FORWARD-LOOKING STATEMENTS

This Report includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions, which are based on our current expectations and projections about future events. All statements other than statements of historical facts included in this Report including, without limitation, statements regarding our future financial position, intentions, beliefs, risks and uncertainties related to our business, strategy, capital expenditure, projected costs and our plans, prospects and objectives for future operations, may be deemed to be forward-looking statements.

Words such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "risk," "should," "will," "would," and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and are based on numerous assumptions. You should not place undue reliance on these forward-looking statements.

In addition, any forward-looking statements are made only as of the date of this Report and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this Report. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Report.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this Report. Factors that could cause such differences in actual results include, but are not limited to:

- our ability to predict or fulfill changing customer preferences or demand;
- interruption or failure of our information technology systems or inability to keep pace with technological developments;
- the reliability and availability of our supply chain including interruptions in the distribution of our products at any of our facilities, any delay or failure in the delivery of our products and increased sourcing and other costs;
- competitive pressures of the markets in which we operate;
- increase in energy, production and transportation costs;
- fluctuations in the availability and price of food ingredients and packaging material;
- economic conditions, consumer confidence and spending patterns;
- the effectiveness of our marketing campaigns and success of our card programs;
- natural disasters, public health crises, political crises, terrorist attacks or other catastrophic events or social disruptions;
- the success of our current and any future joint venture and trading partnerships;
- risks related to the sale and purchase of assets;
- the success of our retail destinations;
- our ability to renew or replace our store leases;
- the sufficiency, availability and cost of our insurance;
- our key personnel and ability to recruit and retain suitable employees;
- increased scrutiny regarding our environmental, social and corporate governance (as defined herein);

- fraud, theft and other crimes;
- risks related to our relationship with our employees and related labor costs;
- legal complaints and litigation, including relating to the protection of intellectual property rights;
- risks associated with investments in real estate such as incorrect assessment of the value of our property;
- compliance with law and regulation in Spain relating to advertising, consumer protection, data privacy, employment and environmental;
- risks related to misappropriation of customer and employee data from our information systems; and
- investigations or challenges with respect to our tax liabilities or changes in tax legislation.

The foregoing factors are not exhaustive. We disclose important factors that could cause our actual results to differ materially from our expectations in "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors. We cannot assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

RISK FACTORS

You should carefully consider the following risks, together with other information provided to you in this Report. The occurrence of any of the events discussed below, individually or together, could materially adversely affect our business, financial condition, results of operations and prospects. If these events occur, the trading prices of the any of our securities could decline, and we may not be able to pay any or part of the interest or principal on the debt securities, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial could also adversely affect our business, results of operations, financial condition and prospects or our ability to fulfill our obligations under our securities, which in turn would affect your investment.

This Report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Report.

Risks Related to our Business and Industry

Sales of our products are subject to changing consumer preferences and trends and we may be unable to successfully or timely respond to these changing customer preferences.

The success of our business depends on the continued appeal of our commercial proposition (the range of products, prices and client experience) we offer through our network of stores, franchises and online operations. Given the varied backgrounds and tastes of our wide customer base, we must offer an adequate commercial proposition to satisfy a broad spectrum of preferences which can differ in each of the locations in which we operate and across each of our different formats. In addition, demand for our food products could be affected by consumers' increasing concern regarding food safety, health and wellness with respect to the food products they buy, such as consumers' increasing focus on the health effects of certain ingredients such as processed fats, gluten, sugar, processed wheat or other such products. For instance, customers have also shown increasing preference for organic products, sustainable products, vegan and animal-free protein products, environmentally friendly product packaging and locally-sourced food products. Further, our customers increasingly expect a seamless omni-channel experience and when making a decision to purchase products from us, want to be able to have access to greater amounts of information, including on traceability, sustainability and nutritional value.

Responding to shifts in consumer preferences can entail significant costs. Although we have established internal commercial, marketing and innovation departments dedicated to monitoring and researching consumer preferences, we may not be successful in accurately predicting shifts in customer preferences or demand for certain products that we offer. Failure to accurately identify or quickly and effectively respond to changing customer preferences, demand or prevailing health or dietary preferences could negatively affect our relationship with our customers, the demand for our products and our market share as customers may avoid our product offerings in favor of alternative options, which could then have an adverse effect on our business, financial condition and results of operations.

We rely extensively on information systems to process transactions, summarize results and manage our business. These systems are interdependent and disruptions in the IT infrastructure that we use could materially adversely affect our business, financial condition and results of operations.

We use our websites, social media, online advertising, and email campaigns to interact with our customers and as a means to enhance their shopping experience. We must anticipate and meet our customers' changing expectations while adjusting for technology investments and developments in our competitors' operations through focusing on the building and delivery of a seamless shopping experience across all channels including our online supermarket, phone app, Click & Collect and other delivery formats. Any failure on our part to provide attractive, user-friendly secure digital platforms that offer a wide assortment of merchandise at competitive prices and with low-cost and rapid delivery options and that continually meet the changing expectations of online shoppers and developments in online and digital platform merchandising and related technology could place us at a competitive disadvantage, result in the loss of online and other sales, harm our reputation with customers, have a material adverse impact on the growth of our online business and have a material adverse impact on our business, financial condition and results of operations.

Further, we rely on an extensive array of information systems (including servers, networks, applications, websites and databases) that are essential to the operation and management of our activities. The development, implementation and continuous and uninterrupted performance of our hardware, network, applications, website and other systems, including those which may be provided by third parties, are important factors in our logistics management and delivery of products and services to our customers. Our business, and in particular our preparation centers for coordinating the logistics of online sales, are dependent on our technical infrastructure and computer applications for all aspects of the day-to-day management of our business, including purchasing, sourcing, distribution, online sales, customer delivery, loyalty program management, data exploitation, invoicing, cash collection, reporting and consolidation, as well as electronic data exchange and access to internal information, all of which provide necessary information upon which management makes its business decisions.

Our performance depends on accurate, timely information and numerical data from key software applications to aid day-to-day business and decision-making processes. We are exposed to operational risks, such as the breakdown or failure of equipment, interruption of power supplies or processes, fires, floods or other natural disasters, acts of sabotage or vandalism, and industrial accidents. We rely on our information technology systems for communication among our suppliers, stores, distribution centers and headquarters and for our online sales. We may be adversely affected if our controls fail to detect or contain operational risks. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure and to maintain the related automated and manual control processes, we could be subject to adverse effects, including billing and collection errors, business disruptions and damages related to security breaches. Any disruption caused by failings in our information technology infrastructure, underlying equipment or of our communication networks could delay or otherwise impact our day-to-day business and decision-making processes and negatively impact our performance.

Delays or interruptions in the delivery of our products could result from unknown data, software or hardware defects, insufficient capacity or the failure of our website hosting, mobile applications and telecommunications vendors to provide continuous and uninterrupted service. Any significant breakdown of plant or equipment, accidents, such as a serious flood, fire and other natural disasters, or other significant disruption to the operations of our primary sites for all of our computer and communications systems could significantly affect our ability to manage our information technology systems. Our equipment and technology systems also require ongoing maintenance, refinement, updating and may also require replacement with more advanced equipment or systems in the future. If we are unable to maintain more advanced equipment or systems in the future or upgrade our IT system regularly, we may experience difficulties with the adoption of new technology and systems into our existing operations.

Furthermore, disruptions to operations or interruptions in operations involving such systems may occur in the future. Any material disruption or slowdown of our equipment or technology systems, including those caused by our failure to successfully upgrade our equipment or systems, could have a material adverse effect on our business, financial condition and results of operations. We cannot assure protection against unauthorized attempts to access the IT systems that we use, including malicious third-party applications that may interfere with or exploit security flaws in our products and services. Any failure of such IT systems due to a technical issue or a cyberattack, and any failure of our IT systems' support teams to mitigate such IT system failures, could have a material adverse effect on our business operations and assets. If any compromise in our security measures were to occur and our efforts to combat such a breach were unsuccessful, our operations would be interrupted and our reputation could be harmed, leading to a material adverse effect on our business, financial condition and results of operations.

In addition, we rely in part on third parties for development of and access to such new technologies and tools. We expect that new services and technologies will continue to emerge. These new services and technologies may be superior to, or render obsolete, the technologies that we currently use. Incorporating new technologies into our products and services may require substantial expenditures and take considerable time, and ultimately may not be successful. In addition, our ability to adopt new services and develop new technologies may be inhibited by industry-wide standards, new laws and regulations, or third parties' intellectual property rights. Our success will depend on our ability to develop new technologies and adapt to new technological changes and evolving industry standards.

We are dependent on third-party producers and suppliers to produce our products, which subjects our business to delays and interruptions, as well as certain social and environmental risks, among others. Our agreements with these suppliers may be subject to adjustments that could increase our expenses and have a negative impact on our profitability and results of operations.

We have business relationships with more than 9,600 producers and suppliers, including in relation to our own-brand products. We are generally dependent on third-party suppliers for our products, which exposes us to risks that such suppliers may fail to meet timelines, provide us with sufficient product or comply with our specifications, including with respect to social or environmental matters. These risks are heightened in the context of suppliers who supply and/or manufacture our own-brand products. If a delay or interruption of delivery were to occur either temporarily or permanently for any reason, we may not be able to meet consumer demand, which may result in fewer sales. Further, as we require our suppliers to meet certain specifications and standards to ensure the high quality of our products, the use of third-party suppliers increases the demands on our quality control personnel. If the products provided by our suppliers do not meet the relevant quality standards, our reputation may be adversely affected. In addition, we depend on certain of our suppliers for certain of our successful popular brand products which contribute to store traffic and sales. Any disruption of delivery of these key high-volume products may have an adverse effect on our sales.

