, reliability, sufficiency and clarity can be ascertained.
c) Ensuring that the interim financial information is prepared under the same accounting criteria as the annual financial reporting and, to that end, determining whether a limited review or agreed-upon procedures with a different scope by the external auditor would be more appropriate.
d) Ensuring compliance with legal requirements and the correct application of generally accepted accounting principles, and reporting any significant changes in accounting criteria to the Board of Governors.
e) Ensuring the appropriate demarcation of the scope of consolidation and the correct application of accounting criteria.

Assessment of financial reporting risks

In 2011, at the request of the Economic-Financial Management Committee, the Audit Committee documented and approved the procedure for identifying financial reporting risks.

Broadly speaking, the procedure describes five steps in detail:

1) Gathering of financial reporting relevant for the analysis
2) Classification of financial/process headings by materiality/impact
3) Classification of headings/processes by inherent risk/probability of occurrence
4) Prioritisation of the criticality of the headings/processes
5) Identification of the key processes for preparing financial reporting and specific risks

The results of the first systematic risk identification process conducted in 2011 served as a basis for documenting in detail 15 critical processes for preparing financial reporting, defining the activities that comprise them, drawing flowcharts, and identifying the specific risks and controls established to mitigate them.

This procedure specifically covers risks that threaten financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations) and resulted in the Group's first financial reporting risk map in 2011.

This procedure for identifying risks was used up until 2015, and as of 2017, a procedure based on an external auditor’s proposal, which sought the same objective but through a more agile methodology, began to be used. This methodology basically involves using financial reporting and materiality to perform a quantitative and qualitative analysis of headings to prioritise their criticality and identify risks that require more attention, which necessarily must have the controls required to mitigate them.

Financial Management determines Eroski's consolidated group, guaranteeing, within the closing process, the organisation chart with the composition of Group companies and the percentage interests.

The identification procedure is applicable to all financial reporting risks that affect or could affect Eroski in all its centres, investees and areas, arising from its environment or activities. Consequently, the process takes into account the effects of other types of risks covered by Eroski's comprehensive risk system, insofar as they affect its financial statements.

The governing body responsible for the risk identification process is the Audit and Compliance Committee, as set out in the financial reporting risk identification procedure document.

In 2022, supervision of the process involved presenting at this Committee the results of control design audits and effectiveness testing for the four processes documented.

Additionally, and with a view to better supervising the process, the internal control over financial reporting (ICOFR) system is computerised, whereby evidence supporting execution of the necessary controls to mitigate financial reporting risks by process is identified, as are the calendars and roles of each person involved.

As regards control activities, throughout 2011 and within the framework of the ICOFR project, Eroski documented the 15 critical financial reporting processes according to its risk map, fully documenting each one with a description of the activities, flowcharts and risk/controls matrices, as well as the corresponding recommendations for improvement.

One of the critical processes defined is Closing, Consolidation and Reporting. This process is conducted monthly, although there are more complex requirements every six months when half-yearly consolidated information and individual and consolidated annual accounts are published for the markets.

In the case of half-yearly and annual financial reporting, in addition to the usual controls of oversight and review by Administration and Tax Management, Economic-Financial Management and the Management Committee, it is also submitted to the Audit and Compliance Committee for validation. At these presentation of results sessions, the Audit and Compliance Committee relies on external auditor valuations and reports.

Concerning judgements, estimates and relevant projections, the assumptions made in closing processes are continually monitored by Economic-Financial Management, as well as by the Presidency of the Eroski Group. Before the half-yearly and yearly annual accounts are authorised for issue by the Governing Board, the Audit and Compliance Committee analyses the relevant assumptions used in these closing processes and holds specific sessions with the members of Economic-Financial Management, and/or the external and internal auditors to gain first-hand knowledge of their assessments of the assumptions used.

The ICOFR description is drawn up at the request of Economic-Financial Management, after a presentation to the Audit and Compliance Committee, which oversees the entire content to be reported in the Annual Corporate Governance Report.