There can be no guarantee that we will maintain relationships with our suppliers, and at any point may be required to contract with other suppliers on less favorable terms and/or at a greater cost. For instance, we are reliant on AgeCore, a purchasing cooperative we partake in along with other European retailers, with a total annual turnover of approximately €102 billion, from which we establish mutually beneficial relationships with certain commercial suppliers. As our participation in AgeCore is voluntary, if we are no longer a member of AgeCore or AgeCore ceases to operate in its current form, our ability to negotiate and reach agreements with certain suppliers could be affected, which could have an impact on our business, financial condition and results of operations. Additionally, there is a risk that smaller or local suppliers will consolidate, giving us fewer choices and resulting in increasing prices. Any deterioration in our relationships with our suppliers, the imposition of stricter conditions by suppliers (especially with respect to stringent payment terms) or our inability to provide customary payment guarantees or the non-renewal of our main supply agreements may have a material adverse effect on our business, financial condition and results of operations. Failure of our suppliers to comply with our social and environmental guidelines may result in harm to our reputation and brand, which may have a negative impact on our business, sustainability rating and financial position. If we experience a need to replace an existing supplier, including due to their non-compliance with our social and environmental guidelines, there can be no assurance that additional manufacturing capacity will be available when required on terms acceptable to us. In addition, even if we were able to find new suppliers on acceptable terms, we may encounter delays in production and added costs as a result of the time it would take to train such suppliers in our methods, products, quality control standards, labor, health and safety standards.

The efficiency of our supply chain is critical to our business and operations.

Our businesses operate with tailored logistics structures at the national level to supply and deliver customer orders from our own stores as well as from our franchised stores throughout Spain. In each of our regions of operation, we manage the distribution of supplies to our various stores through a logistics network. We are partly dependent on third-party storage and fully dependent on service providers for the transportation of our products to outlets and for the delivery of our products ordered online to pick-up points or to customers. Any increases in the cost of transportation, including as a result of increased gas prices or environmental regulations or initiatives that mandate more costly methods of transport, could significantly increase the prices of such services. The efficiency and functioning of our supply chain without disruptions or delays is essential, especially for our fresh food products. Changes in our logistics structures, including as a result of labor disruptions, delivery fleet issues, lockdowns, strikes, natural events, technical disruptions or occurrences of accidents, could lead to a temporary or extended disruption of our operations, disrupt store-level product availability and in-stock management and have a negative impact on our image and financial results.

We also face a variety of risks generally associated with sourcing products from foreign markets, including:

- trade restrictions and the introduction of import quotas;
- the imposition of increased tariffs and customs regulations; and
- delays in shipping of products due to port strikes, infrastructure congestion, embargoes or other factors and increased costs of transportation as a result of increased tariffs or otherwise.

We operate in a highly competitive industry and rapidly evolving markets, and our business, financial condition and results of operations may be adversely affected by actions of our competitors and our failure to respond to competitive pressures.

Our competition generally includes multinational and domestic Spanish brick-and-mortar food retailers (including generalist grocers, supermarket chains, discount retailers, specialists and convenience stores) and their e-commerce sites. Our competitors generally compete with us on the basis of location, quality of products, service, price, product variety, brand reputation, store condition and stage of omni-channel development.

In executing our strategy, we may face a variety of competitive challenges, including, among others:

- potential emergence of new competitors, including foreign and domestic retailers entering our markets, or consolidation of existing operators;
- potential creation by competitors of new store formats or further development of e-commerce platforms that customers may prefer;
- the risk of our competitors adopting our business model in their own stores; and
- competitive pressure on product pricing from core competitors, as well as discount retailers.

The performance of our competitors and changes in their pricing and promotions, product mix or other business strategies, and our response to address competition, may cause us to experience lower sales revenue, higher operating expenses and/or lower profit margins. Moreover, our own similarly-positioned brands and formats may compete with one another for customers.

The expansion of online sales channels, both by existing market participants and new entrants, has further intensified the competitive dynamics of our industry, and we expect this trend to continue, particularly as a result of consumers' increased reliance on e-commerce retailers since the onset of COVID-19. Competition, in both brick-and-mortar and e-commerce, is particularly intense in the Spanish market where the market is mature but continues to evolve based on customer expectations. For instance, discount food retailers such as Lidl have disrupted the Spanish grocery market in the past few years, and have taken market share from established market participants. While we take several steps to monitor the competitive environment of our markets and their trends at a regional and format level, we cannot guarantee that these efforts will be successful in preventing our competitors from making significant inroads in our markets.

Our e-commerce platform, including our online supermarket and phone app, and our brick-and-mortar formats, most of which have e-commerce operations such as self-checkout counters, also face intense competition from other e-commerce providers and brick-and-mortar retailers with e-commerce operations. Online retailers, such as Amazon, may have more experience and greater resources than we do and may be able to offer products at more attractive prices. Retailers are increasingly introducing and continually enhancing the capabilities of their internet distribution platforms. Competition with respect to online channels may continue to intensify and, as a result, we may experience pricing pressure and loss of market share.

There can be no assurance that we can successfully compete with our competitors. If we are unable to maintain our competitive position, we could experience downward pressure on prices, lower demand for our products, reduced margins, the inability to take advantage of new business opportunities and the loss of market share, which could adversely affect our business, financial condition, results of operations and prospects.

Unfavorable economic conditions, particularly in Spain, may impact consumer confidence and spending patterns and adversely impact our business.

Our sales, profitability, cash flow and future growth are sensitive to, and may be adversely affected by, general economic conditions, consumer confidence, spending patterns and market disruptions, especially in Spain. They may also be adversely affected by negative political or economic trends or developments at the local, regional, national or international levels that reduce the consumers' ability or willingness to spend. Consumers' ability or willingness to spend may be impacted by unemployment rates, inflation or deflation, levels of real disposable income, changes in interest rates and/or VAT, the availability of consumer credit, consumer debt, consumer confidence and general uncertainty regarding the overall future economic environment. In addition, market disruptions due to severe or unseasonal weather conditions, natural disasters, health hazards, including COVID-19, or other major events or the prospect of these events could also impact consumer spending and confidence levels. For instance, the Russia-Ukraine conflict that began in February 2022 has led to increased commodity prices for energy and raw materials, volatility in foreign exchange and interest rates and other inflationary pressures that could affect consumer confidence and their spending patterns.

Our business, financial condition and results of operations are particularly affected by economic conditions in Spain. For example, from 2008 to 2013, Spain experienced a significant recessionary period, with GDP declines and record unemployment levels, which negatively impacted consumer sentiment and household consumption. Prior to COVID-19, the Spanish economy had been gradually recovering with GDP, unemployment, consumption and other economic indicators revealing a steady improvement. There is no guarantee that any such improvements will be sustained.

Any adverse changes in the Spanish economy or in any of the regions in which we sell our products could reduce consumer confidence and spending patterns, and thereby could negatively affect earnings and have a material adverse effect on our business, financial condition and results of operations. If the current economic conditions continue to deteriorate, our business, financial condition, results of operations, and prospects may be materially and adversely affected, especially if customers reduce or eliminate discretionary spending.

We may be unable to implement our business strategy or to successfully maintain and develop our omni-channel offering and, along with the increasing complexity of our business and costs associated with our business strategy, this may reduce demand for our products and services and materially adversely impact our relationships with our customers, market share, financial condition, results of operations and prospects.

Our future performance is dependent on our ability to identify and develop business opportunities and to successfully execute our business strategy and adapt our value proposition to relevant customer trends. Failure to properly deploy capital and other resources to further our strategy may negatively affect our planned initiatives. Any misjudgments, flaws or inadequacies in our execution could have a material adverse effect on our business, financial condition, results of operations and prospects.

The food retail business continues to rapidly evolve and consumers increasingly embrace online and other accessible channels for shopping. As a result, the portion of total customer expenditures with retailers occurring through online platforms is increasing and the pace of this growth could accelerate, although it should be reiterated that the current market share of these sales is very limited. Accordingly, an important part of our business strategy involves offering a seamless omni-channel customer experience by integrating innovative online and mobile application-based solutions. Our ability to adapt our online offer and, in particular, to develop online sales depends on a number of factors, including our ability to successfully market our websites and social media, our ability to identify additional key partnerships for the expansion of our online channels, the capability of our existing distribution network to accommodate our growing online operations and the ability to integrate our growing online operations on a profitable basis. Additionally, we cannot assure you that our online operations will continue to operate successfully as compared to previous years, and, as a result, the expected increased proportion of online operations could negatively impact our future profitability. In addition, integrating innovative omni-channel options into the retail store experience is critical for us to maintain our market position. Our strategy also relies on identifying, developing and/or adopting key technology solutions that allow us to continue to integrate online shopping processes into our operations and introduce innovative channels and formats for our online customers. We may not be able to secure the requisite technology to implement our strategy, either due to cost or intellectual property rights of third parties. We may also fail to integrate new digital tools into our systems which could reduce their effectiveness.

Our strategy, which includes investments in online channels, technology, store remodels and other customer-focused initiatives, may not adequately or effectively allow us to grow our business, maintain or grow our overall market position or otherwise offset the impact of the growth of our business. The success of our strategy will depend in large measure on our ability to continue building and delivering a seamless omni-channel shopping experience for our customers. Failure to successfully execute this strategy may adversely affect our market position and financial performance. In addition, increased online sales could result in a reduction in the amount of traffic in our stores, which would, in turn, reduce the opportunities for cross-store sales of merchandise that such traffic creates and could reduce our sales within our stores and materially adversely affect our financial performance.

Given the various risks to which we are exposed and the uncertainties inherent in our business, we cannot guarantee the successful execution of our business strategy. Additionally, the implementation of our strategy may put operational strain on our business and consume management time and focus to the detriment of our existing business operations. If we do not meet our strategic objectives or achieve the results initially expected, we may be unable to recover our investment, which may have a material adverse effect on our business, financial condition and results of operations. Furthermore, the cost of certain online and technology investments, including any operating losses incurred, could adversely impact our financial performance in the short term and failure to realize the benefits of these investments may adversely impact our financial performance over the longer term.

Adverse developments with respect to the safety and quality of our products, including loss of customer confidence in the food supply chain or the quality and safety of our products for any reason, and/or concerns

about the safety of the food industry in general, may damage our reputation, increase our costs of operations or decrease demand for our products.

Product safety and the public's perception that our products are safe and healthy are essential to our image and business. Although we dedicate substantial resources to the safety and quality of our products, we may not be able to ensure that our customers enjoy safe, quality products. Our sale of food products for human consumption exposes us to safety risks such as food-borne illnesses, product contamination, spoilage, inaccurate labelling, misbranding or product tampering. Product contamination (including the presence of an undeclared allergen, foreign object, substance, chemical or other agent or residue or the introduction of a genetically modified organism), spoilage, misbranding or product tampering could require product withdrawals or recalls or destruction of inventory and could result in negative publicity, temporary warehouse closures and substantial costs of compliance or remediation. While the supplier is liable for the contaminated products, an unsuccessful product safety recall in the future may have an adverse impact on our brand and reputation, business, financial condition and results of operations, even if the source of the contamination was not in our control.

Our reliance on third-party suppliers increases the risk that these incidents could be caused by factors outside of our control and that multiple locations would be affected. These risks may occur in regard to any one of our own-brand products offered under our different formats. We may be impacted by negative publicity regarding any assertion that our products caused illness or injury, whether true or false, proven or unproven. We could also be subject to claims or lawsuits relating to an actual or alleged illness or death stemming from product contamination or any other incidents that compromise the safety and quality of our products.

We sell a range of own-brand items, which we believe are particularly important as a means of competitor differentiation and also generally offer more attractive prices to our active clients. These own-brand items are manufactured and/or packaged by third parties, and while our policies set out quality and ethical standards and we perform occasional audits of certain of our own-brand manufacturers, we do not control these third parties or their quality control, labor or other business practices. Maintaining broad market acceptance of our own-brand items depends on many factors, including pricing, costs, quality and customer perception, and we may not achieve or maintain expected sales for our own-brand items.

Even if our own products are not affected by contamination or other incidents that compromise their safety and quality, we are subject to risks affecting the food industry generally, including risks posed by widespread contamination and evolving nutritional and health-related concerns. Risks related to an outbreak of a disease, such as COVID-19, in one of our stores, warehouses or distribution centers, or at one of our suppliers' facilities, or at those of our competitors, may call into question the safety of our retail stores or product offerings. Regulatory authorities may limit the supply of certain types of food products in response to public health concerns, and consumers may perceive certain products to be unsafe or unhealthy, which could require us or our suppliers to find alternative supplies or ingredients that may not be available at commercially reasonable prices or within acceptable time constraints. In addition, such governmental regulations may require us to identify replacement products for our customers or, alternatively, to discontinue certain offerings or limit the range of product offerings. We may be unable to find substitutes that are as appealing to our customers, or such substitutes may not be widely available or may be available only at increased costs. Such substitutions or limitations could also reduce demand for our products.

Risks to the health of our customers can also arise from our name-brand and own-brand suppliers, some of whom are third parties who operate outside of our direct control, in relation to the ingredients of certain foods we sell in our stores. Our use of third-party suppliers increases the risk that any of the aforementioned food safety related incidents could be caused by factors outside of our control and that multiple locations could be affected. In addition, food or product safety-related risks may also occur under any one of our own-brand labels and we may be impacted by negative publicity regarding any assertion that our food or other products have resulted in illness or injury.

Our customers expect that we will provide them with a large selection of safe, high-quality products. If we are unable to control and guarantee the quality of the products we sell, especially our own-brand products and in-store services, our brand and reputation may be negatively impacted.

Consumers are increasingly focused on the traceability of food products to assist them in deciding what to purchase. While we conduct quality practices and procedures, it may be difficult to detect contamination, spoilage, mislabeling, product tampering or any other incidents that compromise the safety and quality of our products, particularly fraudulent or malicious activity. Adverse publicity about these types of problems, whether valid or not, may discourage customers from buying our products or may affect our brand and reputation. Our actual or perceived sale of unsafe food products could result in product liability claims, a loss of customer confidence, product recalls and legal claims, which could have a material adverse effect on our business, financial condition and results of operations.

We also face additional risks from product defects in relation to the sale of our non-food products, including, for example, the risks of battery explosions, appliance malfunction or toys or other items that prove to be dangerous. If products we purchase from our suppliers are damaged or defective, we may not be able to return products to these suppliers and obtain refunds on our purchase price or obtain indemnification from them for any damages caused. Our brand and reputation could be damaged by the marketing of such dangerous or defective products, especially in case of serious defects, such as products containing harmful substances, causing death, physical harm or other health problems. In addition, there is a risk that compliance lapses by us or by our suppliers could occur, which could lead to investigation by agencies responsible for customer product safety. In all such cases, especially if there is a prolonged impact on product quality, our brand and reputation, business, financial condition and results of operations may be materially adversely affected.

A significant lawsuit, widespread product recall or other events leading to the loss of customer confidence in the safety and quality of our products could damage our brand and reputation and negatively impact our sales, profitability and prospects for growth. Further, if a product recall is required in circumstances where the financial consequences are not covered by the relevant supplier or our insurance, it may have a material adverse effect on our financial condition. Although we maintain product liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Even if future product liability claims against us are unsuccessful, these claims could be costly and time-consuming and may divert our management's time and resources from operating our business and may harm our brand and reputation.

A significant portion of our current stores are operated by franchisees, which may present a number of disadvantages and risks compared to EROSKI-operated stores.

Our formats and stores in Spain include franchise networks that are operated by franchisees. Out of our total retail network, as of January 31, 2025, 604 stores or approximately 41% of our stores were operated by franchisees. Our franchisees are independent operators and, while we mandate certain operational standards and procedures through our franchise agreements, we may not be able to respond quickly enough to franchisees that do not uphold these standards.

Our franchised operations present a number of potential risks, such as:

- The risk that a successful franchisee whose operations produce significant revenue or a significant number of existing or future franchisees terminate their relationship with us or are unable to renew their franchise agreements with us for a number of reasons. Our franchisees may not be able to or may decide not to renew their franchise agreements, or they may terminate their relationships with us. If a substantial number of franchises are not renewed, our business, financial condition and results of operations could be adversely affected. In addition, franchisees could rebrand stores under a format owned by one of our competitors.

- Our limited influence over franchisees and reliance on franchisees to implement major initiatives, limited ability to change store ownership, limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings, inability or unwillingness of franchisees to participate in our strategic initiatives and limitations on support of our franchisees for marketing programs and any new capital intensive or strategic initiative which we may seek to undertake, and the successful execution thereof.

- The fact that franchisees are independent operators and we cannot control many factors that impact the traffic in their stores, which directly affect sales generated in their stores.

The actions of our franchisees could harm our brands or reputation. Any damage to our reputation, brands' image or brands' name through either a single event or series of events involving our franchisees could have a material adverse effect on our ability to market our products and attract and retain customers, which may in turn affect our overall business, financial condition, results of operations and prospects.

Increased transportation costs or disruption to transportation services could materially adversely impact our business, financial condition and results of operations.

Cost-effective transportation of our products is an important element of our cost structure. We depend on the use of refrigerated trailers for the shipping of certain of our products from our suppliers' facilities to our distribution centers, from our distribution centers to our stores and from our stores and distribution centers to our customers. Transportation costs have historically fluctuated significantly over time, in particular in connection with oil prices, and increases in transportation costs could result in reduced profits. For instance, the ongoing Russia-Ukraine conflict has limited general fuel availability, and if the conflict continues, increased fuel prices and transportation costs could have a material adverse effect on our business, financial condition, results of operations and prospects. Additionally, climate change related taxes and levies are a large portion of the energy related costs required to maintain the cold chain. These climate change related taxes have been increasing in recent years and are expected to increase in the future.

An impairment or loss of one or more distribution centers due to accidents, fires, technical disruptions, sabotage or other events, or an impairment or disruption in other suppliers' service, including significant price increases, could result in a temporary disruption in the delivery of products to our stores and additional costs. Although we believe that we would be able to find an alternative distribution center or an alternative operator, if necessary, we may be unable to find alternative providers in a timely fashion, on reasonable terms, or at all. We also require last-mile transport for our delivery services, which is one of the most expensive parts of the transportation process. Changes in these agreements governing the relationships with these providers could also result in reduced profits. Any increases in the cost of transportation, and any disruption to our transportation and logistics systems, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are vulnerable to fluctuations in the availability and price of food ingredients and packaging material, as well as to fluctuations in the price of electricity and fuel.

Increases in prices or scarcity of ingredients or packaging materials required for our products could increase our costs and disrupt our operations. In addition, our ability to pass along increased costs through price increases to our customers depends upon competitive conditions in our industry and pricing regulations. If we are unable to pass such cost increases on to our customers or the higher cost of the products offered results in decreased demand for our products, our profitability, business, financial condition and results of operations may be adversely affected.

In addition, significant amounts of electricity and fuel are needed to regulate the temperature of and operate our stores, warehouses, preparation centers and maintain our cold chain requirements for appropriate storage of materials and products before they are sold in stores or delivered, and we cannot guarantee that our energy costs will not increase in the future. Such cost increases may be significant and could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our marketing campaigns and our communications strategy may prove ineffective and could adversely affect our business.

Our sales depend to a certain extent on the success of our marketing approach and communication strategy. We use various marketing platforms as part of our marketing approach, including brochures, digital marketing events, regional television and radio campaigns, social media, internet advertising, direct mailing, text messaging and visual merchandising. Our advertising and publicity expense for the year ended January 31, 2025 (“fiscal year 2024”) was € 43.7 million. From time to time, we will need to refresh or reinvent our marketing campaigns, which will require additional expense.

If one of our marketing campaigns fails, the investments made will turn out to be ineffective and we could face reputational harm, a decrease in customer demand and a resulting decline in sales which, especially if marketing campaigns repeatedly prove ineffective, may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is seasonal in nature and our revenue, working capital requirements and operating results vary quarter to quarter as a result.

Our sales, profits, working capital requirements and cash flows within any given year have historically been affected by seasonal fluctuations. For example, sales volumes have historically been significantly higher in the summer in tourist areas such as the Balearic Islands for Cecosa Supermercados and in December in the run-up to the holiday season. These seasonal influences have a direct impact on our earnings, and fluctuations in our inventory or store closings during these peak periods can affect our working capital requirements. If seasonal fluctuations are greater than anticipated, there could be an adverse effect on our business, financial condition, results of operations and prospects.