Eroski has defined and implemented a series of policies to ensure the maintenance and development of systems as well as the continuity and security of activity:

- Security of access: there is a periodically-reviewed procedure which regulates the roles of the different people responsible for security, and sets out employee obligations for proper use of the IT System, programme access policies, as well as physical and logical systems security.
- Change control: an ITIL-based methodology which sets out the steps to follow for the request, approval and life cycle of a development change has been developed and implemented. There is also an explicit change of technical changes control policy (infrastructures) managed and supervised by the person in charge in order to ensure that all technical changes include a roll-back plan, a suitable window and have a limited impact on activity, which prevents incompatible changes from being made.
- Operations: these are continually monitored (24x7x365) with the support of an automated alert management system to ensure they are executed properly, meaning that in the event of a contingency, incidents can be immediately elevated to the corresponding department. Alerts are continually revised for content and effectiveness. In 2023, the monitoring of security alerts will be enhanced to cover more items and services.
- Segregation of duties: access to the Information Systems is based on a series of profiles that establish which functions can be accessed by users in each system according to their roles. A series of controls and procedures related to the organisation's most sensitive information has been implemented, as has a continual improvement PDCA cycle.
- Business continuity: there is a Data Processing Centre Contingency Plan in place to ensure the continuity of services in the event of major breakdowns or natural disasters. In 2015, the cornerstones of a business continuity plan were laid for the Elorrio Head Office and DPC's, which were validated at the beginning of 2016. In 2016, five test scenarios were designed which were executed and tested as of 2017, using a GRC tool to automate the gathering of evidence of the results of those scenarios. Taking advantage of high-level organisational changes, the entire plan was revised in 2021 and a training session based on security incident scenarios was proposed to the organisation. As a result of this training, a working group led by Corporate Management was created in order to draw up a crisis management plan. Likewise, at the end of 2022, a service was started with Omega with a view to defining and implementing a DRP (Disaster Recovery Plan), tested annually, and due for completion at the end of 2024.

- Training and awareness: in 2017, an information/training and awareness process was launched for all those involved. The foundations were laid for recurrent information security training channels, beginning with Management. Since 2017, different training and awareness initiatives have been carried out, and since 2018, the most relevant key actions have been included in the ISMS (Information Security Management System) register. Since 2019, targeted phishing has been included, and since 2021, online training has been made available for all digital users, with a take-up rate of over 50%. A training plan is being drawn up for 2023, which includes targeted phishing campaigns, monthly infographics, online training (interrupted in 2022) and talks aimed at specific groups.

Eroski has not outsourced any relevant activities to third parties that could affect the preparation of financial reporting.

As regards third party valuations, judgements or calculations, Economic-Financial Management supervises valuation or calculation services and the quality thereof provided by independent experts services (mainly appraisals) that could have a material impact on financial reporting.

Corporate Administration and Tax Management is responsible for standardising and keeping accounting policies up to date and resolving any doubts over interpretation. In 2011, Eroski's Accounting Policies Manual was published as a compilation of accounting treatment instructions and indications to date, and a complete reference guide. This document was distributed to the financial departments of all Eroski Group companies.

Centralisation of the economic-financial departments of certain Group companies in recent years has enabled criteria to be standardised, thus making the transmission of procedures and accounting changes smoother.

The Grupo has a common corporate accounting information system for the majority of subsidiaries. This system facilitates the control and supervision of accounting and financial information by Administration and Tax Management, which integrates it into the consolidation tool.

Regular coordination meetings are also held with the main decentralised Group boards to discuss common criteria and problems.

For half-year closes, there is an IFRS financial reporting package which is completed by each Eroski Group Financial Management department, and supervised and controlled by Administration and Tax Management in its consolidation role.

ICOFR supervision is one of the competences of the Audit And Compliance Committee, which monitors the preparation, presentation and completeness of the economic-financial information of Eroski and its Group.

To do so, it relies on the Corporate Internal Audit function, which hierarchically reports to Eroski's Corporate Management but functionally to the Audit and Compliance Committee. Among its functions defined in the Audit Charter, last updated in February 2014, are supervision of the reliability of financial reporting, and in particular, its internal control systems (ICOFR), by analysing the processes for preparing and presenting this information, its specific controls and risks, as well as coordination with the external auditors of the Parent and Group subsidiaries.

Derived from ICOFR, it also incorporates the specific role of being responsible for drawing up and executing an annual plan to assess its effectiveness vis-á-vis financial reporting risks identified and assessed by the Economic-Financial area, and reporting regularly to the Audit and Compliance Committee on possible weaknesses detected during the work and the calendar for following up recommendations.

In 2022, supervision of the process involved presenting at this Committee the results of control design audits and effectiveness testing for the four processes documented.

The Plan of contents of the Audit and Compliance Committee sessions is approved at the first session of the year, which is when those attending the meetings are also proposed.

The head of Internal Audit and the Board's Legal Counsel attend all Audit and Compliance Committee sessions. The Director of Administration and Tax is invited for the closing financial reporting and ICOFR presentation, and on at least two occasions, before the Governing Board’s meetings to authorise the accounts and half-yearly accounts for issue, external auditors are invited to inform the Committee directly of the conclusions of their review work, the main significant aspects of the period analysed, and any internal control weaknesses detected. Additionally, the Directors of Compliance and Innovation and Systems attend if requested.

At the meetings held during the year, the extent to which internal control weaknesses detected by the external auditors are being addressed is monitored, as are the main recommendations issued by Internal Audit.

Throughout the year, the Committee’s agenda is due to include discussion of Corporate Internal Audit’s report on developments in ICOFR supervision.

In 2022, the Audit and Compliance Committee met on six occasions, and on four of those (regarding the year-end close, the half-year close, presentation of internal control weaknesses reports and planning of the audit work), the external auditors were present to offer their assessments of the annual financial reporting for 2021, the half-yearly reporting for 2022 and their internal control recommendations for subsequent follow-up, and to participate in planning the 2022 audit.

Additionally, the external auditors are in permanent contact with Economic-Financial Management, Administration and Tax Management and Corporate Internal Audit.

Code of conduct and whistleblowing channel

Eroski's Corporate Code of Conduct was approved by the Board of Governors in 2011 and updated in 2012 and 2017. It was recently updated again on 29 September 2022. The aim of the Code is to summarise the patterns of behaviour that dictate how its governors and employees should go about their daily tasks, whatever their duties, position within the organisation, type of labour contract or place of work, and it supersedes a prior set of rules, codes and declarations which was different in scope and size.

The Code of Conduct consolidates the principles set out in various documents, and reinforces new areas, such as ICOFR or the reform of the Spanish Penal Code.

The Code of Conduct determines the most relevant behaviour expected of people in terms of ethics, their commitment to the organisation in this regard or applicable legislation. As mentioned, section 4 contains a specific conduct principle relative to internal control over financial reporting, for which Eroski assumes its principle of transparency and reliability.

The Code of Conduct is circulated across the entire organisation with the support of the internal communication area, and by exploiting existing corporate communication channels, as well as through the company, so that all interested parties are aware of the Code. In November 2022 the code of conduct and whistleblowing channel were relaunched, and new training and reminders were given on both texts to all Eroski Group members and workers.

The Code of Conduct is also accessible in the Corporate Governance section of the Company’s website and on its intranet.

Pursuant to Eroski’s by-laws (Article 58, Board of Governors’ Committees, paragraph 1), the Audit and Compliance Committee supervises the cooperative's system of corporate governance, and in particular, corporate governance, compliance and internal codes of conduct policies. In addition, Article 10 of the Regulation approved by the Board of Governors of Eroski, S. Coop., sets out the Functions relative to Corporate Governance.

There is a Regulatory Compliance Committee within the organisation tasked with ensuring the notification and consultation procedure for reporting irregular conduct (whistleblowing channel) functions properly, and circulating the new Corporate Code of Conduct. It is also responsible for keeping the Board of Governors regularly informed of the performance of its duties, through the Audit and Compliance Committee.

There is a confidential Whistleblowing Channel available to Eroski workers and governors which allows them to report code of conduct irregularities, in a confidential fashion, through different channels. The procedure for reporting such irregularities is set out in the Whistleblowing Channel Regulation, approved by the Audit and Compliance Committee and the Board of Governors at a meeting held on 15 July 2021, and amending the previous regulation approved on 14 December 2017, which in turn superseded the Regulation approved in December 2011. In September 2022, the Regulation was revised again, with elements to enhance whistleblower confidentiality and guarantee the anonymity of the entire process.