Our quarterly results of operations may also fluctuate significantly as a result of other factors, including the timing of new store openings, temporary or definitive closings or disposals, and the revenue contributed by new stores or the loss of revenue from closed or sold stores. For these reasons, sequential quarterly comparisons may not be a proper indication of our actual performance or how we may perform in the future.

The occurrence of catastrophic events, such as war, terrorist attacks, civil unrest, disruptive geopolitical events, epidemics, pandemics and natural disasters, could materially adversely affect our and our suppliers' (including other third parties on which we rely) business, financial condition and results of operations.

The occurrence of one or more (i) natural disasters, such as floods, fires, earthquakes, tsunamis, hurricanes, tropical storms, tornadoes, cyclones and typhoons; (ii) weather and climate conditions, such as winter and summer storms, heatwaves, severe cold weather and droughts, whether as a result of climate change or otherwise; (iii) geo-political events; (iv) public health situations, such as epidemics, pandemics and other contagious outbreaks; (v) power outages; and (vi) catastrophic events, such as war, civil unrest, terrorist attacks or other acts of violence, including active shooter situations, knife attacks, as well as protests, strikes and boycotts could materially adversely affect our and our suppliers' (including other third parties on which we rely) business, financial condition and results of operations. Such events could result in closure of, physical damage to, or the complete loss of, one or more of our and our suppliers' (including other third parties on which we rely) properties, limitations on operating hours, workforce shortages, interruption in the functioning of point-of-sale systems, the inability of customers and colleagues to reach or have transportation to our stores and facilities, the evacuation of the population from areas in which our stores and facilities are located, the unavailability of our online platforms or our delivery and in-store collection services, changes in customer purchasing patterns (including the frequency of visits to physical retail locations, whether as a result of limitations on large gatherings, travel and movement limitations or otherwise) and in disposable income, disruptions to supply and logistics chain, reduced availability of products in our stores, disruptions to utilities for our stores and facilities and disruptions to our communications network. Responding to such events and their effects may require a significant amount of management attention and resources, which may disrupt or otherwise have a material adverse effect on our ongoing business operations.

We bear the risk of losses incurred as a result of damage to, or destruction of, our and our suppliers' (including other third parties on which we rely) stores and facilities, loss or spoilage of inventory and business and service interruption caused by such events. These events and their impact could otherwise disrupt and materially adversely affect our business, financial condition and results of operations. Furthermore, we cannot provide any assurance that we would be able to successfully recover our costs, in full or in part, should we experience an event of the types described above or other business continuity problem. Each of the factors above may have a material adverse effect on our business, financial condition and results of operations.

We are engaged in investments and trading partnerships. We cannot assure you that those partnerships will be successful and that actions taken by our partners will not have a material adverse impact on our business.

In 1998, we launched our 50% joint venture, Vegalsa, and, in 2021, we entered into a partnership with the Czech fund EP Bidco S.A. in relation to our Supratuc perimeter, which encompasses our businesses in Catalonia and the Balearic Islands. We may enter into additional similarly structured joint ventures or trading partnerships in the future. Investments in projects are subject to the risk that the other parties thereto, who may have different business or investment strategies than us or with whom we may have a disagreement or dispute, may have the ability to materially adversely affect business, financial or management decisions, such as the decision to distribute dividends or appoint members of management, which may be crucial to the project's success or our investment in the project, or otherwise implement initiatives which may be contrary to our interests. There is also a risk that these partnerships will prove unsuccessful or do not develop as expected. Further, our joint venture partners may choose to terminate the joint venture and we are party to put and call options on the equity interests of certain of our joint ventures and other businesses in which there are minority interests, the exercise of which could require us to buy out our partners, in whole or in part, or otherwise result in significant cash leakage. Moreover, joint venture and other partners may be unable or unwilling to fulfil their obligations under the relevant agreements, refuse to further invest in the joint venture or partnership if needed or may experience financial or other difficulties that may adversely impact our investment in a particular joint venture or partnership, which could have a material adverse effect on our business, financial condition and results of operations. We face the risk that either of these strategic partners may choose to terminate the partnership for reasons which may be out of our control, which could adversely impact our sales and operations.

Our real estate disposals may transact for a price below the original purchase price or investment value or may not be successfully completed, which could have a negative effect on our business.

We regularly evaluate potential disposals of non-core assets or real estate assets, pursuant to sale and leaseback transactions or sale without leaseback transactions, that may no longer help us meet our objectives. We have completed a number of disposals in recent years. When we decide to sell assets, we may encounter difficulty in finding buyers in a timely manner and on acceptable terms, which could delay the achievement of our strategic objectives. We may also dispose of assets at a price or on terms that are less desirable than we had anticipated. After reaching an agreement with a buyer for the sale of our assets, we are subject to satisfaction of pre-closing conditions, which, if not satisfied or obtained, may prevent us from completing the transaction. In connection with disposals, we may need to provide certain warranties and indemnities to the acquirer, including with respect to environmental liabilities. We cannot assure you that sales or divestitures we may seek to complete in the future will be completed on acceptable terms or at all. In addition, as of January 31, 2025, we owned approximately 3% of the real estate properties where we operate.

The market value of our non-core real estate assets and properties may decrease for various reasons, including: (i) changes in the competitive environment; (ii) changes in the attractiveness of real property as an investment asset in the markets in which our real property is located, due to changes in country-related or region-related risks; and (iii) fluctuations in demand for commercial real property. As a result of any unfavorable changes in the real property market, the market value of our real property may decrease. Any decline in the market value of our real property may result in a loss on investment upon its disposal or require us to revalue our real property, which could cause us to recognize a loss in respect of the value of such real property, which could have a material adverse effect on our business, financial condition and results of operations.

We may from time to time pursue acquisitions or disposals, both of which involve numerous risks, including relating to the integration of the acquired business, that could have an adverse impact on our business.

We have in the past acquired and disposed of and may in the future from time to time acquire or dispose of companies or businesses. Acquisitions and disposals involve numerous risks, any of which could harm our business, including: (i) difficulties in integrating the technologies, operations, existing contracts and personnel of an acquired company; (ii) difficulties in supporting and transitioning vendors, if any, of an acquired company; (iii) diversion of financial and management resources from existing operations or alternative acquisition opportunities; (iv) failure to realize the anticipated benefits or synergies of a transaction; (v) failure to identify all of the problems, expenses, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues; (vi) risks of entering new markets in which we have limited or no experience; (vii) potential loss of key employees, customers and vendors from either our current business or an acquired company's business; (viii) inability to generate sufficient revenue to offset acquisition costs; (ix) additional costs or equity dilution associated with funding the acquisition; (x) governance-related difficulties with existing minority shareholders; and (xi) possible write-offs or impairment charges relating to acquired businesses.

If we are unable to renew or replace our store leases or enter into leases for new stores on commercially acceptable terms and we cannot find suitable locations for our stores or warehouses, our growth and profitability could be harmed.

As of the date of this Report, approximately 97% of our stores and warehouses were leased pursuant to commercial leases for standard fixed terms consistent with market practices and legal constraints in our local markets. We expect that this proportion will continue to grow as we continue our program of real estate disposals and we further expand our network. Such leases usually provide for regular rent reviews, at which time our rental costs may increase pursuant to certain indices. Our ability to maintain our existing rental rates during renewals or to renew any expired lease on favorable terms will depend on many factors which are not within our control, such as applicable real estate laws and regulations, conditions in the local real estate market, competition for desirable properties and our relationships with current and perspective landlords. For example, given the prime location of many of our stores, we compete with a greater number of renters, resulting in increased rental charges for these properties. If rent reviews were to increase at higher rates than currently anticipated or if we were unable to renew any expired leases on commercially favorable terms, our financial performance could be adversely impacted. In addition, our reliance on leases and an increasing rental expenses may have a negative impact on our business and these expenses could increase disproportionately to our growth, if any.

Further, we may be unable to extend expiring lease agreements at all or may decide to close certain store locations that do not meet our financial targets or are no longer consistent with our brands' positioning. Our ability to enter into leases to open new retail locations depends on the availability of locations that meet our criteria for traffic, square footage, lease economics, demographics and other factors. In addition, the market for suitable retail locations is highly competitive. Some of our competitors may have the ability to negotiate more favorable commercial lease terms than we can.

If we are unable to renew our lease agreements as they expire or any of our existing lease agreements are terminated for any reason and we are unable to secure other favorable locations on acceptable terms, this could have a material adverse effect on our business, financial condition and results of operations.

We may incur liabilities that are not covered by insurance and could be exposed to significant financial risks if our insurance coverage proves to be inadequate.

We are exposed to risks that are inherent to our business operations and currently maintain insurance we believe is customary for businesses of our size and type. We cannot guarantee that the coverage limits under our insurance programs will be adequate to cover future claims or operating losses incurred as a result of accidents resulting from fires, explosions, water damage, theft, political unrest, natural events causing damage to our property (buildings, furniture, equipment, merchandise or computer systems) or following a business interruption at our premises, or that we will be able to maintain our insurance programs on acceptable terms in the future. Further, there may be certain types of losses with respect to which we may not be able to obtain insurance at all, for example it may not be possible to obtain insurance against losses from pandemic-related business interruptions.

We typically renew our insurance every two to three years. In connection with this renewal process, our insurance costs may increase following the occurrence of several events resulting in substantial claims for damages, in response to any negative development in our claims history or due to material price increases in the insurance market in general. If we are not able to maintain our current insurance coverage or do so at a reasonable cost or if our insurance coverage proves to be inadequate or unavailable in the future, our business, financial condition and results of operations may be adversely affected. In 2020, following the outbreak of COVID-19 and its effects on the global economy, major insurance companies around the world announced overall rate increases of 15% to 30%, with likely ensuing premium increases.

Our insurance coverage may not cover all risks and there are some risks that may only be covered to a limited extent due to limits in our insurance policies. For instance, we may incur losses that cannot be insured against or that we believe are not economically reasonable to insure. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for such losses could result in significantly higher expense than anticipated, which could adversely affect our business, financial condition and results of operations.

We depend on the services of key executives, and our business and growth strategy could be materially harmed if we were to lose these executives and were unable to replace them with executives of equal experience and capabilities.

Our success depends, in part, upon the continued services of our Management Board (as defined below) and our highly qualified managers to operate our business and execute our strategies. Our executives' and managers' knowledge of the market, our businesses and our company represents a key strength of our business model, and our experience and human capital serve as a barrier to entry to potential competitors. The success of our business strategy and our future growth also depend on our ability to attract, train, retain and motivate skilled managerial, sales, administration, development and operating personnel. There can be no assurance that any of our key personnel will continue to be employed by us or that we will be able to attract and retain qualified personnel in the future. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse effect on our business, financial condition and results of operations. This could also result in additional duties for the remaining members of management, which could have a material adverse effect on our business, financial condition and results of operations.

Increased scrutiny and changing expectations from investors, customers, employees, and others regarding our environmental, social and governance practices and reporting could cause us to incur additional costs, devote additional resources and expose us to additional risks, which could adversely impact us.

Companies across all industries are facing increasing scrutiny related to their environmental, social and corporate governance ("**ESG**") practices and reporting. Investors, customers, employees, and other stakeholders have focused increasingly on ESG practices and placed increasing importance on the implications and social cost of their investments, purchases, and other interactions with companies. For example, many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company's ESG or sustainability scores as a reputational or other factor in making an investment decision. If our ESG practices do not meet investor, customer, or employee expectations, which continue to evolve, our brand, reputation, and customer and employee retention may be negatively impacted. Any disclosure we make may include our policies and practices on a variety of ESG matters, including corporate governance, environmental compliance, employee health and safety practices, human capital management, and workforce inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG reporting, our ESG practices or our speed of adoption. We could also incur additional costs and devote additional resources to monitor, report and implement various ESG practices. If we fail, or are perceived as failing, to meet the standards included in any sustainability disclosure or the expectations of our various stakeholders, it could negatively impact, among other things, our reputation, and customer and employee retention.

We are exposed to the risk of theft or misappropriation of funds and products in our stores and warehouses.

In the ordinary course of our business, we are exposed to the risks of fraud, corruption and theft of products in our stores and warehouses. For example, from time to time, products may be misappropriated during transportation or we may experience a misappropriation of funds in our stores or at other levels of our business. In addition, the increasing use of automated checkout in our stores increases the risk of stolen products. We cannot assure that incidences of inventory loss and theft will not increase in the future or that the measures we are taking against such theft will effectively decrease inventory shrinkage. In addition to increasing security costs to combat inventory theft, the occurrence of such risks may have a material adverse impact on our results of operations and reputation.

A deterioration in our relationships with our employees, trade unions or employee representatives or a failure to extend, renew or renegotiate collective bargaining agreements on favorable terms could lead to labor disputes that might interfere with our operations or otherwise have an adverse impact on our business.

Our business is labor intensive and maintaining good relationships with our employees, unions and other employee representatives is crucial to our operations. The occurrence of strikes, work stoppages or other labor disputes could materially disrupt our operations or result in a loss of reputation or increased wages and benefits. As a result, any deterioration of our relationships with our employees, unions and other employee representatives could have a material adverse effect on our business, financial condition and results of operations.

Employees who are not cooperative members are protected by a collective bargaining agreement. As of 2024, 69% of our employees are covered by national and company-wide collective bargaining agreements which contain provisions that could affect our ability to restructure our operations and facilities or terminate employee contracts. We may not be able to extend existing agreements, renew them on their current terms or, upon the expiration of such agreements, negotiate such agreements in a favorable and timely manner or without work stoppages, strikes or similar industrial actions, any of which may have an adverse effect on our business. In June 2023, a new collective agreement was signed with the unions.

In addition, we have ongoing disputes with certain of our former employees and may face similar litigation in the future. We may also be affected by strikes or more significant disputes which could adversely affect our business, financial condition and results of operations.

Our business and the markets in which we operate may be adversely impacted by climate change, climate change regulations and adverse weather conditions.

Climate change, including the impact of global warming, subjects our businesses to a broad range of risks at several different levels. Our operations are subject to physical risks across all regions of operation, which include an increase in sea level and changes in weather conditions, such as rapid changes in precipitation and extreme weather events.

Natural disasters, fire, bioterrorism, pandemics, drought, changes in rainfall patterns or extreme weather, including floods, excessive cold or heat, hurricanes or other storms, could interfere with the continuity of our operations due to potential impairments in the food supply chain, power outages, fuel shortages, damage to our production and processing plants, disruption of transportation channels, inflated insurance premiums or increases in the price of raw materials, among other things. Any of these factors could have a material adverse effect on our business, financial condition and results of operations, either individually or in the aggregate.

In addition, we are subject to legislation and regulation regarding climate change and the emission of greenhouse gases including with respect to our supply chain, and compliance with related rules could be difficult and costly. We could incur increased energy, environmental and other costs and capital expenditures to comply with existing or new greenhouse gas emission laws and regulations. Failure to comply with any such laws and regulations could result in penalties as well as adverse consequences to our reputation and image among our customers and stakeholders. The realization of any of the foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following review relates to our financial condition and results of operations as of and for the periods discussed below. Prospective investors should read the entire Report and not just rely on the information set out below. The following discussion of our results of operations and financial condition contains forward-looking statements. Our actual results could differ materially from those that we discuss in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Report, particularly under "Risk Factors" and "Forward-Looking Statements."

Key Factors Affecting Our Results of Operations

Our results of operations are affected by a combination of factors, including global economic and political conditions as well as specific market conditions in Spain. This section discusses key factors that we believe have had a material effect on our results of operations and financial condition during the periods under review, as well as those that are reasonably likely to have a material effect on our results of operations and financial condition in the future. While we believe that our results of operations and financial condition, and particularly the results of operations and financial condition during the periods under review, have been primarily affected by the following key factors, these factors are not exhaustive, and the entirety of this Report should be reviewed, particularly the "*Risk Factors*" section.

General economic conditions, competitive position and cost environment

General economic conditions

The food retail sector is relatively stable, although subject from time to time to swings in demand due to general economic conditions. Our results of operations are therefore affected by specific economic conditions in Spain, as well as, to a lesser extent, global economic conditions. Such conditions include levels of employment, inflation, growth in gross domestic product, average and minimum wage levels, real disposable income, the availability of consumer credit (especially for the purchase of non-food goods), consumer confidence and consumer willingness to spend.

We generate the majority of our revenue from the sale of food and other non-discretionary items, demand for which is generally not as sensitive to macroeconomic conditions as demand for discretionary consumer goods. Nevertheless, economic downturns may still have an adverse impact on the sale of such items as consumers may reduce the overall amount they spend, by purchasing more entry-level products and/or shopping at stores operating under lower-cost formats, such as "discount" retailers. Even when consumers switch to entry-level products with a low-price positioning, they tend to be structurally less profitable and consumers may buy fewer quantities than previously. As a result, our profitability may be adversely impacted if our sales mix changes significantly enough due to economic conditions. To offset these trends, we also offer our private label and supplier brand goods to maximize our product offering by catering to customers with differing levels of disposable income and different attendant needs.

Competitive position

We operate in the competitive and fast-moving grocery retail industry in Spain. Mercadona has the leading position, and diversified, cross-format chains Carrefour, us and DIA hold the second, fourth and fifth largest shares. Lidl, a German discounter, has the third largest share of the Spanish grocery retail market. Although we are a retailer operating throughout Spain, most of our stores are located in Northern Spain, and we lead or co-lead the market in certain of what we consider our core regions .

We also compete with retailers and other operators for customers, employees, locations, products and other important aspects of our business. Our success depends on our ability to differentiate ourselves from our competitors and compete effectively against them on product selection, quality, price, convenience of location and overall shopping experience, with a special focus on stores and personal attention to (and skill in dealing with) our customers. Our market differentiation strategy is based on what we believe to be the broadest selection of products, complemented with local and regional brands, and a wide range of private label products, our loyalty card program, our various store concepts that cater to our customers' different shopping needs and our deployment of digital tools and innovation.

Competition may also affect the prices we charge for our products, which in turn impacts our sales revenue and retail margins, although this is usually experienced on a local or product specific basis. For example, a competitor may cut its prices to reduce its inventory or attract footfall to its stores (a tactic frequently used by hypermarkets), which in turn may push the market into a similar price reduction. Prices for our products are set on a local basis, so a reduction of prices in one area would not necessarily require a reduction in others.

Cost environment

Other significant general conditions affecting our results during the periods under review include various other macroeconomic factors, such as employment levels, inflation, wage hikes, growth in gross domestic product, real disposable income, the availability of consumer credit, consumer confidence, consumer willingness to spend and interest rates. In addition, energy costs, the invasion of Ukraine in February 2022 and the resulting raw material shortages and soaring inflation significantly affected the cost of acquiring merchandise, resulting in tighter margins and higher costs. We are typically able to pass through cost increases, although on certain products we may not fully pass through price increases for competitive reasons.

Sensitivity of our cost structure

Excluding purchases of goods sold, we have a largely fixed cost base in the short to medium term, which does not fluctuate with sales volumes. Instead, our costs generally increase from period to period based on changes in the size of our network of stores and the sensitivity of certain costs to inflation. We are able to control some costs to a certain degree, such as those related to marketing and labor (via short term contracts and agreements with our cooperative workforce; with cooperative members, who constituted approximately 31% of our workforce as of January 31, 2025, we are able to agree certain salary reductions, for example, where necessary), but must maintain sufficient sales levels to absorb the increase in our expenses in order to maintain or improve our retail margins. Certain expenses, such as rental and energy costs, are, for the most part, beyond our control.

Labor costs represented between 44% and 51% of our cost structure (which includes personnel expenses; amortization and depreciation; impairment of non-current assets and other expenses) during the periods presented. While we can adjust the size of our workforce, we are subject to Spanish minimum wage laws. Additionally, agreements with trade unions and other labor force actors typically include limitations on our ability to reduce our workforce.