The Whistleblowing Channel Regulation establishes the following channels:

- An online form available at Nexo Eroski and Primsa (intranet).
- Telephone. - A telephone hotline for reporting incidents managed by the Compliance Office.
- Additionally, and in any case, incidents may be elevated through the corporate hierarchy.

Anybody who can avail of the procedure has access to all or some of the above channels.

Generally speaking, incidents reported through the consultation and notification procedure go through the following steps:

- The person chooses one of the channels available to them
- In a maximum of five working days, the Regulatory Compliance Committee acknowledges receipt of the reported incident and decides whether to admit it.
- In the case of a consultation, the Regulatory Compliance Committee acknowledges receipt within five working days, then drafts a response in collaboration with the appropriate areas, and the interested party is notified.
- In the case of a notification, the Regulatory Compliance Committee will propose to the most appropriate functional area that it analyse and resolve the matter, and report in writing to the Regulatory Compliance Committee.

Company website

At the bottom of the corporate web page www.eroski.es, (http://www.eroski.es/) , there is corporate menu which, inter alia, offers the following sections with information on corporate governance:

- Who we are.
- Corporate Social Responsibility.
- Fundación Eroski.
- 2022 Annual Report.
- Investor information.
- Corporate Governance.
- Real estate.
- Newsroom.
- Work with us.

The Corporate Governance section (http://www.eroski.es/gobierno-corporativo/), contains information on:

<u>ORGANISATIONAL STRUCTURE</u>

By-laws.

Corporative Internal Regime Regulation.

<u>INTERNAL HIERARCHICAL STRUCTURE</u>

Management Committee

CORPOATE GOVERNANCE STRUCTURE:

- EROSKI Board of Governors: Composition
- EROSKI Audit and Compliance Committee: Composition and operational procedures.
- EROSKI Appointments Committee: composition and operational procedures.
- General Assembly of Delegates (announcement, agenda and proposed agreements) current and prior year.
- Proxy votes (procedure).
- Exercise of right to information.
- Information requests.
- Summary information on the General Assembly.
- Monitoring Committee
- Resources Committee
- Social tariff
- Consumer Committee

ANNUAL CORPORATE GOVERNANCE REPORT. 2021 and the previous five years.

REMUNERATION REPORT.

REGULATORY COMPLIANCE:
Corporate Code of Conduct.
Summary Internal Control Body Regulation
Summary Whistleblowing Channel Regulation

NON-FINANCIAL INFORMATION STATEMENT

In compliance with Law 11/2018 of 28 December 2018 on non-financial information and diversity, we have included the non-financial information statement.

Auditor's Report on Eroski, S. Coop. and Subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Eroski, S. Coop. and subsidiaries for the year ended 31 January 2023)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Members of Eroski, S. Coop.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Eroski, S. Coop. (the Parent) and subsidiaries (the Group), which comprise the consolidated statement of financial position at 31 January 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 January 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of deferred tax assets (Euros 86,569 thousand) See note 14 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
At 31 January 2023 the Group recognised deferred tax assets totalling Euros 86,569 thousand, mainly corresponding to the recognition of the tax effect of tax loss carryforwards and unused deductions. The recognition of deferred tax assets entails a high level of judgement by management and the Directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recoverability, this has been considered a key audit matter.	Our audit procedures included the following: - assessing the design and implementation of the controls over the recognition and valuation of deferred tax assets, - contrasting the tax bases estimated in prior years with the actual tax bases obtained, - contrasting the information contained in the model used to estimate future taxable profit with the Group's business plans approved by the Directors, - assessing the sensitivity of certain assumptions to changes that are considered reasonable. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2022 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2022, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Eroski, S. Coop. and its subsidiaries for 2022 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of Eroski, S. Coop. are responsible for the presentation of the 2022 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 3 May 2023.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor of the Group by the members at the ordinary general assembly held on 26 May 2022 for a period of one year, beginning 1 February 2022.

Previously, we were appointed for a period of one year, by consensus of the members at their ordinary general assembly, and have been auditing the annual accounts since the year ended 31 January 1999.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

On the Spanish Official Register of Auditors ("ROAC") with No. 18,961