Any further increase in wages, energy, maintenance or any increases to costs which is not mitigated, can also affect our results of operations.

Brand awareness and customer loyalty

We believe that our customer engagement is one of the strongest elements of our brand strategy. The awareness and perception of, and customer loyalty to, our brands have a significant impact on our sales performance. These factors are driven by our history, scale and marketing efforts, including marketing campaigns as well as our loyalty programs.

In addition to brand awareness, we also seek to increase customer loyalty and allow more targeted marketing to customers through our customer loyalty initiatives. As of January 31, 2025, we had almost 6.4 million holders of the EROSKI Club, Caprabo Club and Forum Sport Club loyalty cards. We also had more than 207 thousand holders of the EROSKI gold card and more than 304 thousand holders of the EROSKI MasterCard credit card, each of which provide customers with certain benefits such as accumulating points that can be used against future purchases with us, certain types of travel insurance and discounts over payments made outside Eroski. Our loyalty card program typically generates recurring revenues of approximately 75% per year, demonstrating the influence of our presence and our brand in the markets where we operate. The customers who use the EROSKI gold card accounted for approximately €1,044 million in sales during the fiscal year 2024 and grew at a compound annual growth rate of 11.9% from the year ended January 31, 2019 to the fiscal year 2024. The percentage of our customers who use the EROSKI MasterCard compared to other means of payment is 5.39% as of January 31, 2025, which is significant when taking into account the large number of new means of payment that are currently in the market. These programs also allow us to gather specific data about our customers and use this data to manage promotions that are targeted to specific customers. These tools increase loyalty among our customer base and allow us to focus on our most valuable customers. In addition, these tools allow us to be more effective in our promotional activity, maintaining lower advertising costs through direct contact and allow for cross-selling by understanding customer behavior. For instance, Caprabo and Cecosa grew their revenues for the twelve-month period ended January 31, 2025 by an aggregate of approximately €28 million, or approximately 2.2%, as compared to the twelve-month period ended January 31, 2024, in part by leveraging this data to cater to each customer's particular shopping habits.

Operational transformation

Over the last three years, we have continued with our operational transformation plan, under the guidance of our transformation office, which is responsible for ensuring that the targets for our strategic plan are met.

Efficiency projects

In 2024, we made substantial progress in projects related to reducing expenses. We believe that the projects have somewhat mitigated the impact of economic instability and prices during the periods under review. The projects have allowed us to implement new cost savings initiatives and to consolidate those already in place, in the following areas: efficient point of sale operations, improvements in productivity, platform efficiency, efficient supply and logistical efficiencies (for example, the automation of our Son Morro platform in Balearic Islands), and in the area of indirect expenses (for example, in our negotiations with third parties). These efficiency projects included improvements in our energy efficiency, such as the installing of LED lights and cold rooms throughout our store network. These efficiency projects and the associated cost savings have allowed us to be more aggressive in our pricing policy and improve our price positioning as against other competitors. For instance, revenue per square meter increased by €898 from €3,819 per square meter for the fiscal year 2021 to €4,716 per square meter for the fiscal year 2024.

Commercial appeal and customer service projects

We have undertaken projects to improve the range of our product offerings and evolve our fresh foods, as well as our non-food, sections. For example, in 2024, we consolidated changes in the design of our fresh products and food sections, and new concepts for our pet, perfumery and parapharmacy sections, successfully tested during the previous year. Guided by customer demand, these changes were made on the back of product range innovation and in-store implementation of the latest trends in these sections. We also introduced these new concepts as pilot projects across our store network, with a focus on both larger shops, such as supermarkets and on smaller, self-service convenience shops in city environments.

Throughout 2024, we have also continued renewing our network by consistently updating store layouts and lighting and unifying branding based on store formats that we regularly test. We transformed 49 stores in our core regions, including 7 hypermarkets and 5 Familia branded stores in Galicia. We have also commenced over 15 more transformations of Caprabo-branded models. The renovations have received a positive response from our customers and have led to increased customer satisfaction and revenue per store in the transformed locations. In 2024, we closed 11 stores in total. Of the 11 stores closed, 4 were reopened near the same locations and with expanded floor areas.

Between the fiscal years 2021 and 2024, our average capital expenditures amounted to €122 million per year, or 2.4% of our average revenue over the same period. Our average maintenance capital expenditures, which are approximately €50.7 million, or approximately 1% of revenue per year, during the same period, relate to spending required for refurbishing our stores so that they may remain operational or for substituting obsolete tangible assets in our stores. Our average expansion capital expenditures, which are approximately €71,5 million, or approximately 1.4% of revenue per year, during the same period, relate to the opening of new stores and remodelling of existing stores. We also invest in capital expenditures for our franchised locations, primarily to provide updated IT and payments systems and to update branding across our storesBetween February 1, 2021 and January 31, 2025, we established 94 new Caprabo stores, of which 4 were operated by ourselves and 90 were franchises, and we refurbished 161 existing stores.

Growth projects

We have continued to expand our store network, with the opening of seven stores in 2024, including one Familia branded supermarket, one Caprabo branded supermarket and five other supermarkets in our core regions, as well as 53 franchised stores, 13 of which are Caprabo franchisees. The openings, which have performed well, we also believe will drive revenue and help maintain our leading position in the markets in which we operate.

Research, development and innovation

Since our year ended January 31, 2023 ("fiscal year 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, soaring inflation and rising energy prices. Convenience, *i.e.*, the experience of easy and rapid purchasing, has been one of the customer trends on which we have focused our innovation efforts. We have also observed trends such as the digitalization of services, new product innovation, circularity in packaging, the conversion of waste into resources, the greater relevance of accessibility and adaptation for the older population, the strengthening of supply chains, promotions and price strategy, increased household consumption, a preference for local fresh produce and proximity consumption.

To channel these trends and demands, we have developed a proprietary combination of innovation methodologies and tools that we have incorporated into our organization to drive our positioning. Along the same lines, we have focused on open innovation as one of the main drivers of change at our organization, as well as collaboration with start-ups, technological centers, universities, suppliers and customers.

We spent €16.1 million in the fiscal year 2024 on such initiatives and expect to spend approximately €12 million per year going forward, which we expect to drive revenue and reduce expenses.

Fluctuation in value of owned real estate, divestments and sale/leaseback arrangements

As of January 31, 2025, we owned approximately 3% of the real estate properties where we operate; 97 % of our locations are leased from commercial or individual property owners.

The book value for our wholly owned real estate portfolio was €241 million as of January 31, 2025.

We believe one of the differentiators of our business model is the application of data gathered from our extensive experience and complementary business lines in our markets as well as from millions of transactions from our 6.4 million loyalty card members. This has enabled us to monitor the performance of our network, target particular stores for refurbishment (typically, we refurbish our stores completely every seven to eight years, but may make periodic updates to a specific section of a store more often), make adjustments to our offering at particular stores based on purchasing behavior and generally to optimize our network for continued success.

Our main levers of retail network management include refurbishment, expansion via new point of sale openings and deployment of new store concepts.

Our integrated internal teams have created value for our Group through research and design, strategic land purchases and disposals, delegated project management, property development and management, property letting, management of related legal affairs and asset value enhancement and management.

As part of our regular review of the performance of our real estate in the past, we have carried out a number of disposals during the periods presented. As a result of these disposals, our results of operations may not be directly comparable from one period to the next. In particular, the gain or loss realized on the sale of real estate will be recognized as, and therefore have a one-time impact on, other operating income. Sale and leaseback transactions will also have a one-time impact on other operating income, and will, during the life of the relevant leases, increase finance expense and depreciation on an as-reported basis as a result of the rental payments due to the purchasers of the properties.

On December 11, 2024, we sold a property leased to several operators in Lugo for 11.2 million. We have actively managed our property assets in line with our strategy of deleveraging and focusing on our core assets. During 2024 we carried out divestment operations for almost 37 million.

Seasonal effects

Our business is subject to seasonality. We have historically realized a higher portion of our revenues, EBITDA and cash flows in the second half of our financial year, attributable in large part to increased consumer spending during the Christmas and New Year sales periods. As a result of these factors and due to the significant stocking and de-stocking pre- and post-Christmas and winter and summer sales, our working capital requirements fluctuate during the year in response to seasonal trends in our business, and are normally at their highest in October-November when we are building up inventory for the peak Christmas season. Our working capital requirements are managed through confirming lines (or reverse factoring arrangements in the Spanish market).

Results of Operations

The following table sets out selected Consolidated Statement of Comprehensive Income data and other data for the fiscal years 2022, 2023 and 2024, as extracted from our consolidated financial information.

	For the fiscal year		
	2022	2023	2024
		(€ in thousands)	
Revenues/Revenue	4,828,195	5,185,562	5,559,814
Other income	264,720	295,497	14,700
Self-constructed non-current assets	56	347	519
Raw materials and other consumables used	(3,549,110)	(3,836,214)	(3,896,151)
Personnel expenses	(675,569)	(709,013)	(736,503)
Amortization and depreciation	(264,888)	(272,42)	(277,493)
Impairment of non-current assets/(Provisions)/reversals for impairment of non-current assets	(10,458)	(7,267)	(7,872)
Other expenses	(410,878)	(401,651)	(412,287)
Profit/(loss) before finance items and taxes/Profit before finance items and taxes	182,068	254,841	244,727
Finance income	4,976	9,873	11,182
Finance costs	(102,224)	(162,632)	(128,731)
Share in profit/(loss) for the year of equity-accounted investees/Share of profit/(loss) of equity-accounted investees	81	1,439	27
Profit/(loss) before tax from continuing operations	84,901	103,521	127,205
Income tax expense	(20,987)	5,036	(45,507)
Profit/(loss) from continuing operations	63,914	108,557	81,698
Profit/(loss) from discontinued operations	–	–	–
Profit/(loss) for the year/period	**63,914**	**108,557**	**81,698**
Profit/(loss) for the year/period attributable to equity holders of the Parent			
Continuing operations	41,974	47,067	41,268
Discontinued operations	–	–	–
Profit/(loss) for the year/period attributable to non-controlling interests			
Continuing operations	21,940	61,490	40,430
Discontinued operations	–	–	–
Profit/(loss) for the year/period	**63,914**	**108,557**	**81,698**
Other comprehensive income			
Items to be reclassified in profit or loss			
Available-for-sale financial assets/Gains/(losses) on equity instruments at fair value through other comprehensive income	1,649	1,692	2,909
Tax effect	–	(1)	(14)
Share of net income/(net expense) recognized in equity of equity-accounted investees/Share of net income/(expense) recognized in equity of equity accounted investees	–	–	–
Other comprehensive income	1,649	1,691	2,895
Total comprehensive income for the year/period	**65,563**	**110,248**	**84,593**
Total comprehensive income attributable to:			
Equity holders of the Parent[1]	43,621	48,754	44,138
Non-controlling interests	21,942	61,494	40,455

Results of Operations for the Fiscal Year 2024 Compared to the Fiscal Year 2023

Revenue

Our revenue increased by €374,252 thousand, or 7.22%, from €5,185,562 thousand in the fiscal year 2023 to €5,559,814 thousand in the fiscal year 2024. Part of this increase is due to a change in accounting criteria.Until last year, income from operating leases and subleases, income from promotional contributions, income from home services and service fees and other current management income were recognised under 'Other income'. However, during the year 2024 and in application of IFRS 15, the Group has classified such revenues under 'Revenue'. Without this effect, our revenue increased 3% form 2023 to 2024. This was mainly due to increases in inflation and improve on price competitiveness and store network profitability, as discussed below.

Revenue by segment.

	For the fiscal year	
Continuing operations and other income	**2023**	**2024**
	(€ in thousands)	
Food[a]	5,050,573	5,198,517
Real estate[b]	12,313	12,893

Continuing operations and other income	For the fiscal year 2023	2024
	(€ in thousands)	
Other[c]	122,823	123,583
Other operations	(147)	14
Total revenues	**5,185,562**	**5,335,007**
Operating lease and sublease income	13,728	15,408
Income from promotional contributions	153,997	155,756
Income from home delivery service and commissions from service	4,553	4,715
Other current management income	40,021	48,928
Total revenues from services rendered	**212,299**	**224,807**

(a) Includes the distribution of consumer products through supermarkets, hypermarkets and service stations.
(b) Includes real estate projects for the sale and/or operation of shopping centers.
(c) Other lines of business such as the sale of sports equipment, travel agencies and other retail lines of business.

Revenue from our food segment increased by €147,944 thousand, or 2.93%, from €5,050,573 thousand in the fiscal year 2023 to €5,198,517 thousand in the fiscal year 2024. This was mainly due to the effect of price inflation and competitiveness in the fiscal year 2024.

Revenue from our real estate segment increased by €580 thousand, or 4.71%, from €12,313 thousand in the fiscal year 2023 to €12,893 thousand in the fiscal year 2024. This was mainly due to an increase in the Food and Beverage Consumer Price Index ("CPI")

Revenue from our other segment increased by €760 thousand, or 0.62%, from €122,823 thousand in the fiscal year 2023 to €123,583 thousand in the fiscal year 2024. This was mainly due to Beverage Consumer Price Index ("CPI")

Until the previous year, Operating lease and sublease income, Income from promotional contributions, Income from home delivery Service and commissions from Service, and other current management income were considered in the scope of "Other current income". Nevertheless, during the year which ended January 31st, 2025 and according to the IFRS 15 application, the Eroski Group has classified this income as "Ordinary income". Therefore the classification of the previous year has been modified to facilitate the comparability.

Other income

Other income decreased by €13,992 thousand, or 48.77%, from €28,692 thousand in the fiscal year 2023 to €14,700 thousand in the fiscal year 2024. This was mainly due to a decrease in gain on sale of subsidiaries received and reversals of impairment losses and uncollectibility of trade and other receivables. During the fiscal years 2023 and 2024 are as follows:

	For the fiscal year 2023	2024
	(€ in thousands)	
Insurance compensation	656	476
Government grants	1,053	934
Gains on sale of property, plant and equipment	8,169	8,616
Gains on the sale of investment properties	-	54
Gain on sale of subsidiaries (note 1)	8,351	3
Reversals of impairment losses and uncollectibility of trade and other receivables	10,397	4,351
Excess of provisions not used for their intended purpose	66	266
Other income	**28,692**	**14,700**

Raw materials and other consumables used

Raw materials and other consumables used increased by €114,443 thousand, or 3.02%, from €3,781,708 thousand in the fiscal year 2023 to €3,896,151 thousand in the fiscal year 2024. As a percentage of revenue, raw materials and other consumables used constituted 72.93% of total revenue for the fiscal year 2023, as compared to 73.03% of total revenue for the fiscal year 2024. This was mainly due to the high rate of food inflation in the fiscal year 2024.

Personnel Personnel expenses

Personnel expenses increased by €27,490 thousand, or 3.87%, from €709,013 thousand in the fiscal year 2023 to €736,503 thousand in the fiscal year 2024. As a percentage of revenue, personnel expenses constituted 13.81% of total revenue for the fiscal year 2024, as compared to 13.67% of total revenue for the fiscal year 2023. This was mainly due to the increase in the cost of salaries due to the application of the agreements with reference to the CPI.

Details of personnel expenses incurred during the fiscal years 2023 and 2024 are as follows:

	For the fiscal year	
	2023	**2024**
	(€ in thousands)	
Salaries and wages	514,985	529,924
Termination benefits	3,706	2,624
Contributions to defined contribution plans	278	559
Employee benefits expense and taxes	190,044	203,396
Total personnel expenses	**709,013**	**736,503**

Amortization and depreciation

Amortization and depreciation increased by €5,073 thousand, or 1.86%, from €272,420 thousand in the fiscal year 2023 to €277,493 thousand in the fiscal year 2024.

Impairment of non-current assets

Impairment of non-current assets increased by €605 thousand, or 8.33%, from €7,267thousand in the fiscal year 2023 to €7,872 thousand in the fiscal year 2024.

Other expenses

Other expenses increased by €10,636 thousand, or 2.65%, from €401,651 thousand in the fiscal year 2023 to €412,287 thousand in the fiscal year 2024. This was mainly due to an increase on repairs and maintenance, independent professional services, transportation, banking and similar services, advertising and publicity, other services, losses on sale of investment property, and allocation to the education and promotion fund, and other expenses.

Finance income and costs

Finance income increased by €1,309 thousand, or 13.26%, from €9,873 thousand in the fiscal year 2023 to €11,182 thousand in the fiscal year 2024. This was mainly due to an increase in income from other financial income and financial assets measured at fair value with changes in other comprehensive income.

Finance costs decreased by €33,901 thousand, or 20.85%, from €162,632 thousand in the fiscal year 2023 to €128,731 thousand in the fiscal year 2024. The decrease was primarily due to non-recurring expenses relating to the refinancing expenses (€11,088 thousand) and expenses related to debt cancellation (€27,141 thousand).

Income tax expense

Income tax expense increased by €50,543 thousand, from €-5,036 thousand in the fiscal year 2023 to €45,507 thousand in the fiscal year 2024. The increase was primarily due to a change in the state corporate income tax regulations.

Profit/(loss) for the year attributable to equity holders of the Parent

Profit/(loss) for the year attributable to equity holders of the Parent decreased by €5,799 thousand, or 12.32%, from €47,067 thousand in the fiscal year 2023 to €41,268 thousand in the fiscal year 2024. The decrease was primarily because of the factors set forth above.

Results of Operations for the Fiscal Year 2023 Compared to the Fiscal Year 2022

Revenue

Our revenue increased by €357,367 thousand, or 7.40%, from €4,828,195 thousand in the fiscal year 2022 to €5,185,562 thousand in the fiscal year 2023. This was mainly due to increases in inflation and sales, as discussed below.

Revenue by segment

Continuing operations and other income	For the fiscal year 2022	2023
	(€ in thousands)	
Food[(a)]	4,672,481	5,050,573
Real estate[(b)]	10,981	12,313
Other[(c)]	146,162	122,823
Other operations	(1,429)	(147)
Total revenues	**4,828,195**	**5,185,562**

(a) Includes the distribution of consumer products through supermarkets, hypermarkets and service stations.
(b) Includes real estate projects for the sale and/or operation of shopping centers.
(c) Other lines of business such as the sale of sports equipment, travel agencies and other retail lines of business.

Revenue from our food segment increased by €378,092 thousand, or 8.09%, from €4,672,481 thousand in the fiscal year 2022 to €5,050,573 thousand in the fiscal year 2023. This was mainly due to increases in inflation and sales.

Revenue from our real estate segment increased by €1,332 thousand, or 12.13%, from €10,981 thousand in the fiscal year 2022 to €12,313 thousand in the fiscal year 2023. This was mainly due to an increase in the Food and Beverage Consumer Price Index ("**CPI**").

Revenue from our other segment decreased by €23,339 thousand, or 15.97%, from €146,162 thousand in the fiscal year 2022 to €122,823 thousand in the fiscal year 2023. This was mainly due to the sale of Viajes Eroski, S.A.

Other income

Other income increased by €30,777 thousand, or 16.26%, from €264,720 thousand in the fiscal year 2022 to €295,497 thousand in the fiscal year 2023. This was mainly due to an increase in incomes from promotional contributions made by our suppliers. Details of our other income received during the fiscal years 2022 and 2023 are as follows:

	For the fiscal year 2022	2023
	(€ in thousands)	
Insurance compensation	1,602	656
Operating lease income	12,624	13,728
Government grants	1,115	1,053
Gains on sale of property, plant and equipment	3,140	8,169
Gains on the sale of subsidiaries	–	8,351
Reversal of impairment losses and impairment of trade and other bad debts[(a)]	7,173	10,397
Surplus of unapplied provisions	188	66
Income from promotional contributions	194,287	208,503
Income from home delivery and service commissions	6,002	4,553
Other operating income	38,589	40,021
Other income	**264,720**	**295,497**

Raw materials and other consumables used

Raw materials and other consumables used increased by €287,104 thousand, or 8.09%, from €3,549,110 thousand in the fiscal year 2022 to €3,836,214 thousand in the fiscal year 2023. As a percentage of revenue, raw materials and other consumables used constituted 73.98% of total revenue for the fiscal year 2023, as compared to 73.51% of total revenue for the fiscal year 2022. This was mainly due to more sales and an increase in the value of raw materials.

Personnel expenses

Personnel expenses increased by €33,444 thousand, or 4.95% from €675,569 thousand in the fiscal year 2022 to €709,013 thousand in the fiscal year 2023. As a percentage of revenue, personnel expenses constituted 13.67% of total revenue for the fiscal year 2023, as compared to 13.99% of total revenue for the fiscal year 2022. This was mainly due to an increase in wages.

Details of personnel expenses incurred during the fiscal years 2022 and 2023 are as follows:

	For the fiscal year	
	2022	**2023**
	(€ in thousands)	
Salaries and wages	493,152	514,985
Termination benefits	4,425	3,706
Contributions to defined contribution plans	473	278
Employee benefits expense and taxes	177,519	190,044
Total personnel expenses	**675,569**	**709,013**

Amortization and depreciation

Amortization and depreciation increased by €7,532 thousand, or 2.84%, from €264,888 thousand in the fiscal year 2022 to €272,420 thousand in the fiscal year 2023.

Impairment of non-current assets

Impairment of non-current assets decreased by €3,191 thousand, or 30.51%, from €10,458 thousand in the fiscal year 2022 to €7,267 thousand in the fiscal year 2023.

Other expenses

Other expenses decreased by €9,227 thousand, or 2.25%, from €410,878 thousand in the fiscal year 2022 to €401,651 thousand in the fiscal year 2023. This was mainly due to a reduction on repairs and maintenance, utilities (due to a lower cost of the energy and the efficiency measures adopted), independent professional services, advertising and publicity.

Finance income and costs

Finance income increased by €4,897 thousand, or 98.41%, from €4,976 thousand in the fiscal year 2022 to €9,873 thousand in the fiscal year 2023. This was mainly due to an increase in income from interest on loans and other finance income.

Finance costs increased by €60,408 thousand, or 59.09%, from €102,224 thousand in the fiscal year 2022 to €162,632 thousand in the fiscal year 2023. The increase was primarily due to non-recurring expenses relating to the new debt instruments (€11,000 thousand) and debt repayment cost (€27,000 thousand). The rest was mainly due to the increase of the EURIBOR rate and the payments on the notes.

Income tax expense

Income tax expense decreased by €26,023 thousand, from €20,987 thousand in the fiscal year 2022 to €-5,036 thousand in the fiscal year 2023. The decrease was primarily due to a tax credit in the fiscal year 2023.

Profit/(loss) for the year attributable to equity holders of the Parent

Profit/(loss) for the year attributable to equity holders of the Parent increased by €5,093 thousand, or 12.13%, from €41,974 thousand in the fiscal year 2022 to €47,067 thousand in the fiscal year 2023. The increase was primarily because of the factors set forth above.

Liquidity and Capital Resources

Overview

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business, including working capital needs, debt service obligations, capital expenditure, operating losses acquisitions and contractual obligations and commitments. For the fiscal years 2022, 2023 and 2024, our principal sources of liquidity have been cash generated from operations, available committed facilities including the existing working capital lines, on the fiscal year 2024. We expect that following the Offering, our principal sources of liquidity will be cash generated from operations, available committed facilities including the Promissory note program, Confirming and Guarantee Facilities, our existing cash and cash equivalents and working capital. We intend to continue managing the disposal of non-core assets, including real estate assets.

Working Capital / Confirming Lines

Our working capital, defined as the difference between current assets and current liabilities (maturing in less than 12 months in both cases), is structurally negative fundamentally due to the way our industry operates. This results in the average collection period being shorter than the average payment period and is common practice in our sector, as customers pay upon purchase and suppliers are paid following delivery of their goods. Our average days payable outstanding was 45 days over the period from February 1, 2024 to January 31, 2025.

To manage our working capital, we use the promissory notes program, the confirming lines from time to time, which allow certain of our suppliers to obtain expedited payment of our invoiced trade payables from a bank or financial institution that we subsequently repay at the time such payables are due under their terms. Under confirming lines or reverse factoring in the Spanish market, the bank or other financial institution pays the supplier for the invoice amount and we subsequently repay the bank the invoice amount on its due date. The bank or other financial institution typically receives a fee from us for each invoice paid. We continue to recognize these amounts as trade payables in our financial statements until we repay the bank or other financial institution. We benefit from the use of confirming lines, as they obviate the need for us to provide any letter of credit or guarantee to our suppliers, and some suppliers offer discounts on the invoice amount if payment is received within a certain period of time after the invoice is issued.

Consolidated Cash Flow Data

The following table sets forth our consolidated cash flow data for the fiscal years 2022, 2023 and 2024.

	For the fiscal year		
	2022	**2023**	**2024**
		(€ in thousands)	
Net cash from operating activities	425,679	400,958	447,011
Net cash used in investing activities	(115,977)	(35,984)	(68,700)
Net cash used in financing activities	(298,635)	(413,278)	(378,877)
Net increase/(decrease) in cash and cash equivalents	**11,067**	**(48,304)**	**(566)**
Cash transferred to non-current assets held for sale	(8,393)	–	–
Cash and cash equivalents as at 1 February	213,359	216,033	167,729
Cash and cash equivalents as at January 31	**216,033**	**167,729**	**167,163**

Net cash from operating activities

Net cash from operating activities for the fiscal year 2024 was €447,011 thousand, a increase of €46,053 thousand, or 11.49%, compared to €400,958 thousand in the fiscal year 2023. The decrease was due to the reduced use of working capital lines (i.e. paying our suppliers/ trade debt faster) by €59,405 thousand.

Net cash from operating activities for the fiscal year 2023 was €400,958 thousand, a decrease of €24,722 thousand, or 5.80%, compared to €425,679 thousand in the fiscal year 2022. The decrease was due to the reduced use of working capital lines (i.e. paying our suppliers/ trade debt faster) by €61,727 thousand.

Net cash used in investment activities

Net cash used in investment activities for the fiscal year 2024 was €68,700 thousand, an increase of €32,716 thousand, or 90.92%, compared to €35,984 thousand in the fiscal year 2023. This was primarily attributable to the increase of Capex and the decrease in assets disposals from 2023 to 2024.

Net cash used in investment activities for the fiscal year 2023 was €35,984 thousand, a decrease of €79,993 thousand, or 69.97%, compared to €115,977 thousand in the fiscal year 2022. This was primarily attributable to proceeds from asset sales that closed in 2023 and the proceeds from the sale of Viajes Eroski, S.A.

Net cash used in financing activities

Net cash used in financing activities for the fiscal year 2024 was €378,877 thousand, a decrease of €34,401 thousand, or 8.32%, compared to €413,278 thousand in the fiscal year 2023. This was primarily due to not debt prepayments made under the refinancing closed in November 30, 2023.

Net cash used in financing activities for the fiscal year 2023 was €413,278 thousand, an increase of €114,643 thousand, or 38.39%, compared to €298,635 thousand in the fiscal year 2022. This was primarily due to debt prepayments made under the refinancing closed in November 30, 2023, higher interest payments and dividends.

Capital Expenditures (Capex)

	For the fiscal year		
	2022	**2023**	**2024**
		(€ in thousands)	
Property, plant and equipment	102,316	100,325	113,879
Other intangible assets	11,207	14,005	15,358
Goodwill	–	214	-
Investment properties	73	345	937
Property inventories	204	935	
Non-current assets held for sale	–	512	(1,475)
Total Capex	**113,800**	**116,338**	**128,699**

Between the fiscal years 2022 and 2024, our average capital expenditures amounted to €119,612 thousand per year.

Our capital expenditure amounted to €116,338 thousand for the fiscal year 2023 compared to €128,699 thousand for the fiscal year 2024, representing an increase of €12,361 thousand or 10.63%. This increase was primarily due to an increase in expansion projects.

Our capital expenditures amounted to €113,800 thousand for the fiscal year 2022 compared to €116,338 thousand for the fiscal year 2023, representing an increase of €2,538 thousand or 2.18%. This increase was primarily due to an increase in maintenance projects.

New Financing Arrangement

On December 1, 2023, Eroski, as original borrower, and Deutsche Bank, S.A.E.U., as original lender, entered into a €50 million facility agreement which was fully utilized on January 15, 2024 (the "**Facility Agreement**").

The Facility Agreement will terminate on April 29, 2029. From and including November 28, 2024, it shall be repaid annually in the amounts set out in the repayment schedule included in the Facility Agreement.

The ordinary interest rate applicable to the Facility Agreement is 2.50%, plus the 12-month EURIBOR rate, per annum. In the event that the EURIBOR rate is less than zero, it shall be deemed to be zero. On January 31, 2024 the effective interest rate was 6.829%.

Provisions

In accordance with the requirements of IFRS, we recognize provisions when we have a present legal or constructive obligation that is more likely than not to require an outflow of resources and the costs of these outflows can be estimated reliably.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period 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 recognized 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 recognized as other income in the consolidated income statement. Recognition of provisions includes significant estimates, assumptions and judgments.

Qualitative Disclosure of Market Risks

Currency risk

We do not make significant purchases in currencies other than the Euro. We have no foreign currency accounts.

Credit risk

We are not exposed to significant credit risk as most transactions are paid in cash or by credit card. Although some transactions paid by credit card are financed, this facility is given to the customers by external financial entities. Credit risk 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.

Liquidity risk

We apply a prudent policy to cover our liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities, to settle market positions.

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

Interest rate risk

The inflationary macroeconomic environment has stabilized,as the EURIBOR index and our nominal amount exposed to this index now stands at approximately €518 million (including the OSEs). Moreover, the turbulence in the financial markets and latent risks have triggered a rise in the spreads. Furthermore, the profile of our creditors now differs from the historical pattern and 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 should be remembered that this will be very expensive and we could be required to take unforeseen/undesired steps.

The control system implemented at our group level 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, 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.